June 30, 2021

Appendix

State Initiatives to Incorporate ESG Factors in Investment Decisions

State	Bill No.	Status	Summary
Illinois	PA 101-473 (The Illinois Sustainable Investing Act)	Signed by Governor Pritzker in 2019; Took Effect on January 1, 2020	• The Illinois Sustainable Investing Act provides that all state and local government entities that hold and manage public funds should integrate material, relevant, and useful sustainability factors into their policies, processes, and decision-making. • The law defines sustainability factors to include data and indicators related to (i) corporate governance and leadership, (ii) environmental, (iii) social capital, (iv) human capital (including responsible contractor and responsible bidder policies), and (v) business model and innovation. Collectively, these are also commonly referred to as ESG factors. • For those agencies making investment decisions on the security or company level, sustainability factors should be incorporated into the overall decision-making process, providing an additional layer of factors to consider when assessing the risk/value proposition of investment decisions.
Oregon	Oregon Investment Council Formalizes Importance of ESG to Treasury's Investment Decisions	Announced 9/14/2020	• Effective September 2020, leaders at the Oregon Investment Council (OIC) have integrated ESG factors into their $107 billion state investment portfolio. The new language reads as follows: **THE INTEGRATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS, SIMILAR TO OTHER INVESTMENT FACTORS, MAY HAVE A BENEFICIAL IMPACT ON THE ECONOMIC OUTCOME OF AN INVESTMENT AND AID IN THE ASSESSMENT OF RISKS ASSOCIATED WITH THAT INVESTMENT.** A. The consideration of ESG factors within the investment decision-making framework is important in understanding the near-term and long-term impacts of investment decisions. • The OIC believes that understanding how social and environmental factors impact investments is an important step towards building a more sustainable portfolio. B. Over time, there has been an evolution of multi-factor, or more holistic approaches, to identify opportunities and remediate risks, in a large globally-diversified investment portfolio. • ESG data collection aligns our ability to prudently measure and monitor risks and returns. Once identified, ESG risk mitigation strategies can be implemented and proactive ESG transition strategies pursued, subject to statutory fiduciary obligations.

State Initiatives to Encourage Divestment from Fossil Fuel, Firearms and Ammunition Companies

State	Bill No.	Status	Summary
Connecticut	State Treasurer's "Responsible Gun Policy"	Announced 12/3/2019	• The State Treasurer's Responsible Gun Policy is a framework for guiding sound financial decisions and responsible corporate behavior on guns. In addition to encouraging companies to adopt safe gun practices, the Responsible Gun Policy informs and guides the State Treasurer's work related to investments, borrowing and banking transactions. The policy includes three core components: ◦ Divestment – Prohibits the investment of the state's pension funds in public securities of "civilian firearms manufacturing companies" with flexibility to invest in gun safe technologies. ◦ Disclosure – Requests banks and financial institutions that wish to work with the Office of the Treasurer to disclose their policies on guns. ◦ Decision-making – Weighs a financial institution's gun policy as one factor, among many, when the Office of the Treasurer contracts banking and financial services. This state policy prohibits investment of the state's pension funds in public securities of civilian firearms manufacturing companies.
Maine	H.P. 65 - L.D. 99	Signed by Governor 6/16/2021	• The State Treasurer and the Board of Trustees of the Maine Public Employees Retirement System may not invest the assets of any state pension or annuity fund in any stocks or other securities of any corporation or company within the fossil fuel industry or any subsidiary, affiliate or parent of any corporation or company among the 200 largest publicly traded fossil fuel companies, as established by carbon in the companies' proven oil, gas and coal reserves. • Moreover, the State Treasurer and the Board of Trustees of the Maine Public Employees Retirement System shall, in accordance with sound investment criteria and consistent with the board's fiduciary obligations, divest any such stocks or other securities whether they are owned directly or held through separate accounts or any commingled funds. Such divestment must be complete by January 1, 2026.
Massachusetts	H.43	Introduced 4/13/2021; Referred to the Committee on Public Service	• The bill requires public pension fund divestment from ammunition and firearms companies. The bill would stop the public fund, and the board of the public fund, from investing in any ammunition, firearm or firearm accessory manufacturing or retailing companies. • The public fund shall sell, redeem, divest or withdraw all applicable publicly-traded securities within 12 months of enactment. This requirement shall not apply to indirect holdings in actively managed investment funds; provided, however, that the public fund shall submit letters to the managers of any such investment funds that contain relevant companies, requesting that they remove such companies from the investment fund or create a similar actively managed fund with indirect holdings devoid of such companies.

State	Bill No.	Status	Summary
New Jersey	A.2196	Introduced on 1/14/2020, Referred to Assembly State and Local Government Committees	• The bill prohibits the Director of Investment from investing any assets of the State retirement funds in any of the top 200 companies that hold the largest carbon content fossil fuel reserves. • Under the bill, divestment from coal companies must be completed within two years, and from all other fossil fuel companies by January 1, 2022. The director may cease divestment or reinvest in previously divested companies if the director demonstrates that, as a direct result of the divestment, the funds have or will become equal to or less than 99.5% of the hypothetical value of all assets under the director's management, assuming no divestment from any company occurred.
New York	New York State Pension Fund Sets 2040 Net Zero Carbon Emissions Target	Announced 12/9/2020	• On December 9, 2020, the New York State Comptroller announced that the New York State Common Retirement Fund adopted a goal to transition its portfolio to net zero greenhouse gas emissions by 2040. This process will include completion within four years of a review of investments in energy sector companies, using minimum standards to assess transition readiness and climate-related investment risk, with, where consistent with fiduciary duty (suggestion: will result in), divestment of companies that fail to meet minimum standards.

