Parametric

2023 Parametric Stewardship Report

JUNE 2024

At Parametric we believe risk control, diversification and cost management can make or break success in highly efficient capital markets. This long-term view motivates our efforts to encourage corporate governance best practices that benefit shareholders while continuing to deliver market-like returns for our underlying strategies. As a fiduciary, we encourage companies to provide greater transparency and to rectify clear lapses in board oversight, rather than seeking out or avoiding companies based on perceived mispricing.

To accomplish these goals, we engage with companies on select issues and vote at shareholder meetings. Clients with approximately $174 billion in equity assets as of June 30, 2023, trust Parametric to represent their interests through our investment stewardship activities. This report summarizes how Parametric engaged with companies in 2023 and voted on behalf of our clients for shareholder meetings that took place from July 1, 2022, through June 30, 2023.

Engagement

Parametric engages with companies on behalf of clients with a wide variety of missions, values and goals. We engage when we believe we can have a positive impact on a company's long-term financial performance. We reached out to 222 companies from July 1, 2022, through June 30, 2023, on four key issues: human trafficking, human rights, workforce diversity disclosure and climate change. In many of these discussions, we described the broader governance best practices embedded in our proxy voting guidelines and requested that companies take specific actions to improve their practices.

Human trafficking

One of our most popular security screens targets companies involved in severe human trafficking controversies. Governments have paid increased attention to human trafficking, with California, the UK and Australia passing laws requiring additional company and investor disclosure on the broader issue of modern slavery. Additionally, more companies are facing what we consider to be severe human trafficking controversies. We began our human trafficking engagement initiative in 2021, when we reached out to 11 Russell 3000® companies that failed our proprietary human trafficking screen. We sought to better assess the risks of child labor, dangerous work and forced labor in company operations and their supply chains around the world. We expanded our outreach in 2022 to 19 companies in the MSCI EAFE℠ and Russell 3000 indexes. Given the systemic nature of child and forced labor, we expect to continue engaging with these companies for a number of years, encouraging them to mitigate human trafficking risks in their operations and supply chains.

We developed a framework in 2023 to assess company and supply chain labor practices and reporting approaches. Our framework considers 10 key performance indicators (KPIs), drawn from third-party disclosure systems, that we believe can be applied to cocoa, tobacco, apparel, footwear, electronics and auto companies. We had in-depth discussions in 2023 with managers at 14 out of 26 companies that failed our human trafficking screen. We focused these conversations on a handful of the most relevant and company-specific KPIs they could most improve.

We believe our engagements can make a difference in company practices and will help mitigate human trafficking risks in their operations and supply chains. Here's how those engagements typically unfolded:

- Companies typically allocated an hour for our calls. Four to six individuals attended, including top investor relations, sustainability, supply chain and legal personnel. We feel we gathered the right people in the room and captured senior management's attention.
- We focused on supplier disclosure, since child and forced labor are most likely to take place within the supply chain. When we know which suppliers a company uses, we can more accurately assess company incidence rates versus industry peers and nationwide corporations. This disclosure can also help investors identify risks to the company when one of their suppliers is implicated in child or forced labor controversies.
- Companies tended to be reluctant to disclose their suppliers for fear of revealing sensitive information. We were generally able to address their concerns by highlighting how competitors or well-known companies in even more competitive industries had provided this disclosure without compromising trade secrets.
- We followed up these conversations by asking for managers to share the disclosures we requested with their boards of directors.

Incorporating lessons learned from these discussions will help us track relative performance and engage more meaningfully with companies managing human trafficking risks in their operations and supply chains.

CASE STUDY

Combating child labor in cocoa and tobacco supply chains

We engaged with seven companies that manufacture chocolate confections or cigarettes using cocoa and tobacco typically sourced from family and third-party farms in some of the poorest areas of the world. Children regularly work on these farms rather than going to school or perform substantial farm work after school. Poverty, a lack of schools and cultural differences result in the systemic problem of child labor on cocoa and tobacco farms. The companies we met with generally recognize the systemic issue of child labor in their supply chains and have committed various levels of people and programs to address this issue.

