

## Stewardship Report

In 2021, the SBI will publish its first Stewardship Report, which will be available on the SBI website and also included in the SBI's 2021 Annual Report. This report is a comprehensive review of the SBI's work related to Stewardship and ESG Incorporation over the past several years.

Given that the Stewardship Report will cover ESG broadly, the focus of the November 2021 ESG Report is the SBI's most recent activities related to diversity, equity and inclusion (DEI).



## Diversity, Equity, Inclusion Initiatives

### DEI Task Force



In October 2021, the members of the SBI's Diversity, Equity and Inclusion (DEI) Task Force met for the first time.

The objective of the task force is to make recommendations to the SBI Executive Director related to the increasing the diversity of SBI investment managers, consultants and staff.

The Task Force will meet multiple times over the next 18 months to develop recommendations based on an analysis of the SBI's portfolio, most up to date diversity research and review of institutional investor best practices.



### SBI Supports the Russell 3000 Board Diversity Disclosure Initiative

The SBI continues to support the Russell 3000 Board Diversity Disclosure Initiative, which is led by the Illinois State Treasurer's office.

In October 2021, letters signed by the SBI and 26 investor organizations were sent to companies in the Russell 3000 index. These letters follow similar letters from 2020 encouraging companies to report the racial/ethnic and gender composition of their boards of directors.

The 2021 letters are customized based on the company's current level of disclosure. One hundred seventeen companies were commended for their exemplary disclosure, 926 firms with partial disclosure were recognized and encouraged to enhance reporting, and 1,847 firms with no disclosure were urged to begin reporting.

The letter notes that there is broad consensus that diversity enhances performance and also mentions the regulatory efforts underway to accelerate progress on board diversity.

- In August 2021, the SEC approved NASDAQ's proposed board diversity rule.

- Federal legislation has been introduced to require disclosure of board diversity.
- California and Washington have passed legislation mandating minimum board diversity thresholds and others may follow like Hawaii, Illinois, Massachusetts, Michigan and New Jersey.

## Engagements

Through its involvement in the Midwest Investors Diversity Initiative (MIDI), the SBI is planning to lead several diversity related engagements in the fall of 2021 with target companies in the Midwest region.



The SBI will ask companies to voluntarily report board diversity, EEO-1 data and adopt diverse board candidate recruitment practices like the Rooney Rule. If a company is unresponsive, the SBI will sponsor or co-sponsor a shareholder proposal at the company's next annual meeting related to improving diversity disclosure to investors.



MIDWEST INVESTORS DIVERSITY  
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### SBI signs the 2021 Investor Statement Regarding the Need for Corporate Workplace Equity Transparency

The 2021 investor statement regarding the need for workplace equity transparency asks that companies increase investors' accessibility to information related to their workplace equity policies, practices, and program outcomes. Data on recruitment, retention, and promotion rates broken down by race and gender, remains very low.

In 2019, the SBI signed a similar statement that encouraged companies to increase disclosure of their EEO-1 data. EEO-1 is a form all companies with more than 100 employees are required to file with the Equal Employment Opportunity Commission that contains data about gender and race by some type of job grouping. This effort had a tangible impact. Seventy-eight companies now disclose EEO-1 data, compared to 23 that did in 2019. Thirty-five companies have set explicit diversity goals, compared to 9 in 2019.



## MINNESOTA STATE BOARD OF INVESTMENT

### Contact

John Mulé, Director, Legal, Legislative Policy and Shareholder Services  
Minnesota State Board of Investment  
60 Empire Drive, Suite 355  
St. Paul, MN 55103



Phone: (651) 296-3328  
Fax: (651) 296-9572  
Email: [minn.sbi@state.mn.us](mailto:minn.sbi@state.mn.us)  
Website: <http://mn.gov/sbi/>

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