

BOARD RESOLUTIONS

Over the past several months, the State Board of Investment (SBI) has continued to take active and responsible action with respect to Environmental, Social, and Governance risk in the SBI investment portfolios.

SBI Resolution on ESG Initiatives

On February 26, 2020, the Board unanimously adopted a resolution recognizing the importance of engaging on ESG issues with investment managers and companies in the SBI's investment portfolio. The resolution directed the SBI's Executive Director to, among other things, report on ESG risks and review options for reducing long-term carbon risk in the SBI's investment portfolio.

The full ***SBI Resolution on ESG Initiatives*** can be found on the "[ESG and Stewardship](#)" page of the SBI's website.



SBI Resolution Concerning Reduction of Investments Associated with Thermal Coal Production

On May 29, 2020, the Board adopted a resolution directing the SBI's Executive Director to identify companies in the SBI's Combined Funds portfolio that derive 25% or more of their revenue from thermal coal production and/or extraction. The resolution was based on the Executive Director's recommendation, which notes that thermal coal companies face material declining market values; and reducing exposure to such companies will cause minimal deviation from the SBI's investment benchmarks while minimizing long-term financial risks. The resolution requires the following:

- The SBI Executive Director must identify companies in the SBI's Combined Pension Funds publicly traded investment portfolio deriving 25% or more revenue from thermal coal production and extraction by the SBI's next regularly scheduled board meeting (currently scheduled for August 26, 2020);
- The SBI Executive Director must instruct SBI's investment managers to remove such companies from the SBI's investment portfolio in a prudent and expeditious manner, but no later than December 31, 2020;
- The SBI Executive Director must report to the Board on the status of actions taken under the resolution at each regularly scheduled Board meeting.

The full ***SBI Resolution Concerning Reduction of Investments Associated with Thermal Coal Production*** can be found on the "[ESG and Stewardship](#)" page of the SBI's website.

SBI Proxy Committee Votes Against Entire ExxonMobil Board

As proxy season begins to wind down, the SBI Proxy Committee continues to address important governance issues with companies in the SBI's publicly traded investment portfolios.

At its May 22, 2020 meeting, the SBI Proxy Committee determined to vote against retention of the entire board of directors of ExxonMobil Corporation due to Exxon's resistance to taking meaningful action to address long-term climate risks throughout its business. Notably, other major energy companies have taken fundamental steps to begin addressing climate risks, while Exxon has remained largely inactive.

Further information on the 2020 proxy season will be forthcoming.

State Cash Accounts to Remove Fossil Fuel Investments

In addition to retirement funds and other state assets, the SBI manages the state cash accounts that include state general funds used to pay for state agency expenditures. SBI staff manage these investments internally and the investments are comprised of high quality, short-term debt and cash securities.

Over the next fiscal year, the SBI plans to begin removing fossil fuel company investments from the list of authorized investments for the state cash accounts. SBI staff believe it is possible to remove fossil fuel companies from the state cash investments while still achieving the investment objectives of the state cash accounts. More details will be forthcoming as the transition moves forward.



Engagement Efforts

The SBI continues to work with various coalitions to engage with companies and investment managers on ESG issues.

Xcel Energy

As a member of the Climate Action 100+ the SBI is actively participating in engagement with Xcel Energy, Inc. on a variety of ESG issues including, Xcel's plans to transition to carbon free electricity generation by 2050; risks associated with the company's continued use and development of natural gas infrastructure; and Xcel's plans to ensure a just transition to carbon free electricity production.

SBI staff will participate in ongoing dialogue with Xcel on these and other topics. In addition, the SBI Executive Director sent a letter to Xcel Energy's board chair discussing environmental engagement topics. A copy of the letter is available on the SBI website under the "[ESG and Stewardship](#)".

MINNESOTA STATE BOARD OF INVESTMENT

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