Though cocoa and tobacco companies largely acknowledge the problem of child labor among their suppliers, only cocoa companies have demonstrated a willingness to report incidence rates that represent the true magnitude of the problem. We believe tobacco companies tend to underreport farm child labor incidence rates. Reported incidence rates in tobacco are a suspiciously small fraction of those in cocoa, given that both operate in similarly poor regions with high child labor rates. For example, when one tobacco company told us that its industry was more forthright about child labor incidence than cocoa companies, we shared data with them that showed the opposite. Soon after our comment, the company's general counsel offered to improve their child labor reporting. We believe accurate reporting and supplier disclosure are a necessary first step to mitigating child labor risks.

Human rights

Parametric endorsed PRI Advance, an initiative of the United Nations Principles for Responsible Investing, at its launch in December 2022. This collaborative stewardship initiative of asset managers with $35 trillion assets under management seeks to engage with companies on human rights and social issues across 35 companies in the metals, mining, electric utilities and renewable energy industries.

We joined several other asset managers as a collaborating investor in engagements with a global mining company. The company operates a growing portfolio of mines uniquely geographically exposed to human-rights-related risks. We held three engagement calls with the company in 2023, seeking to understand their risk management and reporting. We also discussed their corporate governance, disclosure and best practices for assessment and remediation. The company has been responsive in our conversations to date, and we expect to continue expanding the scope and depth of the engagement through more targeted discussions in 2024 and beyond.

Workforce diversity disclosure

Parametric believes the skills required to make great decisions and successfully lead companies are distributed widely throughout the population. We don't believe characteristics such as race, ethnicity, gender, religious views, socioeconomic background, sexual orientation or disability determine an individual's ability to be effective. Although we understand diversity of thought and skill can't and shouldn't be measured by these types of characteristics, we believe the homogeneity of these traits throughout the workforce may signal a need for improved recruitment and retention practices.

Companies with at least 100 US employees are required to provide the Equal Employment Opportunity Commission (EEOC) with annual US-based employee data broken down by job category, race and gender, otherwise known as EEO-1. Disclosure of this data better enables shareholders to measure, compare and engage with companies on diversity. Because EEO-1 data is already reported annually to the EEOC, this data is relatively easy and inexpensive to report.

We began our workforce diversity engagement initiative in 2021, reaching out to all the S&P 500® companies that hadn't disclosed their EEO-1 data by the end of the following year. We expanded our outreach in 2023 to the largest 200 Russell 1000® companies that don't disclose their consolidated EEO-1 reports. We discussed with a subset of these companies EEO-1 disclosure: board diversity; corporate executive diversity; diversity, equity and inclusion (DEI) programs; and pay equity, among other topics. While we acknowledge the limitations of the EEO-1 report's employee categories, standardized reporting allows for more accurate workforce diversity comparison among companies and over time. Our intent of these conversations is to influence companies to enhance their workforce diversity disclosures.

There was a slow uptick in disclosures after investors started asking for EEO-1 data in 2010. Only 52 S&P 500 members had disclosed by the end of 2020. By the end of 2023, however, more than 75% of S&P 500® companies have released their full EEO-1 report, as well as more than 45% of Russell 1000 companies.*

We don't believe characteristics such as race, ethnicity, gender, religious views, socioeconomic background, sexual orientation or disability determine an individual's ability to be effective.

* Source. (https://diversiq.com/blog/eeo-1-today-and-in-2024/).

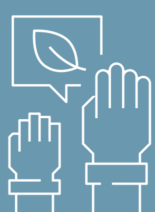
CASE STUDY

Encouraging workforce diversity disclosures

We engaged with a restaurant holding company to encourage it to disclose its EEO-1 data. The company prides itself on its founder-led, community-based culture, but both the company and its investor base have grown significantly over the years. We discussed their board composition and independence issues on key committees. The company acknowledged areas for improvement and indicated that we should expect to see significant changes to the board's composition and procedures. They also stated that while they don't currently disclose any workforce diversity metrics, they have been compiling them internally and expect to increase disclosure. We emphasized our view on good governance practices, as outlined in our proxy guidelines, and stressed the importance of the EEO-1 report as an easy starting point for enhanced workforce diversity disclosure.

