

2020 PROXY ROUNDUP

The SBI's Proxy Committee worked with SBI Staff to review and vote on numerous proxy ballots during the 2020 proxy season. In addition to common proxy votes, such as board elections and executive compensation advisory votes, the SBI voted on numerous proposals related to Environmental, Social, and Governance Issues. The information below is a snapshot of the SBI's 2020 proxy season.

- **Total Proposals Voted:** During the 2020 proxy season, the SBI voted proxies in over 2,400 annual meetings and cast votes on nearly 10,000 ballot items.
- **Executive Compensation:** The SBI Proxy Committee maintains a number of well-developed precedents related to votes on executive compensation at companies (also known as "say-on-pay" votes). These precedents identify compensation schemes that the SBI does not believe are in the best interest of the company or its investors. In 2020, the SBI voted against nearly 70% of executive compensation proposals.
- **Environmental Proposals:** The SBI voted for 87% of proposals on environmental issues.
- **Success Stories:** The 2020 proxy season included a number of notable success stories in which the SBI was part of a majority supporting important ESG related proposals. These are a few examples:
 - **Johnson & Johnson—Opioid Related Risk:** Shareholders approved a resolution calling on the company to provide additional disclosure regarding its business and reputational risk from its involvement in opioid production and certain legal and regulatory proceedings. The resolution also called for disclosure of company policies creating oversight of its various subsidiaries.
 - **National Healthcare—Board Diversity:** Shareholders approved a resolution calling on the company to disclose steps it is taking to broaden diversity on its board of directors. The resolution also suggests that the company make a commitment to diversity on the board including sex, gender identity, race, ethnicity, age, gender expression, and sexual orientation, and include women and people of color in its pool of board candidates.
 - **Chevron Corporation—Climate Lobbying:** Shareholders approved a resolution calling on the company to provide information on how its lobbying activities align with the goals of the Paris Climate Accord and, conversely, where its lobbying efforts and involvement in trade associations may delay or frustrate the goals of the Accord.



BOARD RESOLUTIONS

Update on Implementing SBI Resolution on Thermal Coal

SBI staff have been working to implement the Board’s [resolution](#) to remove publicly traded companies deriving 25% or more of their revenue from the extraction and/or production of thermal coal from the SBI’s authorized investments in the combined pension funds portfolio. The SBI staff uses various screening services to identify those companies. As of June 30, the SBI held securities in ten companies that will be removed from the portfolio no later than December 31, 2020. In addition, the SBI will provide its investment managers with a full list of restricted companies that may not be purchased in the future. The list will be updated annually and SBI staff will continue to report to the Board on the implementation of the resolution.



SBI Comment to U.S. Department of Labor on ESG Guidance

The SBI recently submitted a comment in opposition to the United States Department of Labor’s proposed rule regarding ESG risk and opportunity by investors subject to the Employee Retirement Income Security Act of 1974 (“ERISA”). ERISA regulates, among other things, how fiduciaries invest retirement funds. The SBI noted that the proposed rule:

- Has the potential to conflate ESG risk and opportunity analysis—which is part of analyzing the economics of an investment—with Economically Targeted Investing (“ETI”)—which is an investment strategy that targets investments for potentially reasons other than economic risk and opportunity;
- Any ERISA guidance issued should clearly separate ESG analysis from ETI investing to provide clarity for investors and investment managers.

While the SBI is not subject to the investment provisions at issue in the proposed ERISA rule, the SBI generally requires its investment managers to act as ERISA fiduciaries. As a result, the SBI was concerned that, if implemented, the rule may inappropriately limit the ability of investment managers to consider ESG risks and opportunities when choosing investments on the SBI’s behalf.

A copy of the SBI’s comment letter can be found on the [ESG and Stewardship](#) page of the SBI website.

The text of the proposed rule, along with other information including a summary of the rule, can be found on the [Employee Benefit Security Administration](#) website.



Coalition Highlight: Thirty Percent Coalition Broadens Diversity Focus

The Thirty Percent Coalition recently voted to update its mission statement:

“To advocate for diversity on corporate boards, including women and people of color.”

While the organization has always broadly advocated for diversity on boards, its traditional focus has been on promoting women on corporate boards. The change reinforces the coalition’s commitment to promoting diversity on corporate boards to reflect the gender, racial, and diversity amongst the workforce and recognize well established research demonstrating the diversity on corporate boards leads to better outcomes for investors.

Additional information is available on the [Thirty Percent Coalition’s](#) website.



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