State Initiatives to Discourage Divestment from Fossil Fuel, Firearms and Ammunition Companies

State	Bill No.	Status	Summary
Alaska	N/A	Legislation to be Introduced	• On December 14, 2020, Governor Mike Dunleavy announced that his administration will introduce legislation that requires state departments and agencies to end existing relationships and partnerships with financial institutions that have chosen to stop financing oil and gas exploration and development in the Arctic.
North Dakota	S.B. 2291	Signed by Governor Burgum on 3/23/2021, and filed with the Secretary of State on 3/24/2021	• Except as otherwise provided in a state investment policy relating to the investment of the legacy fund and unless the state investment board can demonstrate a social investment would provide an equivalent or superior rate of return compared to a similar investment that is not a social investment and has a similar time horizon and risk, the state investment board may not invest state funds for the purpose of social investment. ◦ "Social investment" means the consideration of socially responsible criteria in the investment or commitment of public funds for the purpose of obtaining an effect other than a maximized return to the state. • Separately, the department of commerce shall study ESG as it pertains to a set of nonspecific, quantifiable, and nonquantifiable criteria with attributing factors used for making determinations, decisions, or investments as it pertains to government and private industry in North Dakota. The study must include an evaluation of investment policy as it relates to ESG and the level of involvement the state has with companies that use ESG in their ranking when making business or investment decisions. The study must also include the potential implications for the state as it relates to the boycott of energy or production agriculture commodities by companies that intend to penalize, inflict economic harm on, or limit commercial relations. All aspects of boycotts, including the transport, sale, utilization, production, or manufacturing of natural gas, oil, coal, petrochemicals, or production of agricultural commodities must be evaluated. The department of commerce shall report its findings and recommendations to the legislature by June 1, 2022.
Oklahoma	H.B. 2034	Engrossed on 3/10/2021; Referred to the General Government Committee and then to Appropriations Committee on 3/17/2021	• The bill declares that the oil and gas industry is a vital part of the Oklahoma economy, and those companies that do business by and through the state, in the interest of the state's economic policy, should not boycott the oil and gas industry. Accordingly, the bill prohibits state contracts with a company unless the company submits a written certification that it is not currently engaged in a boycott, in any manner, of the oil and gas industry that constitutes an integral part of business conducted or sought to be conducted with the state.
Texas	S.B. 13	Signed by Governor Abbott on 6/14/2021;	• S.B. 13 prohibits Texas state governmental entities from investing in financial companies that boycott energy companies. Specifically, it requires the Texas Comptroller to prepare and maintain a list of all financial companies that refuse to deal with, terminate business

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		Effective 9/1/2021	activities with, or otherwise take any action that is, solely or primarily, intended to penalize, inflict economic harm on, or limit commercial relations with a company because it engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law. • This list is then to be provided to the state governmental entities that invest funds, who in turn send a letter to the listed companies informing them that they are to be subject to divestment if they do not stop boycotting energy companies within 90 days. If the company does not stop boycotting energy companies, the state governmental entity is required to sell, redeem, divest, or withdraw all publicly traded securities of the company unless the holdings are indirect holdings managed by investment funds or private equity funds. • A state governmental entity can cease divesting from one or more listed companies only if clear and convincing evidence shows that: (1) it has suffered or will suffer a loss in the hypothetical value of all assets under management by the state governmental entity as a result of having to divest from listed companies; or (2) an individual portfolio that uses a benchmark-aware strategy would be subject to an aggregate expected deviation from its benchmark as a result of having to divest from listed companies. • S.B. 13 further provides that a state governmental entity may not enter into a contract with a company for goods or services unless the contract contains written verification from the company that it does not boycott energy companies and will not boycott energy companies during the term of the contract. This provision only applies to a company with 10 or more full-time employees and that has a contract value of $100,000 or more. • "State governmental entity" means the Employees Retirement System of Texas, including a retirement system administered by that system; the Teacher Retirement System of Texas; the Texas Municipal Retirement System; the Texas County and District Retirement System; the Texas Emergency Services Retirement System; and the permanent school fund.
Texas	S.B. 19	Signed by Governor Abbott on 6/14/2021; Effective 9/1/2021	• With certain limited exemptions, S.B. 19 amends the Government Code to prohibit a state agency or political subdivision from entering into a contract paid partly or wholly from public funds with a company for the purchase of goods or services unless the contract contains a written verification from the company that: (i) it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association based solely on the entity's or association's status as such; and (ii) it will not engage in any such discrimination during the contract term. That prohibition applies only to a contract between a state agency or

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			political subdivision and a company with at least 10 full-time employees that has a value of at least $100,000. • S.B. 19 defines, among other terms, "discriminate against a firearm entity or firearm trade association" as any of the following actions with respect to the entity or association based solely on its status as a firearm entity or firearm trade association: (i) refusing to engage in the trade of any goods or services; (ii) refraining from continuing an existing business relationship; (iii) terminating an existing business relationship.