Proxy voting

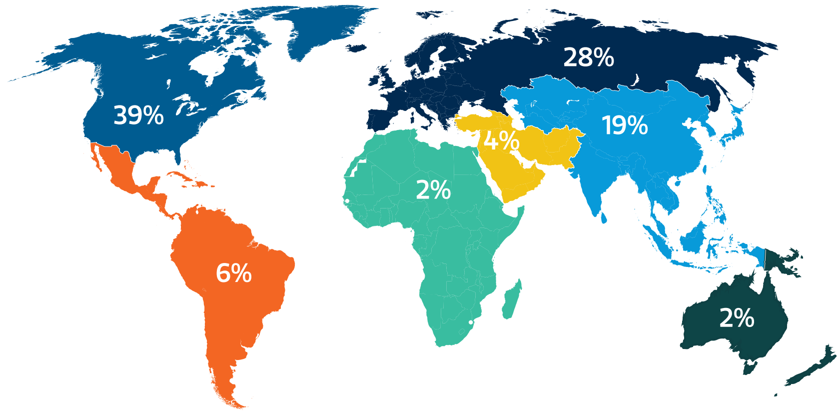
Parametric's proxy voting policy supports proposals aligned with long-term shareholder returns and corporate disclosures. We believe consistent, comparable and quality corporate disclosure allows shareholders to make more informed investment decisions and enables companies to understand how their performance and corporate governance practices compare with those of their peers. We evolve our policy by considering credible new research published by academic and corporate governance institutions, along with new shareholder proposal topics. Our proxy voting policy and guidelines reflect the Corporate Governance Principles published on our website.



Geography

Parametric voted at 9,803 shareholder meetings across 88 countries.

EXHIBIT 1
Shareholder meetings by company location



Source: Parametric, 12/31/2023. For illustrative purposes only.

Global management proposals

Parametric voted on 95,184 management proposals. The majority were director-related, nearly one-quarter covered routine matters and the remaining portion touched on compensation, capitalization, reorganization and mergers. We supported management 77% of the time, but our support differed among regions, ranging from 65% for North American companies to 80% to 85% in Europe, Asia, Latin America, the Middle East, Africa and Australasia (EMEA).

Region		Director-related	Routine business	Exec. comp.	Capital-ization	Reorg. and mergers	Total
North America	**Proposals**	**23,329**	**3,508**	**5,364**	**285**	**516**	**33,002**
	Votes against management	42%	7%	30%	9%	6%	35%
Europe	**Proposals**	**11,871**	**7,963**	**3,526**	**3,367**	**527**	**27,254**
	Votes against management	19%	7%	27%	23%	8%	17%
Asia	**Proposals**	**10,963**	**5,756**	**903**	**1,983**	**1,968**	**21,573**
	Votes against management	20%	9%	42%	14%	26%	18%
Other	**Proposals**	**6,141**	**4,050**	**1,415**	**756**	**993**	**13,355**
	Votes against management	21%	8%	17%	19%	8%	16%
Total	**Proposals**	**52,304**	**21,277**	**11,208**	**6,391**	**4,004**	**95,184**
	Votes against management	30%	8%	28%	19%	16%	23%

Source: Parametric, 12/31/2023. For illustrative purposes only.

Half of all votes cast each year were to elect directors to company boards, which is the most common type of management proposal. We voted against management recommendations on 14,452 (34%) of director elections in 2023. Our voting guidelines, which emphasize director independence, competence and responsiveness, explain the rationale behind our votes against management.

Independence and overboarding

We consider directors to be non-independent if they've been on the board for more than 10 years or if they have certain relationships with the company. We vote against directors at boards who have a majority of non-independent directors, as well as against non-independent directors who sit on key board committees such as audit, compensation, corporate governance and nominating.

