

NEW HAMPSHIRE RETIREMENT SYSTEM



NHRS

New Hampshire Retirement System

Investment Manual

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SECTION I

Statement of Investment Policy

New Hampshire Retirement System Statement of Investment Policy

I. Introduction

The New Hampshire Retirement System (“NHRS” or “System”) exists solely to provide present and future retirement, disability, and survivor benefits to members and their beneficiaries, as defined by the laws of New Hampshire, and to cover reasonable expenses incurred to provide such benefits.

The System was established in 1967 by an enactment of the New Hampshire Legislature and is governed by RSA 100-A.

This Investment Manual (“Manual”) is consistent with the laws of New Hampshire. It complements the laws, documents, principles, and standards that guide the management of the System. The Executive Director and the Director of Investments shall administer this Manual pursuant to the investment policies of the System. This document is intended to be binding upon all persons with authority over the System’s assets, including external investment managers/advisors, custodians, consultants, broker-dealers, and staff.

The Manual is the end result of the System’s careful and prudent study. The Manual includes the System’s Statement of Investment Policy, Proxy Voting Policy, and Securities Lending Policy, which taken together present the Board of Trustees (“Trustees”) conclusions as the most suitable combination of investments, within the legal requirements, which will satisfy the System’s ongoing obligations for members and their beneficiaries.

This Manual also includes an Accountability Matrix in Section II. Section III of the Manual contains investment guidelines for the various asset classes in which the System invests.

II. Purpose of Manual

The purpose of this manual is to:

- A. Set forth the investment policies, objectives, and guidelines the Board judges to be appropriate, prudent and, in consideration of the Systems’ needs, to comply with current laws and to direct the System’s assets.

- B. Establish criteria to evaluate the System's investment performance.
- C. Communicate investment policies, objectives, asset class guidelines, and performance criteria to the staff, external investment managers/advisors, consultants, custodians, and all other interested parties.
- D. Serve as a review document to guide ongoing oversight of the System's investments for compliance with the laws of New Hampshire.
- E. Demonstrate the Board's fulfillment of its responsibilities to manage the investments of the System solely in the interest of members and their beneficiaries.
- F. Document the Board's fulfillment of its overall fiduciary responsibilities.

III. Responsible Parties and Their Duties

Refer to Section II of the Manual for the Accountability Matrix which details the responsibilities and duties of the Board; Independent Investment Committee; Director of Investments and Investment Staff; Internal Legal Staff; Investment Consultant(s); and Actuary.

IV. Objectives

All investment transactions undertaken on behalf of the System will be for the sole benefit of the members and their beneficiaries, for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses.

The Board recognizes that it is necessary to maintain proper diversification both among and within the asset classes and pursue an investment strategy designed to meet the long term funding requirements of the System as determined by the System's actuary. To this end, the Board's asset allocation will reflect the results of an Asset Liability Study performed at least once in every five year period, or more often, as recommended by the Investment Committee, System staff and investment advisors.

The Asset Liability study determines the mix of investments, by asset class, which is expected to produce the return required to meet future funding requirements at the lowest level of risk, given all of the assumptions made and employing a mean-variance optimization model. The current 8.5% assumed rate of return results in an "equity-centric"

model in that equity-like returns are needed to achieve the result. Equity volatility (risk) is among the highest for any asset class. In order to address this risk, an emphasis on both diversification and risk management becomes important to the long-term success of the investment program.

V. Asset Allocation Policy & Benchmarks

Asset allocation is the definition of allowable asset classes and the distribution of assets among those asset classes. As fiduciaries, the Board has a duty to diversify the investments of the System to reduce risk, while maximizing the investment return. Approximately ninety percent (90%) of the long-term total return of a fund is expected to be attributable to the asset allocation decision. The remaining ten percent (10%) is expected to be attributable to either selection of individual assets or timing. Accordingly, asset allocation is one of the most important fiduciary decisions. The Board adopts an asset allocation based on recommendations from the Investment Committee, the Director of Investments, and the investment consultant.

The asset allocation chart, which follows, contains target percentages, at market value, of the System's assets to be invested in various asset classes. The target allocations may not be attained at any specific point in time as actual asset allocation will be dictated by current and anticipated market conditions as well as independent actions of the Board.

Asset Class	Target Allocation	Allocation Range
Domestic Equity	30%	20 – 50%
Non-U.S. Equity	20%	15 – 25%
Fixed Income	30%	25 – 35%
Real Estate	10%	0 – 15%
Alternative Investments	10%	0 – 15%

The actual asset class allocation of the NHRS investment program will be reviewed by staff relative to the asset class policy targets. Staff shall seek to maintain the System's actual asset allocation within allocation ranges at all times. When rebalancing assets already within ranges, staff will give due consideration to market environments, costs and risks of implementation, potential impacts on manager-level performance, and other relevant factors.

In order to meet the long-range goals and stated objectives of the NHRS investment program, the System may allocate assets across a combination

of passive and active management strategies. The goal of passive management is to gain diversified exposure to the desired asset class while incurring minimal expense and seeking performance return comparable to the asset class benchmark. The goal of active management is to exceed the performance of the appropriate index on a net-of-fees basis at a commensurate level of risk over a market cycle.

The following benchmarks represent the standards of measurement to be used for the various investment asset classes of the New Hampshire Retirement System as determined by the Board.

Asset Class	Benchmark
Domestic Equity	Russell 3000 Index
Non-U.S Equity	MSCI All Country World Ex-U.S. Index
Global Equity	MSCI All Country World Index
Fixed Income	Barclays Capital U.S. Universal Bond Index
Real Estate	NCREIF Property Index + 50 basis points
Alternative Investments	S&P 500 Index + 5% or Consumer Price Index + 5%
Total Fund	Total Fund Custom Benchmark

The Total Fund Custom Benchmark is a weighted average return comprised of the following benchmarks in the same proportion as the target asset allocation: Russell 3000 Index, MSCI All Country World Ex-U.S. Index, Barclays Capital U.S. Universal Bond Index, NCREIF Property Index + 50 basis points, S& P 500 Index + 5%, and Consumer Price Index + 5%.

As performance results may vary under different economic conditions and market cycles, an effective period for measuring performance would span three to five years or more. Performance returns are expected to exceed the relevant benchmark on a net-of-fees basis over time.

VI. Alternative Investments

Alternative investments are nontraditional investments, not covered by another investment class (e.g. private equity and absolute return strategies). In general, alternative investments are incorporated into the NHRS asset allocation to enhance the portfolio's risk-adjusted return (private equity) or to diversify volatility (absolute return strategies).

Strategy examples for private equity include: Buyouts; Distressed Opportunities; Energy-focused; Growth Equity; Infrastructure; Mezzanine; Secondaries; Special Situations; and Venture Capital.

Strategy examples for absolute return strategies include: Credit Linked; Equity Linked; Event Driven; Trading; and Multi-Strategy.

VII. Use of Derivatives

Derivatives may only be used to modify risk/return characteristics of the portfolio, implement asset allocation changes in a cost-effective manner, or reduce transaction costs or taxes. Derivatives may not be used for speculation or leverage (borrowing).

Contracts with separate account managers will identify the types of derivatives that may be used, consistent with this Manual and prudent discretion. Managers must notify the Director of Investments of modifications in the types of derivatives used and obtain the Director of Investments' approval of such modifications. The System's Non-U.S. Equity managers generally have authorization for broader use of derivatives.

Investments in commingled funds are open to other investors; therefore, it is not possible for the System to insist that the managers of such funds abide by System policy regarding the use of derivatives. The Director of Investments will monitor a manager's use of derivatives on an ongoing basis to determine whether continued investment in a fund is prudent.

VIII. Glossary of Common Investment Terms

Investment in any particular instrument or security remains subject to applicable law and circumstances then prevailing. Notwithstanding, the most common investments are cited below:

- A. Alternative Investments are non traditional investments, not covered by another investment class (e.g. private equity and absolute return strategies)
- B. American Depositary Receipts (ADRs) are receipts for the shares of a foreign-based corporation held in the vault of a U.S. bank and entitling the shareholder to all dividends and capital gains. These are traded on various U.S.-based exchanges and are available for hundreds of stocks from numerous countries.

