Building Trust Is Critical for Effective Engagement

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As a long-term institutional investor, TIAA-CREF seeks to ensure that our portfolio companies focus on building long-term shareholder value. We want our companies to do well for our participants and clients over the long run, and, as such, when we engage with companies, we strive to create constructive, long-term relationships in an effort to be effective stewards. We believe that good corporate governance and effective risk management of environmental and social issues not only adds value to the portfolio on behalf of our participants but also can help the broader market over the long term.

Our approach for developing relationships with portfolio companies is to privately engage when we sense potential shortcomings in their environmental, social or governance policies and practices that we believe could affect their financial performance. Establishing trust is a critical element of our engagement program. We call this approach "quiet diplomacy."

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We communicate with hundreds of companies each year through written correspondence, in-person meetings and discussions with independent directors and senior corporate management. As a practice, "quiet diplomacy" reflects our deeply held belief that informed dialogue—rather than public confrontation—is more likely to build trust and lead to mutually productive outcomes. In cases where we have more significant concerns about company behavior, we may establish dialogues that extend for multiple meetings over an extended period of time. In some instances, we may also

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initiate broader engagements focused on a specific issue, with the goal of influencing the practices of an industry or a select group of portfolio companies.

Even in those instances where a company may not be responsive to our outreach, we try to find other ways to engage, still behind closed doors if at all possible. For example, between 2007 and 2011, we filed 31 shareholder proposals on issues including corporate social responsibility reporting and majority voting but, importantly, did not publicly disclose these filings. Ultimately, 25 of those proposals were withdrawn as we were able to reach mutually agreed on outcomes with those companies and, as a result, those engagements remained private.

Unlike public pension funds, which can be required to report publicly on their activities, we are not obligated to publicize our discussions or the outcomes from our engagements. We believe this helps us build long-term relationships with companies that contribute to constructive dialogue. Furthermore, ensuring that a company's board and management take credit for any resulting change of policy or behavior furthers our goals of building trust and enhancing shareholder value over the long term.