We also vote against directors who may be unable to dedicate adequate time to the board because they sit on too many other boards. That's why we vote against directors who serve on more than four public company boards and CEOs who serve on more than two public company boards.

Board diversity

We believe it's possible to find competent board members throughout the wider population, and a high degree of homogeneity on a board may signal the need for improvement in the nomination process. That's why we voted against the members of the nominating committee at US company boards who didn't exhibit a minimum level of gender and racial diversity, which we define as boards with fewer than 30% women or no members from underrepresented ethnic or racial groups. We believe there are many other forms of diversity that boards should take into consideration, including LGBTQ+ identity, physical ability, age, religion and socioeconomic background.

US corporate board representation in 2023 has made some progress, but it still falls short of parity with the diverse makeup of the US population:

33%
Women on S&P 500® boards (vs. 50.25% total pop.)

<10%
Women on S&P 500® boards identifying as underrepresented minorities (vs. 21% total pop.)

24%
People of color on S&P 500® boards (vs. 43% total pop.)

4%
LGBTQ+ people on S&P 500® boards with a practice of LGBTQ+ disclosure (vs. 8% total pop.)

14:1
Ratio of total S&P 500® directors to Native American directors[1]

4:1
Ratio of total S&P 500® directors to Hispanic/ Latino directors[1]

[1] Spencer Stuart, "2023 S&P 500® New Director and Diversity Snapshot," August 2023.

Workforce diversity disclosure

We believe US companies should disclose EEO-1 workforce diversity data. Because EEO-1 data is already collected and filed with the federal government on an annual basis, it's easy and inexpensive to disclose. We began voting against the chair of boards at S&P 500® companies that didn't disclose EEO-1 data in 2022, which resulted in votes against 200 directors. The number decreased to 146 directors in 2023. This policy change was aligned with the 2021 introduction of our ongoing EEO-1 data disclosure engagement initiative.

Executive compensation

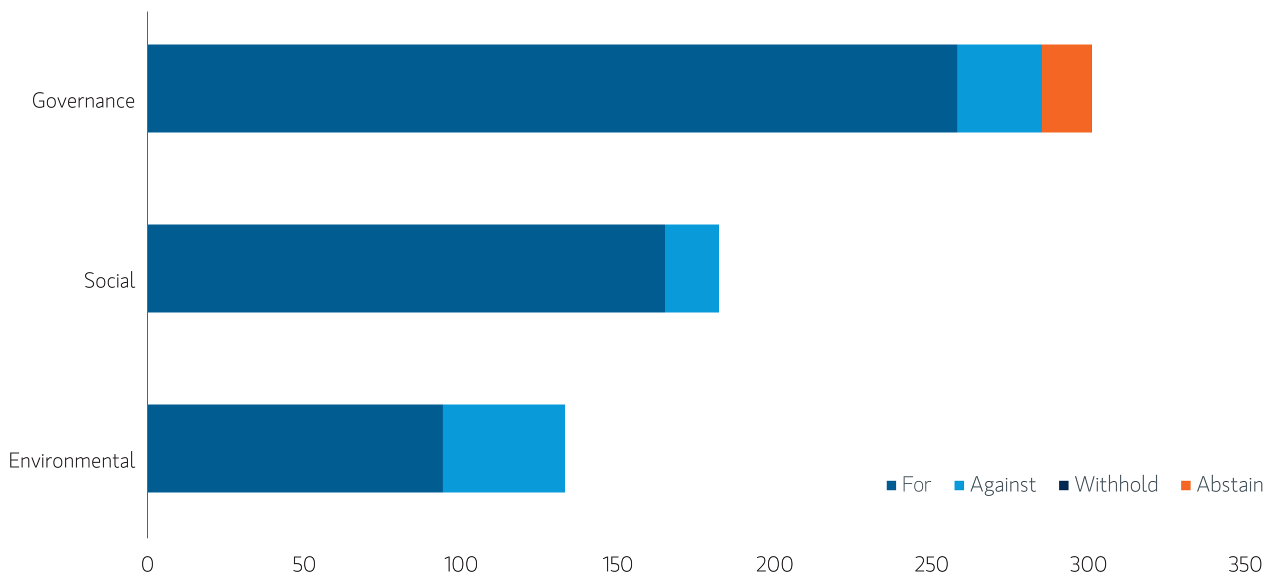
We support executive compensation plans that align the interests of executives with the long-term interests of their shareholders. We voted against management recommendations on 28% of executive compensation proposals in 2023, down from 29% last year. The most common reason we voted against compensation proposals was when we observed a disconnect between executive compensation and company performance. We also voted against executive compensation proposals when there was a lack of disclosure around plan specifics, adverse incentives for plan administrators or a lack of alignment with shareholder interests.

