

ESG Initiatives Resolution Update

On February 26, 2020, the Minnesota State Board of Investment (MSBI) passed a resolution concerning Environmental, Social, and Governance (ESG) initiatives. Over the last two years, the SBI has made progress implementing the following four measures that are part of the resolved clause in that resolution.

Measure #1

The MSBI Proxy Committee continue to actively vote proxies in accordance with MSBI proxy guidelines, policies, and precedents as approved from time to time by the Board.

Update:

In FY 2021, the MSBI voted proxies for 2,429 company meetings. From a shareholder stewardship perspective, 2021 was very successful in terms of passing shareholder proposals. Thirty-one ESG related shareholder proposals received majority votes.

In FY 2020, the MSBI voted proxies for 2,425 company meetings. Eighteen ESG related shareholder proposals received majority votes.

Measure #3

The MSBI prepare and periodically update a Stewardship Report and other ESG informational materials provided to stakeholders and posted on the MSBI website.

Update:

The MSBI updated its website in 2021 and expanded the section of the website dedicated to ESG. Recently, the MSBI's inaugural Stewardship Report, PRI Transparency report and FY 2021 proxy voting records have been published to the website.

Measure #2

The MSBI continue to participate in ESG coalitions and engage with corporations on ESG related issues, including but not limited to participation in the Council of Institutional Investors; the United Nations Principles for Responsible Investment; the Ceres Investor Network; the Institutional Limited Partners Association; the Thirty Percent Coalition; the Midwest Investors Diversity Initiative; the Robert F. Kennedy Compass initiative; and other ESG related organizations the MSBI may join from time to time.

Update:

The MSBI has been actively involved with its coalition partners the last two years.

Some highlights include:

- The MSBI Executive Director and CIO, Mansco Perry III, serving as Treasurer for the Council of Institutional Investors;
- Using the resources from the United Nations Principles for Responsible Investment (PRI) as a framework for reporting on the SBI's Stewardship and ESG Incorporation activities;
- Partnering with Ceres to engage with several energy companies on more responsible gas flaring and methane venting practices;
- Using the ESG and Diversity, Equity and Inclusion (DEI) due diligence questionnaires developed by Institutional Limited Partners Association as part of manager evaluations; and
- Coordinating with other members of the Thirty Percent Coalition and the Midwest Investors Diversity Initiative to take the lead on engaging with several companies on board diversity.

ESG Initiatives Resolution Update

Measure #4

The MSBI Executive Director develop and implement plans for reporting on and addressing ESG investment risks; to evaluate options for reducing the MSBI's investments to long-term carbon risk exposure; and to promote efforts for greater diversity and inclusion on corporate boards and within the investment industry.

Update:

- ❖ **Addressing ESG Risks:** MSBI Staff have been meeting with investment managers to evaluate the extent of ESG integration within each manager's investment process.
- ❖ **Evaluating Options for Reducing Long-Term Carbon Risk Exposure:** The MSBI has engaged Meketa Investment Group to produce a comprehensive Climate Risk Assessment tailored for the SBI. A portion of the Climate Risk Assessment Report will be published in the SBI's first and second quarter of 2022 Investment Advisory Council and State Board of Investment meeting materials.
- ❖ **Promoting Greater Diversity and Inclusion:** The MSBI Executive Director formed a DEI Task Force to make recommendations regarding different approaches the MSBI could take. The DEI Task Force has had three meetings and is beginning to make recommendations to the Executive Director.

Shareholder Engagement

The MSBI is actively engaging with several companies on climate change and diversity issues, and has filed several shareholder proposals related to those topics.

In January 2022, due at least in part to the MSBI's engagement effort, including submitting a shareholder proposal, Marathon Oil made several significant commitments:



- 99% gas capture rate by 2022 and Zero Routine Flaring by 2030 in alignment with the World Bank initiative.
- Methane intensity reductions of 60% by 2025 and 80% by 2030.
- Greenhouse gas intensity reduction targets of 40% by 2022 and 70% by 2030.



The MSBI partnered with the Ceres Investor Network on this engagement and plans to continue to meet with the company to evaluate its progress toward achieving these goals.

MINNESOTA STATE BOARD OF INVESTMENT

Contact

John Mulé, Director, Legal and Policy 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
Website: <http://mn.gov/sbi/>

The Minnesota State Board of Investment is an Equal Opportunity Employer