- C. Commercial Mortgage Backed Securities (CMBS) are multi-class bonds backed by pools of commercial mortgages.
- D. Commercial Mortgage Lending investments are notes and bonds secured by a mortgage or deed of trust providing first lien on real estate.
- E. Derivatives are financial instruments such as forwards, futures, options, or other instruments whose values are “derived” from another financial instrument.
- F. Domestic Equity Securities for System purposes typically consist of corporate common stock. These stocks must be registered on a national securities exchange or must be otherwise registered as provided in the Securities Exchange Act of 1934 as amended, with price quotations furnished through a nationwide automated quotations system approved by the National Association of Securities Dealers, Inc. (NASD). Domestic Equity Securities also include stock in corporate real estate investment trusts (REITs), which are traded on a national exchange and acquired as part of an index fund or by one of the System’s domestic equity managers.
- G. Domestic Fixed Income Securities are U.S. Treasury or Government agency obligations; equipment trust certificates; corporate, industrial, or utility bonds; U.S. dollar denominated Euro or Yankee bonds, including Canadian obligations payable in U.S. dollars; residential and commercial mortgage-backed securities; and pass-through certificates. For System purposes, Domestic Fixed Income Securities primarily consist of instruments with maturities in excess of twelve (12) months at time of purchase.
- H. Emerging Market Equities are common or preferred stocks and investment shares which are registered on exchanges outside the U.S. Emerging market countries are the developing international countries which have a relatively low per capita Gross National Product. There is wide variety of economic, regulatory, and market development among the emerging countries.
- I. Equity Real Estate Investments are any investments in real property, either made directly or through the use of pooled vehicles such as limited partnerships, open or closed-end commingled funds, Real Estate Investment Trusts (REITs)

including publicly traded REIT securities, and Real Estate Operating Companies (REOCs).

- J. International Equity Securities are common or preferred corporate stocks and investment trust shares. Only stocks registered on recognized exchanges outside the U.S. are to be considered International Equity Securities.
- K. Real Estate Mezzanine Funds are investments in funds or partnerships whose portfolios consist of junior loans secured by real estate or partnership interests in real estate ownership.
- L. Repurchase Agreements are agreements between a seller and a buyer, whereby the seller agrees to repurchase the securities at an agreed upon price and, usually, at a stated time.
- M. Securities Lending occurs when the System transfers a security to a borrower for cash or non-cash collateral pursuant to an agreement to return the collateral for an identical security in the future.
- N. Short Term Investments (Cash Equivalents) include, but are not limited to, interest bearing or discount instruments such as money market funds; U.S. Treasury Bills; corporate-issued commercial paper; bank-issued Certificates of Deposit; bankers' acceptances; and fully collateralized repurchase agreements. For System purposes, short-term investments consist primarily of instruments maturing in twelve (12) months or less at time of purchase.

IX. Glossary of Indices Used by the System

- A. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.
- B. The MSCI ACWI (All Country World Index) is a free-float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The term "free float" refers to the number of shares of stock publicly owned and available for trading.
- C. The Barclays Capital U.S. Universal Index represents the union of Barclays Capital's U.S. Aggregate Index, U.S. Corporate High-Yield, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of

the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment grade or below investment grade.

- D. The Barclays Capital U.S. Aggregate Index is an unmanaged, market-value-weighted index of taxable investment-grade fixed-rate debt issues, including government, corporate, asset-backed and mortgage-backed securities, with maturities of one year or more.
- E. The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors – the great majority being pension funds. As such, all properties are held in a fiduciary environment.
- F. The S&P 500 Stock Index measures the total return of 500 large capitalization U.S. common stocks. The index tracks leading industries and is capitalization-weighted.
- G. The Consumer Price Index measures the change in the prices paid by urban consumers for a representative basket of goods and services.

X. Glossary of Risk Types

- A. Credit Risk: The risk of default of a party owing cash to the System as the result of a transaction. These parties may include, but are not limited to, the counterparty and the issuer. Counterparty credit risk is negligible to the System for transactions cleared on a delivery versus payment (DVP) basis.
- B. Liquidity Risk: There are two types of liquidity risk: market liquidity risk and funding liquidity risk. Market liquidity risk is the risk of being unable to purchase or liquidate a security quickly enough (or in requisite quantities) at a fair price. Market liquidity risk differs from market risk (defined below). Market liquidity risk only reflects realized price changes, while market risk reflects both realized and unrealized price changes. Funding liquidity risk relates to the relative ease of the organization to meet its cash flow needs as they come due.

- C. Market Risk: The risk of unexpected change in market price (amount or direction). Price changes in securities can result from movements in equity markets, interest rates, and currency exchange rates. Market risk incorporates both realized and unrealized price changes.

- D. Operational Risk: The risk of inadequate controls against fraud, incorrect market valuation, failure to record or settle a deal, settlement with the wrong counterparty, failure to collect amounts due, failure of the computer system, or enforceability of contracts. The implications of operational risk include both financial loss and loss of reputation.

- E. Geo-Political Risk: The risk of the occurrence of an unanticipated international and/or domestic incident such as war, assassination, terrorism or energy shock that adversely affects global and capital markets resulting in the re-pricing of securities.

- F. Political Risk: The risk of nationalization or other unfavorable government action.

- G. Idiosyncratic Risk: Firm specific risk or the risk of the change in price of a security due to the unique circumstances of that security.

Proxy Voting Policy

New Hampshire Retirement System Proxy Voting Policy

INTRODUCTION

A proxy is a written power of attorney given by a shareholder of a corporation, authorizing a specific vote on the shareholder's behalf at corporate meetings. A proxy will normally pertain to election of members of the corporation's board of directors, or to various resolutions submitted for shareholder approval. The System's Proxy Voting Policy has been established to protect the System's long-term investment interests and to promote responsible corporate policies and activities which enhance a corporation's financial prospects.

U.S. PROXY VOTING GUIDELINES

I. OPERATIONAL ITEMS

Adjourn Meeting

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

Amend Quorum Requirements

Vote **against** proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

Amend Minor Bylaws

Generally, vote **for** proposals to make bylaw or charter changes that are of a housekeeping nature (updates or corrections) unless the proposed changes are believed to be detrimental to shareholder value.

Change Company Name

Generally, vote **for** proposals to change company name unless the reasons behind the change and necessity of the change have not been clearly provided by the company.

Change Date, Time, or Location of Annual Meeting

Generally, vote **for** management proposals to rotate the time or place of annual meetings unless the proposed change is unreasonable and motivation is unclear.

Generally, vote **against** shareholder proposals to rotate the time or place of annual meetings unless the current scheduling or location is unreasonable and change is determined to be in the best interests of the company and its shareholders.

Ratifying Auditors

Generally, vote **for** proposals to ratify auditors unless:

- More than 20 percent of total fees paid to the auditors are attributable to nonaudit, but not including, SEC-related work. Nonaudit fees should be calculated by adding financial information systems design and implementation fees and all other fees.
- An auditor has a financial interest in or association with the company, and is therefore not independent
- There is reason to believe that the independent auditor has rendered an opinion which is 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; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures

Vote **for** shareholder proposals that request the company rotate its auditors every five years.

Vote **for** shareholder proposals that request the board adopt a policy stating that the company's independent accountants will only provide audit services to the company and no other services.

Vote **for** shareholder proposals requesting the company submit the ratification of its auditors to a shareholder vote.

Transact Other Business

Vote **against** management proposals asking for authority to vote at the meeting for "other business" not already described in the proxy statement.