US shareholder proposals

Shareholder proposals in the US are a highly visible tool used to influence company behavior. We generally support shareholder proposals that request additional information on key business risks, while being mindful of reporting costs. We consider climate change, human capital and select social issues to be key business risks and opportunities.

We supported 82% of 654 US shareholder proposals in 2023, down from 88% in 2022. We saw a rise in shareholder proposals that we considered to be overly prescriptive or not pertinent to the company's business.

EXHIBIT 2
US shareholder proposals by category



Source: Parametric, 12/31/2023. For illustrative purposes only.

Environment

Climate change continues to be a popular topic among environmentally focused shareholders, representing about 62% of US environmental shareholder proposals. Only one environmental shareholder proposal in the US received majority support this year, a marked decrease from last year's record of 16.

- **Climate change**
  Managing climate risks and opportunities is critical to the long-term sustainability of many businesses. Thirty-one US companies faced shareholder proposals in 2023 that asked the company to adopt or report on science-based GHG emissions reductions targets aligned with the Paris Agreement. We believe that adopting and reporting on GHG emissions targets will help these companies manage climate change risks and opportunities, so we supported all 31 proposals. We voted against all 12 proposals that sought to limit GHG emissions disclosure or challenge existing decarbonization goals.

- **Plastics**
  Parametric voted for all nine 2023 proposals requesting reports on sustainable packaging or plastics use. Though none of these proposals received majority support, they did receive 29% shareholder support on average. We supported these proposals because we believe these disclosures will encourage companies to manage reputational and regulatory risks associated with plastics and packaging.

Social

Parametric supported the majority of US social shareholder proposals, including all seven social proposals that received majority support. We believe managing social risks and opportunities is critical to companies' long-term sustainability.

Racial justice, gender and racial pay equity and human rights continue to be major US shareholder proposal themes. The topic of reproductive rights is a theme that has emerged and gained momentum since the Supreme Court's 2022 *Dobbs v. Jackson Women's Health Organization* ruling, which overturned *Roe v. Wade*.

- **Racial justice**
  Sixteen proposals in 2023 requested that companies commission and publish a third-party civil rights or racial equity audit, down from 26 in 2022. These proposals requested reports on the potentially adverse effects of existing company policies and procedures on stakeholders, plus recommendations on how to improve companies' civil rights impacts. Parametric supported all 16 of these racial justice proposals.
- **Gender and racial pay equity**
  American women on average earned about 82 cents for every dollar earned by men in 2022, with Hispanic and Black women earning just 65% to 70% percent as much, respectively.[2] Parametric supported all 10 shareholder proposals submitted in 2023 requesting reports on gender and racial pay gaps, including one that received majority support at a major grocery chain.
- **Human rights**
  Parametric supported 70% of the 44 human rights shareholder proposals submitted in 2023, a decrease from 90% in 2022. We typically supported proposals that requested reports on the human rights impact of products, services or operations and voted against all 13 proposals that requested reports on the risks of operating in China. We supported one proposal at a large coffee chain that received majority support, which requested a report on their adherence to International Labor Organization and United Nations trade union standards.
- **Reproductive rights**
  The Supreme Court overturned the landmark 1973 *Roe v. Wade* decision in 2022. As a result, 21 states now ban or restrict abortion. Companies face potential risks and costs posed by US state policies restricting reproductive rights. Parametric voted for all five shareholder proposals at major US companies requesting they report on the risks of restrictive reproductive healthcare in 2023.

