STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT

PROXY VOTING POLICY

Adopted by the State Investment Council: November 20, 2019

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1. Introduction and Statement of Purpose

The State Investment Council (the "Council"), as part of its oversight of the Division of Investment (the "DOI"), approves this *Proxy Voting Policy* ("Policy") regarding proxy voting for global public equity markets. The policy is not an exhaustive list or mandate but rather a framework to guide the DOI in voting on important issues. An underlying theme throughout the policy is the promotion of transparency and good governance with respect to material issues so that the DOI may be able to better assess and monitor a company's ability to derive long-term value for its shareholders.

The Director of the DOI (the "Director") is responsible for the development of appropriate internal procedures and implementation guidelines consistent with this Policy. The Director shall review such procedures and guidelines periodically with the Council's ESG Committee and/or Investment Policy Committee and the Director shall make such changes to the procedures and guidelines from time to time as deemed necessary.

2. Director Elections

Board Composition

The Council generally supports board compositions where at least two-thirds of the board is independent and where the chair of the board is also independent. In addition, key board committees, such as audit, compensation and nominating committees, should be comprised of independent directors. Length of service on the board may be an important consideration in determining a director's independence. The Council supports directors who do not serve on an excessive number of boards, whether independent or non-independent. The Council also supports gender and racial diversity on the board.

Board Accountability and Responsiveness

The Council generally supports the annual election of all directors. In voting for incumbent directors, the DOI should consider, among other factors, a company's underperformance relative to peers, lack of board accountability and oversight, and material failures of governance, stewardship, risk oversight and fiduciary responsibilities, including failure to adequately guard against Environmental, Social, and Governance (ESG) risks. The Council generally opposes directors who consistently fail to implement shareholder proposals that would derive long-term value for the company's shareholders.

3. Compensation

Executive Pay

Executive compensation and pay practices should be aligned with overall company performance with an emphasis on creating long-term shareholder value. The Council generally supports proposals for annual shareholder advisory votes on executive compensation. Such proposals should be reviewed on a case-by-case basis. The Council opposes excessive severance packages and change-in-control payments and generally supports trigger requirements limiting the acceleration of unvested stock options in those circumstances.

Equity Pay Plans

The Council generally favors equity pay plans that are in alignment with the shareholders' long term interest, taking into account factors including the potential to excessively dilute voting shares and disproportionate allocation to top executives. The Council generally opposes plans that permit the granting of stock options without a termination date and the repricing of past options without a vote. Stock options plans should serve to motivate executives and employees to pursue sustained superior performance and penalize them for failure to meet performance hurdles.

The Council generally supports qualified employee stock purchase plans with a reasonable purchase price and offering period, provided that the allocation of shares does not constitute a significant percentage of shares outstanding. The Council generally supports non-qualified employee stock purchase plans with broad-based participation, limits on employee contributions, and no discount to stock price.

4. Auditors

Auditor independence is critical in establishing the credibility behind a company's financial statements that investors rely upon. Audit fees should comprise the bulk of the firm's revenue so that income from consulting and other sources does not compromise the auditor's independence. The Council supports auditor rotation and annual shareholder ratification of auditors. The DOI should consider withholding votes from directors who are audit committee members where the company has audit-related issues, including material financial restatements, internal control weaknesses or qualified audit opinions.

5. Takeover Defenses

Proposals for takeover defenses should be reviewed on a case-by-case basis, taking into account the potential for board entrenchment and harm to the interests of the company's shareholders.
The Council supports the right of shareholders to ratify and redeem shareholder rights plans, or poison pills. The Council generally supports the adoption of anti-greenmail provisions to a company's bylaws.

Shareholders should retain the ability to remove directors, with or without cause, and fill board vacancies. The Council supports proposals to establish the board size within an acceptable range; however, the size of the board should not be altered without prior shareholder approval.

6. Shareholder Rights

The Council supports the principle of "one share, one vote" in which every share of common stock has equal voting rights. The Council generally favors proposals for the adoption of confidential voting and the use of independent tabulators and inspectors. Shareholders should retain the ability to call special meetings without restriction and to take action by written consent. The Council generally opposes proposals that would impose supermajority voting requirements.

7. Mergers & Acquisitions / Corporate Restructurings

Mergers and acquisitions, corporate restructurings, spin-offs, asset sales, liquidations, going private transactions and plans of reorganization should be thoroughly analyzed to determine the likelihood of generating shareholder value. Some of the variables include, but are not limited to, prospective ownership and governance structure, form and mix of payment, price, fundamental value drivers, revenue and cost synergies, severance payments, and economically material ESG factors.

8. Capital Structure

Proposals to increase common stock authorizations should be reviewed on a case-by-case basis, taking into account past use of authorized shares, the rationale for the proposed increase, multiple class structure and dilutive effects. The Council generally does not support preemptive rights on domestic issuances in which the company would offer existing shareholders new shares of publicly-offered stock so they may maintain their pro rata ownership in the company. In international markets, the Council generally approves issuance proposals with limited preemptive rights. The Council opposes the authorization of shares of preferred stock whose terms can be set at the discretion of the board or management, commonly referred to as blank check preferred stock.

The DOI should review proposals to increase common and preferred shares related to debt restructuring on a case-by-case basis, taking into account dilution, change in control, financial risks, terms, conflicts of interest and alternative options. The Council generally supports debt restructuring proposals if bankruptcy is the likely outcome if otherwise not approved.

9. Corporate Responsibility & Accountability

The Council supports social and environmental proposals that enhance long-term shareholder value. Proposals should be assessed on factors including, but not limited to, financial materiality; existing policies; existing controversies, fines, penalties or litigation; responses to prior requests, and the availability of existing information. The Council generally supports proposals requesting the disclosure of financial, physical, or regulatory risks related to various issues, including but not limited to climate change, hydraulic fracturing, water usage, tobacco, firearms, animal welfare, human rights, fair wages and benefits, employment discrimination, and political activities, and how companies identify, measure, and manage such risks.