II. THE BOARD OF DIRECTORS

Voting on Director Nominees in Uncontested Elections

Votes on management proposals to elect director nominees are evaluated by taking the following factors into account: composition of the board and key board committees, attendance at board meetings, corporate governance provisions and takeover activity, long-term company performance relative to a market index, directors' investment in the company, whether the chairman is also serving as CEO, and whether a retired CEO sits on the board. However, there are some actions by directors that should result in votes being withheld. These instances include directors who:

- Attend less than 75 percent of the board and committee meetings without a valid excuse
- Implement or renew a dead-hand or modified dead-hand poison pill
- Adopts a poison pill with a term of more than 12 months ("long-term pill"), or renews any existing pill, including any "short-term" pill (12 months or less), without shareholder approval (Review such companies with classified boards every year, and such companies with annually-elected boards at least once every three years, and vote **against** or **withhold** votes from all nominees if the company still maintains a non-shareholder-approved poison pill)
- Make a material adverse change to an existing poison pill without shareholder approval
- Ignore a shareholder proposal that is approved by a majority of the shares outstanding
- Ignore a shareholder proposal that is approved by a majority of the votes cast for two consecutive years
- Failed to act on takeover offers where the majority of the shareholders tendered their shares
- Are inside directors or affiliated outsiders and sit on the audit, compensation, or nominating committees
- Are inside directors or affiliated outsiders and the full board serves as the audit, compensation, or nominating committee or the company does not have one of these committees
- Are audit committee members and the non-audit fees paid to the auditor are more than 20 percent of total fees paid to the auditors
- Are audit committee members and the company receives an adverse opinion on the company's financial statements from its auditor

- Are audit committee members and 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
- Are audit committee members and the audit committee entered into an inappropriate indemnification agreement with its auditor
- Are inside directors or affiliated outside directors and the full board is less than majority independent.
- Sit on more than two outside public company boards (i.e. more than three boards in total, including the board seat of the company for which the vote is being cast), or sit on more than one outside public company board if they are CEOs of public companies (i.e. more than two boards in total, including the seat for which the vote is being cast)
- Are on the compensation committee and potentially the full board when there is a negative correlation between chief executive pay and company performance
- Are on the compensation committee and potentially the full board when the company has problematic pay practices
- Have failed to address the issue(s) that resulted in any of the directors receiving more than 50% withhold votes out of those cast at the previous board election

In addition, directors who enacted egregious corporate governance policies or failed to replace management as appropriate would be subject to recommendations to **withhold** votes.

If the board lacks accountability and oversight coupled with sustained poor performance relative to peers, any or all appropriate nominees may be held accountable.

If 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, any or all appropriate nominees may be held accountable.

Exception may be made for new nominees.

Term Limits

Generally, vote **against** term limits unless it is determined that the lack of new perspectives, resulting from insufficient turnover, may be unfavorable to long-term investment interests.

Board Size

Vote **for** a fixed number of directors on the board.

Vote **for** management proposals to change the size of the board unless the request seeks to increase the board size to more than 12 total directors. Requests for board changes dealing with less than 12 directors will generally be supported.

Fixing the number of directors makes it more difficult for management to manipulate board size in order to advance its own interests. Adding members may be a ploy to dilute the power of opposition already on the board. Decreasing board size may be a ploy to remove opposition. Therefore, both measures should be opposed.

Classification/Declassification of the Board

Vote **against** management proposals to classify the board.

Vote **for** shareholder proposals to repeal a classified board.

Cumulative Voting

Vote **against** proposals to eliminate cumulative voting.

Vote **for** proposals to restore or permit cumulative voting in those cases where shareholders have access to the board through their own nominations.

Director and Officer Indemnification and Liability Protection

Vote **for** indemnification proposals that only cover legal expenses when the officer acted in good faith in what he/she believed was the company's interest.

Vote **against** proposals that totally eliminate officers' liability.

A certain level of protection is desirable so as to attract and keep qualified candidates as directors and officers. This protection, however, must not go so far as to excuse officers from being accountable for their actions or for becoming negligent in their duties. The protection should only be effective when officers act in good faith, for the best interests of the company. Specifically, officers should be liable for:

- a) breach of loyalty;
- b) acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law;
- c) unlawful purchases or redemptions of stock;
- d) payments of unlawful dividends; or
- e) receipt of improper personal benefits.

Establish/Amend Nominee Qualifications

Generally, vote **for** management proposals to establish or amend director qualifications unless the proposed criteria are unreasonable and would have a demonstrable effect in precluding dissident nominees from joining the board.

Vote **against** shareholder proposals requiring two candidates per board seat.

Filling Vacancies/Removal of Directors

Vote **against** management proposals to allow for a director's removal from the board only for cause. Directors should be elected or removed by a simple majority vote of shareholders.

Vote **against** management proposals which provide that only continuing directors may fill vacancies on the board.

Vote **for** proposals which allow shareholders to fill vacancies on the board.

Vote **for** proposals to restore shareholder ability to remove directors with or without cause.

Independent Chairman (Separate Chairman/CEO)

Vote **for** shareholder proposals to separate the position of chairman of the board and CEO. The combination of the two positions creates an inherent conflict of interests.

Majority Vote Proposals

Vote **for** reasonably crafted proposals calling for directors to be elected with an affirmative majority of votes cast and/or the elimination of the plurality standard for electing directors (including binding resolutions requesting that the board amend the company's bylaws), provided the proposal includes a carve-out for a plurality voting standard when there are more director nominees than board seats (e.g. contested elections).

Majority of Independent Directors/Establishment of Committees

Generally, vote **for** shareholder proposals asking that boards be comprised of a majority of independent directors, unless it has been determined that the current board composition satisfies our independence threshold.

Vote **for** shareholder proposals asking that board audit, compensation, and/or nominating committees be comprised exclusively of independent directors.

Open Access

Vote **for** any and all equal access proposals.

Equal access proposals generally relate to three major topics:

- a) discussion of management nominees for the board of directors;
- b) discussion of other management proposals;
- c) discussion of shareholders' own proposals or nominees.

Shareholders should have the freedom to obtain information and discuss all of these topics. Only with sufficient information will they be able to vote their proxies wisely and maximize the value of their stock.

Management will often oppose these equal access proposals, seeing them as an infringement of its rights. Management will argue that the added cost and length of proxy statements is inefficient. The marginal cost of longer proxies, however, will be minimal, and the cost will be borne by the stockholders anyway.

Stock Ownership Requirements

Vote **for** shareholder proposals requiring directors to own company stock in order to qualify as a director, or to remain on the board.

Shareholder proposals asking that the company adopt a holding or retention period for its executives (for holding stock after the vesting or exercise of equity awards) shall be evaluated by taking into account any stock ownership requirements or holding period/retention ratio already in place and the actual ownership level of executives.

Plurality Vote Requirement for Director Nominees

Vote **for** proposals to elect director nominees by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

III. PROXY CONTESTS

Voting for Director Nominees in Contested Elections

Votes in a contested election of directors are evaluated based on the long-term economic interest of the System, and must be examined by taking the following factors into account:

- Past performance relative to its peers;

- Market in which 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.

Reimbursing Proxy Solicitation Expenses

Generally, vote **for** proposals to reimburse all appropriate proxy solicitation expenses when voting in conjunction with support of a dissident slate. We will also generally support shareholder proposals calling for the reimbursement of reasonable costs associated with nominating one or more candidates in a contested election where the following apply:

- The election of fewer than 50% 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.

IV. ANTI - TAKEOVER MECHANISMS

Confidential Voting

Vote **for** a confidential voting policy.

Confidential voting would minimize the ability of management to influence proxy votes. It would allow shareholders the freedom to vote solely in their best interests, not considering actual or perceived pressure from management.

In order to maintain and monitor fiduciary responsibility, fiduciaries should still make their records available to clients after the confidential vote. Therefore, fiduciaries can still be held accountable for their votes.

Advance Notice Requirements for Shareholder Proposals/Nominations

Generally, vote **for** advance notice resolutions provided that the proposals seek to allow shareholders to submit proposals as close to the meeting date as reasonably possible and within the broadest window possible. A reasonable deadline for shareholder notice of a proposal/ nominations must not be more than 60 days prior to a meeting, with a submittal window of at least 30 days prior to the deadline.

Amend Bylaws without Shareholder Consent

Vote **against** proposals giving the board exclusive authority to amend the bylaws.

Vote **for** proposals giving the board the ability to amend the bylaws in addition to shareholders.

Poison Pills

Vote **for** shareholder resolutions requiring that poison pills must be submitted for shareholder approval before going into effect.

Generally, vote **against** management proposals to approve or renew a poison pill unless the following factors are present:

- 1) 20 percent or higher flip-in
- 2) Two- to three-year sunset provision
- 3) No dead-hand or no-hand provision
- 4) Shareholder redemption feature: If the board refuses to redeem the pill 90 days after an offer is announced, ten percent of the shares may call a special meeting or seek a written consent to vote on rescinding the pill.

Shareholder Ability to Act by Written Consent

Vote **against** management proposals to restrict or prohibit shareholders' ability to take action by written consent.

Vote **for** shareholder proposals to allow or make easier shareholder action by written consent.

Shareholder Ability to Call Special Meetings

Vote **against** management proposals to restrict or prohibit shareholders' ability to call special meetings.

Vote **for** shareholder proposals to allow or make easier shareholders' ability to call special meetings.

Supermajority Vote Requirements

Vote **against** management proposals to require a supermajority vote to amend any bylaw or charter provision.

Vote **for** shareholder proposals to lower supermajority vote requirements to amend any bylaw or charter provision.

V. MERGERS AND CORPORATE RESTRUCTURINGS

Appraisal Rights

Vote **for** shareholder proposals to provide rights of appraisal to dissenting shareholders.

Asset Purchases

Votes on asset purchase proposals are evaluated based on the long-term investment interests of the System, and are examined by 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
- Noncompletion risk

Asset Sales

Votes on asset sales are evaluated based on the long-term investment interests of the System, and are examined by 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

Vote **against** bundled proxy proposals.

Conversion of Securities

Votes on proposals regarding conversion of securities are determined based on the long-term economic interest of the System. 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

Votes on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan are determined based on the long-term investment interest of the System, by taking into consideration the following:

- Dilution to existing shareholders' position
- Terms of the offer
- Financial issues
- Management's efforts to pursue other alternatives
- Control issues
- Conflicts of interest

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

Votes on proposals regarding the formation of a holding company should be determined based on the long-term economic interests of the System, taking into consideration the following:

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

Absent compelling financial reasons to recommend 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 as calculated by the ISS Capital Structure model
- Adverse changes in shareholder rights

Going Private Transactions (LBOs and Minority Squeeze Outs)

Going private transactions are evaluated based on the long-term economic interest of the System, by taking into account the following: offer price/premium, fairness opinion, how the deal was negotiated, conflicts of interest, other alternatives/offers considered, and noncompletion risk.

Joint Ventures

Proposals seeking to form joint ventures are determined based on the long-term investment interests of the System, by taking into account the following: percentage of assets/business contributed, percentage ownership, financial and strategic benefits, governance structure, conflicts of interest, other alternatives, and noncompletion risk.

Liquidations

Proposals on liquidations are considered based on the long-term investment interests of the System, by 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/ Issuance of Shares to Facilitate Merger or Acquisition

Proposals to merge one company with another, or for one company to acquire another are determined based on the long-term economic interest of the System. When evaluating the proposals, shareholders should weigh the cost to the company, market

reaction, strategic rationale, the immediate and long-term benefits to shareholders, conflict of interests, and the resulting corporate governance changes.

Private Placements/Warrants/Convertible Debentures

Votes on proposals regarding private placements should be determined based on the long-term investment interests of the System. When evaluating these proposals the investor should review: dilution to existing shareholders' position, terms of the offer, financial issues, management's efforts to pursue other alternatives, control issues, and conflicts of interest.

Vote **for** the private placement if it is expected that the company will file for bankruptcy if the transaction is not approved.

Spinoffs

Votes on spinoffs should be considered based on the long-term investment interests of the System, taking the following factors into account:

- 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 Proposals

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 should be evaluated based on the following factors: prolonged poor performance with no turnaround in sight, signs of entrenched board and management, strategic plan in place for improving value, likelihood of receiving reasonable value in a sale or dissolution, and whether company is actively exploring its strategic options, including retaining a financial advisor.

VI. STATE OF INCORPORATION

Control Share Acquisition Provisions

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 Cashout Provisions

Vote **for** proposals to opt out of control share cashout statutes.

Disgorgement Provisions

Vote **for** proposals to opt out of state disgorgement provisions, if maximizing shareholder value.

Fair Price Provisions

Vote **for** management proposals to adopt a fair price provision, as long as the shareholder vote requirement embedded in the provision is no more than a majority of the disinterested shares. Vote **against** all other management fair price proposals.

Vote **for** shareholder proposals to lower the shareholder vote requirement embedded in existing fair price provisions.

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

Freeze Out Provisions

Vote **for** proposals to opt out of state freeze out provisions, if maximizing shareholder value.

Greenmail

Vote **for** proposals to restrict the company's ability to pay greenmail.

Reincorporation Proposals

Proposals to change a corporation's state of incorporation should be examined based on the long-term economic interest of the System, 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 **against** proposals that seek to reincorporate the company outside of the jurisdiction of the United States.

Stakeholder Provisions

Vote **against** proposals that ask the board to consider nonshareholder constituencies or other nonfinancial effects when evaluating a merger or business combination.

VII. CAPITAL STRUCTURE

Adjustments to Par Value of Common Stock

Vote **for** management proposals to reduce the par value of common stock, if it will not adversely affect shareholder rights.

Common Stock Authorization

Votes on proposals to increase the number of shares of common stock authorized for issuance are determined based on the long-term economic interest of the System, using a model developed by ISS.

Vote **against** proposals at companies with dual-class capital structures to increase the number of authorized shares of the class of stock that has superior voting rights.

Vote **for** proposals to approve increases beyond the allowable increase when a company's shares are in danger of being delisted or if a company's ability to continue to operate as a going concern is uncertain.

Dual-Class Stock

Proposals to recapitalize a company into dual classes of voting stock must be examined based on the long-term economic interest of the System.

Vote **against** the creation of stock with supervoting privileges.

Vote **against** proposals that introduce nonvoting shares or exchange voting shares for nonvoting shares.

Vote **for** shareholder proposals asking that a company report to shareholders on the financial impact of its dual class voting structure.

Vote **for** shareholder proposals asking that a company submit its dual class voting structure for shareholder ratification.

Issue Stock for Use with Rights Plan

Vote **against** proposals that increase authorized common stock for the explicit purpose of implementing a shareholder rights plan (poison pill).

Preemptive Rights

Vote **against** preemptive rights for shareholders:

Vote **against** proposals which request the issuance of shares with preemptive rights over a level 100 percent above currently issued capital.

Vote **against** proposals which request the issuance of shares without preemptive rights over a level 20 percent above currently issued capital.

Preferred Stock

Vote **against** proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights ("blank check" preferred stock).

Vote **for** proposals to create "declawed" blank check preferred stock (stock that cannot be used as a takeover defense).

Vote **for** proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable.

Vote **against** proposals to increase the number of blank check preferred stock authorized for issuance when no shares have been issued or reserved for a specific purpose.

Votes on proposals to increase the number of blank check preferred shares are determined after analyzing the number of preferred shares available for issue given a company's industry and performance in terms of shareholder returns.

Recapitalization

Votes on recapitalizations (reclassifications of securities) are considered based on long-term investment interests of the System, 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

Generally, vote **for** management proposals to implement a reverse stock split provided that the number of authorized shares will be proportionally reduced. In the event that a proportional reduction of authorized shares is not reciprocated, we will only support such proposals if:

- A stock exchange has provided notice to the company of a potential delisting; or
- The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with stock authorization model developed by ISS.

Share Repurchase Programs

Proposals to repurchase shares should be considered based on the long-term economic interest of the System. For example, if this is done because management believes the stock is undervalued then the measure should be approved. If the purchase is proposed as an antitakeover device, then it ought to be opposed. We generally vote **for** management proposals to institute open market share repurchase plans in which all shareholders may participate on equal terms.

Stock Distributions: Splits and Dividends

Vote **for** management proposals to increase the common share authorization for a stock split or share dividend, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance as determined using a model developed by ISS.

Generally, vote **for** proposals to approve stock splits or share dividends unless it is determined that such authorities are detrimental to the long-term economic interest of the System.

Tracking Stock

Votes **against** the creation of tracking stock.

VIII. EXECUTIVE COMPENSATION

Vote **for** resolutions intended to improve the transparency of executive compensation by:

- Requiring a company to place a dollar value on all forms of compensation paid to a company's top-five executives and to include such monetarized disclosure in the summary compensation tables filed by the company with the SEC.
- Requiring a company to disclose to shareholders that compensation paid to a company's top-five executives that are not tax-deductible for federal income tax purposes, and to state the monetary value of the costs of such non-deductibility to the company.
- Requiring a company to disclose to shareholders those gains realized by a company's top-five executives in their exercise of stock options (or in the vesting of restricted shares for restricted share grants) and to report what fraction, if any, is attributable to company outperformance of its industry peers.
- Requiring a company to periodically disclose to shareholders equity investments received as compensation and unloaded by any of the company's top-five executives.

Vote **for** resolutions intended to improve the linkage of executive pay-for-performance by:

- Indexing the exercise price of a company's stock option grants to industry sector or broad market stock movements, or by linking the exercise price to changes in the stock price of firms among the company's industry peer group.
- Establishing executive bonus plans that would discount those improvements in a company's financial performance attributable to industry sector or broad market movements.
- Establishing executive bonus plans that would not utilize metrics based on a company's absolute increases in earnings, sales, or revenues, but rather based on the company's performance relative to its industry peer group.
- Prohibiting a company's top-five executives from unwinding equity-based incentive compensation received from the company.
- Prohibiting a company's top-five executives from hedging or employing any measure intended to eliminate their exposure to a decline in the company stock price.
- Requiring a company's top-five executives to publicly disclose, not less than ten days in advance, their intention to sell company stock, including the number of shares to be sold.