We believe managing social risks and opportunities is critical to companies' long-term sustainability.

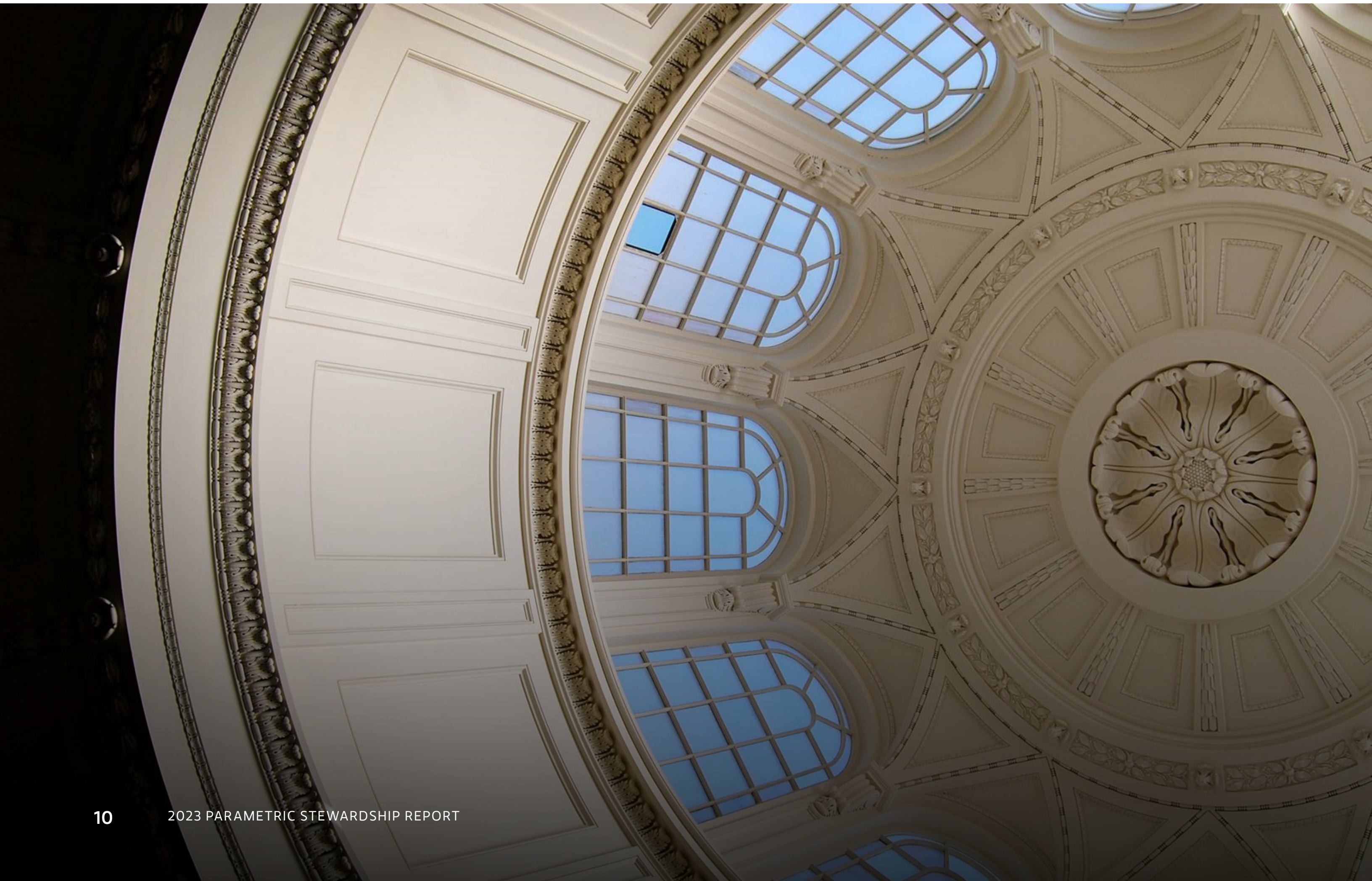
[2] Pew Research Center, "The Enduring Grip of the Gender Pay Gap," March 2023.

Governance

Over half of all US shareholder proposals voted on cover corporate governance topics. Common proposals included shareholder director nominations, board charter and bylaw amendments, written consent and requirements for independent board chairs. We supported proposals that follow corporate governance best practices and improve the transparency and accountability of company governance.

- **Shareholder rights**
  About a quarter of all US governance proposals we voted in covered shareholder rights. Common proposals included lowering the ownership requirement to call special meetings, submitting change-in-control agreements to a shareholder vote and reducing supermajority vote requirements to a simple majority. We're supportive of governance proposals broadly, but we didn't support proposals that were overly prescriptive or not aligned with corporate governance best practices. We supported 80% of shareholder rights proposals.

- **Political spending**
  Parametric voted in support of 86% of the 28 shareholder proposals in 2023 asking for political donation or lobbying disclosures, down from 96% of proposals in 2022. We believe boards should be accountable for overseeing companies' political spending and contributions, since failure to do so can lead to reputational risks. The number of these type of proposals has increased over time, and has the percentage of shareholders supporting them. Parametric voted against any such proposals that were overly prescriptive or sought to limit this type of disclosure.

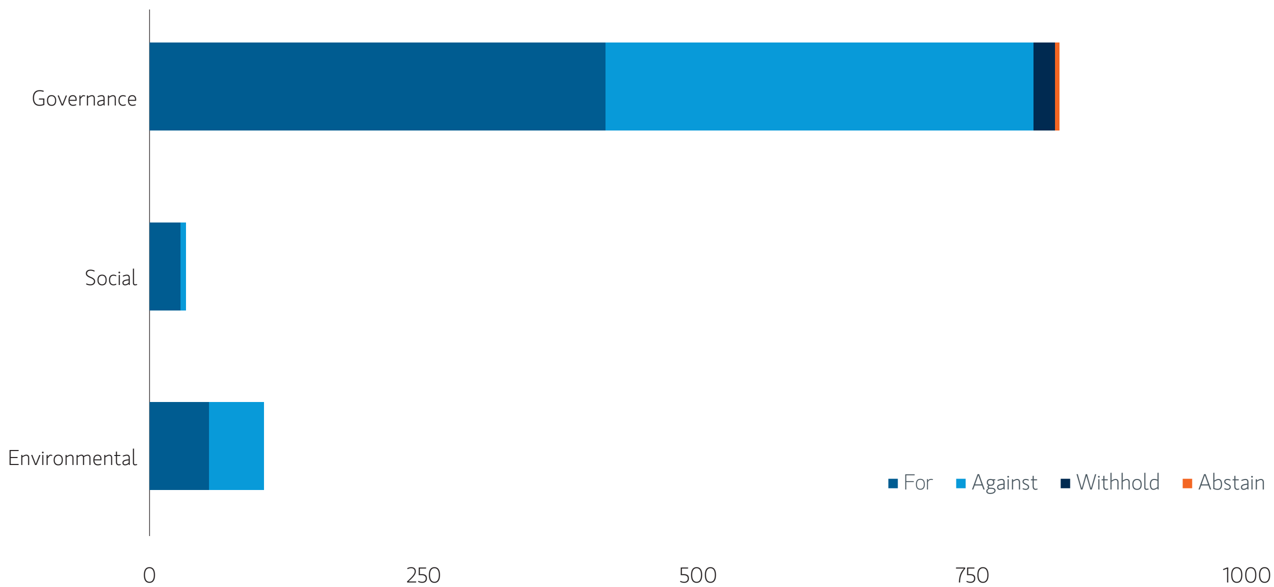


Non-US shareholder proposals

Shareholder proposals outside the US tend to come from different types of investor and cover less controversial topics. For example, while management supported less than 5% of US shareholder proposals, management supported nearly one-third of all non-US shareholder proposals. Additionally, some proposals outside of the US are binding and mandate company action, which warrants extra caution when supporting these proposals.