- Requiring “clawback” provisions in executive compensation arrangements that would result in a return to the company of executive over-payments based on performance metrics that are subsequently depressed upon a company’s restatement of earnings.
- Requiring equity-based executive compensation arrangements to be “dividend neutral” – i.e., neither encouraging nor discouraging the payment of stock dividends to shareholders.
- Requiring executive stock option plans to adjust downward the exercise price of such options to reflect dividend payments made on company stock during the executive’s holding period.
- Curtailing Supplemental Executive Retirement Plans (SERPs) for the top-five executives in the event a company terminates, “freezes”, or otherwise curtails a defined benefit plan covering its rank-and-file employees.
- Reducing benefits provided under severance arrangements for a company’s chief executive officer (CEO).
- Limiting the ratio of the sum of the compensation paid to a company’s top-five executives to 8% of the company’s aggregate earnings.

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

Generally, evaluate executive pay and practices based on the overall executive compensation structure’s ability to effectively motivate participants to focus on long-term shareholder value and returns, while adhering to market law, disclosure and best practice standards.

Vote **against** management say on pay (MSOP) proposals, **against/withhold** on compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO), and/or **against** an equity-based incentive plan proposal if:

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

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

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

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

We will evaluate these proposals based on our existing policies related to severance packages and problematic pay practices.

Equity-Based and Other Incentive Plans

Proposals concerning director compensation are determined based on compensation methodology developed by ISS.

Vote **against** awarding stock option plans as compensation for directors.

Stock Plans in Lieu of Cash

Votes **for** plans which provide directors with the choice of taking all or a portion of their cash compensation in the form of stock or which provide a dollar-for-dollar cash for stock exchange.

Director Retirement Plans

Vote **against** retirement plans for nonemployee directors.

Vote **for** shareholder proposals to eliminate retirement plans for nonemployee directors.

Management Proposals Seeking Approval to Reprice Options

Vote **against** management proposals seeking approval to reprice options.

Shareholder Proposals Regarding Executive and Director Pay

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.

Vote **against** shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation.

Vote **against** shareholder proposals requiring director fees be paid in stock only.

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

All other shareholder proposals regarding executive and director pay are evaluated by taking into account company performance, pay level versus peers, pay level versus industry, and long term corporate outlook.

Qualified Employee Stock Purchase Plans

Vote **for** proposals to approve qualified 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 ten percent or less of the outstanding shares.

Nonqualified Employee Stock Purchase Plans

Vote **for** proposal to approve nonqualified employee stock purchase plans where all of the following apply:

- Broad-based participation (i.e., all employees of the company with the exclusion of individuals with 5 percent or more of beneficial ownership of the company);
- 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;
- No discount on the stock price on the date of purchase since there is a company matching contribution.

In the event that company matching contribution exceeds 25 percent of employee's contribution, we will evaluate the cost of plan against an allowable cap developed by ISS.

Employee Stock Ownership Plans (ESOPs)

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.)

401(k) Employee Benefit Plans

Vote **for** proposals to implement a 401(k) savings plan for employees.

Performance-Based Awards

Generally vote **for** shareholder proposals advocating the use of performance-based awards like indexed, premium-priced, and performance-vested options or performance-based shares, unless:

- The proposal is overly restrictive (e.g., it mandates that awards to all employees must be performance-based or all awards to top executives must be a particular type, such as indexed options)
- The company demonstrates that it is using a substantial portion of performance-based awards for its top executives

Pay-for-Superior-Performance Standard

Generally vote **for** shareholder proposals requesting to establish a pay-for-superior-performance standard whereby the company discloses defined financial performance criteria and a detail list of comparative peer group to allow shareholders to sufficiently determine the pay and performance correlation established in the plan. In addition, establish that no award should be paid out unless the company performance exceeds its peer's median or mean performance on the selected financial and stock price performance criteria.

Golden Parachutes and Executive Severance Agreements

Vote **for** shareholder proposals to require golden parachutes or executive severance agreements to be submitted for shareholder ratification, unless the proposal requires shareholder approval prior to entering into employment contracts.

Proposals to ratify or cancel golden parachutes are determined based on several qualifying factors. An acceptable parachute should include the following:

- The triggering mechanism should be beyond the control of management
- The amount should not exceed three times base amount (defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change of control occurs)
- Change-in-control payments should be double-triggered, i.e., (1) after a change in control has taken place, and (2) termination of the executive as a result of a “change in control”, meaning a change in the company ownership structure.

Pension Plan Income Accounting

Vote **for** shareholder proposals to exclude pension plan income in the calculation of earnings used in determining executive bonuses/compensation.

Supplemental Executive Retirement Plans (SERPs)

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.

In addition, generally vote **for** shareholder proposals urging the board 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 and excluding of all incentive or bonus pay from the plan's definition of covered compensation used to establish such benefits.

Advisory Vote on Executive Compensation (Say-on-Pay)

Generally vote **for** shareholder proposals asking the board to propose an advisory resolution seeking to ratify the compensation of the company's named executive officers (NEOs) on an annual basis. The proposal submitted to shareholders should make it clear that the vote is non-binding and would not have an impact on compensation paid or awarded to any NEO.

Disclosure of Board or Company's Utilization of Compensation Consultants

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

IX. SOCIAL AND ENVIRONMENTAL ISSUES

Social issue proposals will be considered based on their potential impact on the long-term economic interests of the System. Generally, we will **abstain** absent clear effect of proposal on share value.

NON-U.S. PROXY VOTING GUIDELINES

I. OPERATIONAL ITEMS

Allocation of Income

Vote **for** approve of the allocation of income, unless:

- The dividend payout ratio has been consistently below 30 percent without adequate explanation; or
- The payout is excessive given the company's financial position.

Amend Minor Bylaws/Articles of Association

Generally, vote **for** proposals to make bylaw or charter changes that are of a housekeeping nature (updates or corrections) unless the proposed changes are believed to be detrimental to shareholder value.

Amend Quorum Requirements

Proposals to amend quorum requirements for shareholder meetings are evaluated based on several factors which include: market norms, the company's reasons for the change, and the company's ownership structure.

Change in Company Fiscal Term

Vote **for** proposals to change a company's fiscal term unless the company's motivation for the change is to postpone its annual general meeting.

Financial Statements/Director and Auditor Reports

Vote **for** proposals to approve financial statements and director and auditor reports, unless:

- There are concerns about the accounts presented or audit procedures used; or
- The company is not responsive to shareholder questions about specific items that should be publicly disclosed.

General Meeting Formalities

In some markets, shareholders are routinely asked to approve:

- the opening of the shareholder meeting
- acknowledge proper convening of meeting

- that the meeting has been convened under local regulatory requirements
- the presence of quorum
- the agenda for the shareholder meeting
- the election of the chair of the meeting
- the appointment of shareholders to co-sign the minutes of the meeting
- regulatory filings
- the designation of inspector or shareholder representative(s) of minutes of meeting
- the designation of two shareholders to approve and sign minutes of meeting
- the allowance of questions
- the publication of minutes
- the closing of the shareholder meeting
- authorize board to ratify and execute approved resolutions
- prepare and approve list of shareholders

As these are typically formalities associated with the convening of general shareholder meetings, generally vote **for** these and similar routine management proposals.

Lower Disclosure Threshold for Stock Ownership

Vote **against** proposals to lower the stock ownership disclosure threshold below 5 percent unless specific reasons exist to implement a lower threshold.

Stock (Scrip) Dividend Alternative

Generally, vote **for** stock (scrip) dividend proposals.

Vote **against** proposals that do not allow for a cash option unless management demonstrates that the cash option is detrimental to shareholder value.

Transact Other Business

Vote **against** other business when it appears as a voting item.

II. AUDITORS

Appointment of Auditors and Auditor Fees

Vote **for** the reelection of auditors and proposals authorizing the board to fix auditor fees, unless:

- There are serious concerns about the accounts presented or the audit procedures used;
- The auditors are being changed without explanation; or
- Non-audit-related fees are substantial or are routinely in excess of standard annual audit-related fees.

Vote **against** the appointment of external auditors if they have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

Appointment of Internal Statutory Auditors

Vote **for** the appointment or reelection of statutory auditors, unless:

- There are serious concerns about the statutory reports presented or the audit procedures used;
- Questions exist concerning any of the statutory auditors being appointed; or
- The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

Auditor Indemnification and Liability Provisions

Vote **against** proposals to indemnify auditors.

III. THE BOARD OF DIRECTORS

Voting on Director Nominees in Uncontested Elections (Non-U.S.)

Votes on management nominees in the election of directors are evaluated by observing relevant market listing rules and regulations, coupled with local market best practice standards. We will typically not support nominees if:

- Adequate disclosure has not been provided in a timely manner;
- There are clear concerns over questionable finances or restatements;

- There have been questionable transactions with conflicts of interest;
- There are any records of abuses against minority shareholder interests; or
- The board fails to meet minimum corporate governance standards.

Vote **for** individual nominees unless there are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.

Vote **against** individual directors if repeated absences at board meetings have not been explained (in countries where this information is disclosed).

Votes in a contested election of directors are evaluated based on the long-term economic interest of the System, and must be examined by taking the following factors into account:

- Past performance relative to its peers;
- Market in which 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.

Vote **for** employee and/or labor representatives if they sit on either the audit or compensation committee *and* are required by law to be on those committees. Vote **against** employee and/or labor representatives if they sit on either the audit or compensation committee, if they are not required to be on those committees.

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

- Material failures of governance, stewardship, or fiduciary responsibilities at the company; or
- Failure to replace management as appropriate; or
- Egregious actions related to the 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.

Board Structure

Vote **for** proposals to fix board size.

Vote **against** the introduction of classified boards and mandatory retirement ages for directors.

Director and Officer Indemnification and Liability Provisions

Votes on proposals seeking indemnification and liability protection for directors and officers are examined based on the indemnification and liability protections applicable in each respective market, provided that they are within reason. We will generally only support those proposals that provide directors and officers protection if they have acted in good faith on company business and were found innocent of any civil or criminal charges for duties performed on behalf of the company.

Discharge of Directors

Generally vote **for** the discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling controversies that the board is not fulfilling its fiduciary duties warranted by:

- A lack of oversight or actions by board members which invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest; or
- Any legal issues (e.g. civil/criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, and other illegal actions; or
- Other egregious governance issues where shareholders will bring legal action against the company or its directors.

IV. PROXY CONTESTS

Voting for Director Nominees in Contested Elections

Votes in a contested election of directors are evaluated based on the long-term economic interest of the System, and must be examined by taking the following factors into account:

- Past performance relative to its peers;
- Market in which 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.

V. ANTI - TAKEOVER MECHANISMS

Anti-takeover/Entrenchment Devices

Generally vote **against** all antitakeover proposals, unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.

Depository Receipts and Priority Shares

Generally vote **against** the introduction of depository receipts and priority shares.

Issuance of Free Warrants

Generally vote **against** the issuance of free warrants.

Mandatory Takeover Bid Waivers

Generally, vote **for** proposals to waive mandatory takeover bid requirements provided that the event prompting the takeover bid is a repurchase by the company of its own shares. During a buyback of shares, the relative stake of a large shareholder increases even though the number of shares held by the large shareholder has not changed. In certain markets, the mandatory bid rules require a large shareholder to make a takeover offer if its stake in the company is increased on a relative basis as a result of a share repurchase by the company. Companies in such markets may seek a waiver from the takeover bid requirement applicable to their large shareholder.

Renew Partial Takeover Provision

Generally vote **for** the adoption of this proposal as this article provides protection for minority shareholders by giving them ultimate decision-making authority based on their own interests.

VI. MERGERS AND CORPORATE RESTRUCTURINGS

Control and Profit Transfer Agreements

Generally vote **for** management proposals to approve control and profit transfer agreements between a parent and its subsidiaries.

Expansion of Business Activities

Vote **for** resolutions to expand business activities unless the new business takes the company into risky areas.

Mergers and Acquisitions/ Issuance of Shares to Facilitate Merger or Acquisition

Proposals to merge one company with another, or for one company to acquire another are determined based on the long-term economic interest of the System. When evaluating the proposals, shareholders should weigh the cost to the company, market reaction, strategic rationale, the immediate and long-term benefits to shareholders, conflict of interests, and the resulting corporate governance changes.

Vote **against** if the companies do not provide sufficient information upon request to make an informed voting decision.

Related-Party Transactions

Evaluate resolutions that seek shareholder approval on related party transactions (RPTs), considering factors including, but not limited to, the following:

- the parties on either side of the transaction;
- the nature of the asset to be transferred/service to be provided;
- the pricing of the transaction (and any associated professional valuation);
- the views of independent directors (where provided);
- the views of an independent financial adviser (where appointed);
- whether any entities party to the transaction (including advisers) are conflicted; and
- the stated rationale for the transaction, including discussions of timing.

If there is a transaction that NHRS deemed problematic and that was not put to a shareholder vote, we may recommend against the election of the director involved in the related-party transaction or the full board.

Reorganizations/Restructurings

Proposals to approve reorganizations and restructurings are evaluated based on the long-term economic interest of the System. When evaluating such proposals, shareholders should consider if there are clear conflicts of interest among the various parties, if shareholder rights' are being negatively affected, or if certain groups or shareholders appear to be getting a better deal at the expense of general shareholders.

VII. COUNTRY OF INCORPORATION

Reincorporation Proposals

Proposals to change a corporation's country of incorporation should be examined based on the long-term economic interest of the System, 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 country and destination country

VIII. CAPITAL STRUCTURE

Adjust Par Value of Common Stock

Vote **for** management proposals to reduce par value of common stock.

Capitalization of Reserves for Bonus Issues/Increase in Par Value

Vote **for** requests to capitalize reserves for bonus issues of shares or to increase par value.

Debt Issuance Requests

Votes on non-convertible debt issuance requests with or without preemptive rights are evaluated based on their individual merits, demonstrated need, and long-term investment interests of the company. We will examine the potential impact the proposed authority may have on the company's debt ratio, and further compare the level with similar peers in the industry.

Vote **for** the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets recommended guidelines on equity issuance requests.

Vote **for** proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders.

Increases in Authorized Capital

Vote **for** non-specific proposals to increase authorized capital up to 100 percent over the current authorization unless the increase would leave the company with less than 30 percent of its new authorization outstanding.

Vote **for** specific proposals to increase authorized capital to any amount, unless:

- The specific purpose of the increase (such as a share-based acquisition or merger) does not meet recommended guidelines for the purpose being proposed; or
- The increase would leave the company with less than 30 percent of its new authorization outstanding after adjusting for all proposed issuances.

Vote **against** proposals to adopt unlimited capital authorizations.

Increase in Borrowing Powers

Votes on proposals to approve increases in a company's borrowing powers are evaluated based on their individual merits, demonstrated need, and long-term investment interests of the company. We will examine the potential impact the proposed authority may have on the company's debt ratio, and further compare the level with similar peers in the industry.

Pledging of Assets for Debt

Votes on proposals to approve the pledging of assets for debt are evaluated based on their individual merits, demonstrated need, and long-term investment interests of the company. We will examine the potential impact the proposed authority may have on the company's debt ratio, and further compare the level with similar peers in the industry.

Preferred Stock

Vote **for** the creation of a new class of preferred stock or for issuances of preferred stock up to 50 percent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders.

Vote **for** the creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets ISS guidelines on equity issuance requests.

Vote **against** the creation of a new class of preference shares that would carry superior voting rights to the common shares.

Vote **against** the creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.

Votes on proposals to increase blank check preferred authorizations are evaluated based on the rationale for requested increase, the ability for the company to use the blank check preferred stock as a takeover defense, and whether the company has historically issued such stock for legitimate financing purposes.

Preemptive Rights

Vote **against** proposals which request the general issuance of shares with preemptive rights over a level 100 percent above currently issued capital (33 percent for the UK, 50 percent for France).

Vote **against** proposals which request the general issuance of shares without preemptive rights over a level 20 percent above currently issued capital (five percent for the UK).

All requests for a specific issuance are evaluated based on their individual merits, demonstrated need, and long-term investment interests of the company.

Reduction of Capital

Vote **for** proposals to reduce capital for routine accounting purposes unless the terms are unfavorable to shareholders.

Generally, vote **for** proposals to reduce capital in connection with corporate restructuring, as opposition could lead to insolvency, which is not in the long-term economic interests of shareholders. Evaluation of this type of proposal should take a realistic approach to the company's situation and the future prospects for shareholders.

Reissuance of Repurchased Shares

Vote **for** requests to reissue any repurchased shares unless there is clear evidence of abuse of this authority in the past.

Share Repurchase Programs

Generally vote **for** share repurchase programs/market repurchase authorities, provided that the proposal meets the following parameters:

- Maximum volume: 10 percent for market repurchase within any single authority and 10 percent of outstanding shares to be kept in treasury ("on the shelf");

- Duration does not exceed 18 months.

For markets that either generally do not specify the maximum duration of the authority or seek a duration beyond 18 months that is allowable under market specific legislation, we will assess the company's historic practice. If there is evidence that a company has sought shareholder approval for the authority to repurchase shares on an annual basis, we will support the proposed authority.

In addition, vote **against** any proposal where:

- The repurchase can be used for takeover defenses;
- There is clear evidence of abuse;
- There is no safeguard against selective buybacks;
- Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

We may support share repurchase plans in excess of 10 percent volume under exceptional circumstances, such as one-off company specific events (e.g. capital restructuring). Such proposals will be assessed based on merits, which should be clearly disclosed in the annual report, provided that following conditions are met:

- The overall balance of the proposed plan seems to be clearly in shareholders' interests;
- The plan still respects the 10 percent maximum of shares to be kept in treasury.

IX. EXECUTIVE COMPENSATION

Executive Compensation Plans

All compensation proposals will be reviewed based on local market best practice standards.

Director Remuneration and Compensation

Vote **for** proposals to award cash fees to non-executive directors unless the amounts are excessive relative to other companies in the country or industry.

Votes on non-executive director compensation proposals that include both cash and share-based components are determined based on whether the terms of the proposed compensation can effectively motivate participants to focus on long-term shareholder value and returns, while adhering to local market law, disclosure and best practice

standards. However, we will typically vote **against** awarding stock option plans as compensation for non-executive directors.

Votes on proposals that bundle compensation for both non-executive and executive directors into a single resolution are determined based on whether the terms of the proposed compensation can effectively motivate participants to focus on long-term shareholder value and returns, while adhering to local market law, disclosure and best practice standards. However, we will typically vote **against** awarding stock option plans as compensation for non-executive directors.

Vote **against** proposals to introduce retirement benefits for non-executive directors.

Director and Statutory Auditor Retirement Plans

Vote **against** retirement plans for nonemployee directors and statutory auditors.

Vote **for** shareholder proposals to eliminate retirement plans for nonemployee directors and statutory auditors.

Remuneration Report

Management proposals seeking ratification of a company's remuneration policy are evaluated by considering a combination of local market law and best practice standards. We will typically oppose a company's remuneration policy if the proposed compensation policy/report was not made available to shareholders in a timely manner, or if the level of disclosure of the proposed compensation policy is below what local market best practice standards dictate.

X. SOCIAL AND ENVIRONMENTAL ISSUES

Social issue proposals will be considered based on their potential impact on the long-term economic interests of the company. Generally, we will **abstain** absent clear effect of proposal on share value.

Securities Lending Policy

New Hampshire Retirement System Securities Lending Policy

This policy governs the System's direct lending program. The direct lending program covers securities directly owned by NHRS in separately managed accounts. This policy does not address indirect lending, where securities are lent from commingled investment funds.

Securities lending occurs when the System loans a security to a borrower, such as a broker-dealer or a bank, for cash or non-cash collateral pursuant to an agreement to return the identical security to NHRS in the future. Securities are borrowed for a number of reasons, including settlement of short sales and to cover hedges, options, arbitrage positions and settlement fails. Consequently, the borrower receives custody of the loaned security and has the right to resell it. The borrower, however, is obligated to return the exact same security at the end of the loan period and to make the System whole for dividends, interest, and other distributions as if the security remained in the System's portfolio during the loan period. The System does not retain the right to vote on any proxies for a given security during the period the security is on loan.

Due to the current relationship of risk to reward involved in securities lending, and the limited earning potential associated with this activity due to very low interest rates, the NHRS no longer participates in the practice of securities lending. To the extent practicable, we will make every effort to apply this policy to any commingled fund in which the NHRS may invest.

SECTION II

Accountability Matrix

New Hampshire Retirement System Accountability Matrix

Total Fund Investment Policy¹

Function	Independent Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant	Actuary
1. Establishing (and modifying when necessary) investment policy, which includes risk tolerances and investment objectives	Recommends 100-A:14-b, III; A:15, I-a(b) & VII(c)	Decides 100-A:15, I; I-a(b) & (c); & VII(c)	Provides advice/analysis		Provides advice/analysis	Provides input
2. Establishing asset allocation targets and ranges	Recommends A:15, VII(c)(2)	Decides A:15, VII(c)(2)	Provides advice/analysis		Provides advice/analysis	
3. Determining Investment Committee's philosophy for investing assets	Decides A:15, VII(a)	Reviews A:15, VII(a)	Provides advice/analysis			
4. Rebalancing procedures	Decides A:15, I, II-a(b), & VII(c)(2)	Reviews A:15, I-a(c) & VII(c)(2)	Provides advice/analysis		Provides advice/analysis	
5. Monitoring policy compliance	Assigns responsibility A:15, I-a(a)	Reviews A:15, I-a(a)	Oversees		Serves as a double check	
6. Ensuring statutory compliance of investments parameters	Reviews quarterly A:15, I-a(a)	Reviews annually A:15, I-a(a)	Monitors compliance	Reviews for legal compliance	Abides by parameters	
7. Monitoring Total Fund performance	Reviews and reports to the Board quarterly A:15, II-a(c)	Review quarterly IIC reports A:15, II-a(c)	Provides advice/analysis		Provides advice/analysis	
8. Completing comprehensive annual investment report (as outlined in HB 1645)	Prepares A:15, VII	Approves A:15, VII	Provides assistance	Provides assistance	Provides assistance	Provides assistance

¹ Items in red are responsibilities dictated by statute.

Domestic Equity²

Function	Independent Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant
1. Determining domestic equity asset class guidelines (active vs. passive, style, limitations, etc.)	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
2. Setting and reviewing domestic equity benchmarks	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Provides Advice/Analysis		Provides advice/analysis
3. Determining number and types of managers for each asset class	Decides A:14-b, III; A:15, II-a(b)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
4. Selecting external investment managers	Decides A:14-b, III; A:15, II-a(b)	Monitors A:15, I-a(a)	Recommends	Reviews contracts	Influences / Recommends
5. Monitoring compliance with asset class strategy and guidelines	Assigns Responsibility A:15 VII(c)(3)	Reviews A:15, I-a(a); & VII(c)(3)	Oversees		Serves as a double check
6. Reviewing asset class performance	Reviews and reports to the Board quarterly A:15, II-a(c)	Reviews quarterly IIC reports A:15, II-a(c)	Provides advice/analysis		Provides advice/analysis
7. Monitoring performance of external investment managers	Reviews on-going basis A:14-b, III; A:15 VII(c)(3)	Reviews quarterly reports A:15, II-a(c)	Completes monitoring activities		Completes monitoring activities

² Items in red are responsibilities dictated by statute.

International Equity³

Function	Independent Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant
1. Determining international equity asset class guidelines (active vs. passive, style, limitations, etc.)	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
2. Setting and reviewing international equity benchmarks	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Recommends		Provides advice/analysis
3. Determining number and types of managers for each asset class	Decides A:14-b, III; A:15, II-a(b)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
4. Selecting external investment managers	Decides A:14-b, III; A:15, II-a(b)	Monitors A:15, I-a(a)	Recommends	Reviews contracts	Influences / Recommends
5. Monitoring compliance with asset class strategy and guidelines	Assigns Responsibility A:15, I-a(a)	Reviews A:15, I-a(a)	Oversees		Serves as a double check
6. Reviewing performance of the asset class	Reviews and reports to the Board quarterly A:15, II-a(c)	Reviews quarterly IIC reports A:15, II-a(c)	Provides advice/analysis		Provides advice/analysis
7. Monitoring performance of external investment managers	Reviews on on-going basis A:14-b, III; A:15 VII(c)(3)	Reviews quarterly reports A:15, II-a(c)	Completes monitoring activities		Completes monitoring activities

³ Items in red are responsibilities dictated by statute.

Fixed Income⁴

Function	Independent Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant
1. Determining fixed income asset class guidelines (active vs. passive, style, limitations, etc.)	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
2. Setting and reviewing asset class benchmarks	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Recommends		Provides advice/analysis
3. Determining number and types of managers for each asset class	Decides A:14-b, III; A:15, II-a(b)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
4. Selecting external investment managers	Decides A:14-b, III; A:15, II-a(b)	Monitors A:15, I-a(a)	Recommends	Reviews contracts	Influences / Recommends
5. Monitoring compliance with asset class strategy and guidelines	Assigns responsibility A:15 VII(c)(3)	Reviews A:15, VII(c)(3)	Oversees		Serves as a double check
6. Reviewing performance of asset classes	Reviews and reports to the Board quarterly A:15, II-a(c)	Reviews quarterly IIC reports A:15, II-a(c)	Provides advice/analysis		Provides advice/analysis
7. Monitoring performance of external investment managers	Reviews on on-going basis A:14-b, III; A:15 VII(c)(3)	Reviews quarterly reports A:15, II-a(c)	Completes monitoring activities		Completes monitoring activities

⁴ Items in red are responsibilities dictated by statute.

Real Estate ⁵

Function	Independent Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant
1. Determining real estate asset class guidelines (diversification, style, limitations, etc.)	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
2. Setting and reviewing asset class benchmarks	Decides A:14-b, III; A:15, VII	Reviews A:15, VII	Provides advice/analysis		Provides advice/analysis
3. Determining number and types of managers for the asset class	Decides A:14-b, III; A:15, II-a(b)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
4. Selecting external investment management firms	Decides A:14-b, III; A:15, II-a(b)	Monitors A:15, I-a(a)	Influences	Reviews contracts	Influences
5. Monitoring compliance with policy	Assigns responsibility	Reviews A:15, I-a(a)	Oversees		Serves as a double check
6. Reviewing performance of the asset class	Reviews and reports to the Board quarterly A:15, II-a(c)	Reviews quarterly IIC reports A:15, II-a(c)	Provides advice/analysis		Provides advice/analysis
7. Monitoring performance of external investment managers	Reviews on on-going basis A:14-b, III; A:15 VII(c)(3)	Reviews quarterly reports A:15, II-a(c)	Completes monitoring activities		Completes monitoring activities
8. Valuation of real estate	Reviews quarterly A:15, I-a(b)(3) & VII(c)(3)	Monitors A:15, I-a(a)	Ensures valuations are completed		Assists as needed
9. Executing purchase and sale agreements on real estate	Reviews quarterly A:15, II-a(b); VII(c)(3)		Ensures valuations are completed	Reviews contracts	

⁵ Items in red are responsibilities dictated by statute.

Alternatives Investments Policy⁶

Function	Independent Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant
1. Determining alternative asset class guidelines (style, diversification, limitations, etc.)	Decides A:15, I-a(a)	Reviews A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
2. Setting and reviewing asset class benchmarks	Decides A:14-b, III; A:15, VII	Reviews A:15, VII	Provides advice/analysis		Provides advice/analysis
3. Approving number and types of external managers	Decides A:14-b, III; :15, II-	Monitors A:15, I-a(a)	Provides advice/analysis		Provides advice/analysis
4. Selecting external investment management firms	Decides A:14-b, III; A:15, II-a(b)	Monitors A:15, I-a(a)	Influences	Reviews contracts	Influences
5. Monitoring compliance with policy	Assigns Responsibility A:15 VII(c)(3)	Reviews A:15, I-a(a)	Oversees		Serves as a double check
6. Reviewing performance of the asset class	Reviews and reports to the Board quarterly A:15, II-a(c)	Reviews quarterly IIC reports A:15, II-a(c)	Provides advice/analysis		Provides advice/analysis
7. Monitoring performance of external investment managers	Reviews on on-going basis A:14-b, III; A:15	Reviews quarterly reports A:15, II-a(c)	Completes monitoring activities		Completes monitoring activities
8. Valuation of private equity	Reviews quarterly A:15, I-a(b)(3) & VII(c)(3)		Ensures valuations are completed		Assists as needed
9. Executing partnership agreements on private equity	Reviews quarterly A:14-b, III; A:15, II-a(b)		Ensures agreements are executed	Reviews agreements	

⁶ Items in red are responsibilities dictated by statute.

Selection and Monitoring of Investment Managers⁷

Function	Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant
1. Selecting specific external investment management firms	Decides A:14-b, III; A:15, II-a(b)	Monitors A:15, I-a(a)	Influences	Reviews contracts	Influences
2. Conducting due diligence meetings and activities	Reviews staff/consultants A:15, I-a(a)		Oversees Due diligence		Completes due diligence activities
3. Developing individual manager guidelines			Approves	Reviews	Provides advice/analysis
4. Executing investment manager contracts			Approves	Recommends	Provides assistance
5. Monitoring performance of external investment managers	Reviews on on-going basis A:14-b, III; A:15 VII(c)(3)	Reviews quarterly reports A:15, II-a(c)	Completes monitoring activities		Completes monitoring activities

⁷ Items in red are responsibilities dictated by statute.

Selection of Other Service Providers⁸

Function	Independent Investment Committee	Board	Director of Investments and Investment Staff	Internal Legal Staff	Investment Consultant
1. Selecting (and periodically reviewing) custodian banks	Decides A:15, II-a(a)	Monitors A:15, I-a(a)	Influences	Reviews contract	Influences
2. Selecting (and periodically reviewing) general investment consultant	Recommends A:14-b, III	Decides A:15, II(c)	Provides input	Reviews contract	
3. Selecting (and periodically reviewing) specialty investment consultants	Recommends A:14-b, III	Decides A:15, II(c)	Provides input	Reviews contract	
4. Selecting (and periodically reviewing) the fund's actuary		Decides A:15, II(a)	Influences	Reviews contract	
5. Selecting (and periodically reviewing) outside legal counsel for investment issues		Decides A:15, IV	Influences	Recommends	
6. Selecting (and periodically reviewing) proxy voting service provider		Approves A:15, I-a(a)	Recommends	Reviews contract	Influences
7. Selecting (and periodically reviewing) transition managers	Decides A:14-b, III; A:15, II-a(b)	Reviews A:15, I-a(a)	Recommends	Reviews contract	Influences
8. Selecting (and periodically reviewing) transaction analysis provider	Decides A:15, II-a(b)	Reviews A:15, I-a(a)	Recommends	Reviews contract	Influences

⁸ Items in red are responsibilities dictated by statute.

Proxy Voting

Function	Investment Committee	Board	Executive Director or Director of Investments	Internal Legal Staff	Investment Consultant
1. Setting (and modifying) proxy voting policy		Decides A:15, I-a(a)	Recommends	Provides Input	Provides advice/analysis
2. Identifying proxy voting issues and positions		Decides A:15, I-a(a)	Provides advice/analysis	Provides input	Provides advice/analysis
3. Monitoring proxy voting activity		Reviews annually A:15, I-a(a)	Prepares		
4. Approving exceptions to the policy		Reviews annually A:15, I-a(a)	Oversees / Recommends	Provides input	Provides advice/analysis
5. Ensuring policy compliance		Reviews annually A:15, I-a(a)	Oversees	Provides input	Provides advice/analysis

Securities Lending

Function	Investment Committee	Board	Executive Director or Director of Investments	Internal Legal Staff	Investment Consultant
1. Setting (and modifying) securities lending policy	Provides Input A:15, I-a(a)	Decides A:15, I-a(a)	Provides advice/analysis	Provides input	Provides advice/analysis
2. Creating and updating securities lending guidelines	Approves A:15, I-a(a)	Reviews A:15, I-a(a)	Recommends	Provides input	Provides advice/analysis
3. Monitoring securities lending activity	Assigns responsibility A:15, I-a(a)	Reviews A:15, I-a(a)	Oversees	Provides input	Provides advice/analysis
4. Ensuring policy compliance	Assigns responsibility A:15, I-a(a)	Reviews A:15, I-a(a)	Oversees	Provides input	Provides advice/analysis

SECTION III

Asset Class Guidelines

**New Hampshire Retirement System
Domestic Equity Guidelines**

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**New Hampshire Retirement System
Non-U.S. Equity Guidelines**

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**New Hampshire Retirement System
Fixed Income Equity Guidelines**

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**New Hampshire Retirement System
Alternative Investments Guidelines**

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**New Hampshire Retirement System
Real Estate Guidelines**

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