Shareholder proposals outside the US are also skewed toward governance topics, with a particular focus on directors. In fact, 90% of all non-US shareholder proposals addressed governance topics, and 40% of all proposals were on director elections. Parametric supported 56% of non-US shareholder proposals.

EXHIBIT 3
Non-US shareholder proposals



Source: Parametric, 12/31/2023. For illustrative purposes only.

Conclusion

Parametric will continue to engage with companies in 2024 to encourage better corporate governance and sustainable business practices that benefit shareholders. We believe a combination of proxy voting and shareholder engagement can help strengthen companies, protect shareholder capital and benefit economies and communities.

ABOUT

Parametric Portfolio Associates® LLC ("Parametric"), headquartered in Seattle, is registered as an investment advisor with the US Securities and Exchange Commission under the Investment Advisers Act of 1940. Parametric is a leading global asset management firm, providing investment strategies and customized exposure management directly to institutional investors and indirectly to individual investors through financial intermediaries. Parametric offers a variety of rules-based investment strategies, including alpha-seeking equity, fixed income, alternative and options strategies. Parametric also offers implementation services, including customized equity, traditional overlay and centralized portfolio management. Parametric is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley, and offers these capabilities through offices located in Seattle, Boston, Minneapolis, New York City and Westport, Connecticut.

DISCLOSURES

This information is intended for informational purposes and details investment strategies and opportunities identified by Parametric. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. Past performance is not indicative of future results. Investing entails risks, and there can be no assurance that Parametric will achieve profits or avoid incurring losses. Parametric and Morgan Stanley do not provide legal, tax or accounting advice or services. Clients should consult with their own tax or legal advisor prior to entering into any transaction or strategy described herein. Additional information is available on request.

There is no assurance that a separately managed account (SMA) will achieve its investment objective. SMAs are subject to market risk, which is the possibility that the market values of the securities in an account will decline and that the value of the securities may therefore be less than what you paid for them. Market values can change daily due to economic and other events (such as natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration and potential adverse effects (such as portfolio liquidity) of events. Accordingly, you can lose money investing in an SMA.

An environmental, social and governance (ESG) or responsible investing strategy limits the types and number of investment opportunities available to the investor and, as a result, the investor's portfolio may underperform other investment strategies that do not have an ESG focus. The ESG investment strategy may result in investments in securities or industry sectors that underperform the market as a whole or underperform other strategies which apply ESG standards. An issuer's ESG performance or the investment advisor's assessment of such performance may change over time, which could cause the investor to temporarily hold securities that do not comply with the investor's responsible investment criteria. In evaluating an investment, the investment advisor is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could adversely affect the analysis of the ESG factors relevant to a particular investment. Successful application of the investor's responsible investment strategy will depend on the investment advisor's skill in properly identifying and analyzing material ESG issues.

"Russell®" and all Russell Index names are trademarks or service marks owned or licensed by Frank Russell Company (Russell) and London Stock Exchange Group plc (LSE Group). This strategy is not sponsored or endorsed by Russell or LSE Group, and they make no representations regarding the content of this material. Please refer to the specific provider's website for complete details on all indexes.

S&P Dow Jones Indices are a product of S&P Dow Jones Indices LLC (S&P DJI) and have been licensed for use. S&P® and S&P 500® are registered trademarks of S&P DJI. Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones). S&P DJI, Dow Jones and their respective affiliates do not sponsor, endorse, sell or promote the strategies described herein, will not have any liability with respect thereto and do not have any liability for any errors, omissions or interruptions of the S&P Dow Jones Indices.

Parametric is located at 800 Fifth Avenue, Suite 2800, Seattle, WA 98104. For more information regarding Parametric, or to request a copy of Parametric's Form ADV or a list of composites, contact us at 206 694 5500 or visit www.parametricportfolio.com.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT