

The Minnesota State Board of Investment (SBI) continues to engage on Environmental, Social, and Governance (ESG) issues and has begun working on the 2021 proxy season. In addition to its engagement on climate issues, SBI has expanded its direct engagement efforts with respect to diversity and inclusion on corporate boards of directors and throughout the broader corporate workforce.

The SBI Cosigns Letter to Russell 3000 Companies Regarding Board Diversity

The SBI cosigned a letter that was sent to companies listed in the Russell 3000 index urging the companies to disclose the racial/ethnic and gender composition of their boards of directors in each company's 2021 proxy disclosure statement.

The letter, which was authored jointly by the Illinois and Connecticut State Treasurers' Offices, was signed by investment entities comprising over \$3 trillion of assets under management, many of whom are part of the Midwest Investors Diversity Initiative and the Thirty Percent Coalition. The letter notes that research consistently indicates that diversity on corporate boards enhances long-term value for investors; and that investors continue to develop proxy voting policies that take diversity into account when voting For or Against corporate boards. Furthermore, increased voluntary disclosure will provide investors with reliable data to assist investors in making proxy voting decisions and provide additional avenues for direct engagement with companies.



Engagement Efforts

SBI Begins Engagement Efforts for the 2021 Proxy Season

In advance of the 2021 proxy season, the SBI has begun reviewing sponsorship of shareholder proposals. Through its involvement in the Midwest Investors Diversity Initiative (MIDI), the SBI has filed one shareholder proposal and will lead and participate in engagements on board diversity with target companies in the Midwest region. MIDI identifies companies with little or no documented racial, ethnic, and/or gender diversity on their boards of directors and asks the company to adopt a rule that the pool of board candidates will include at least one woman and one person with a racial/ethnically diverse background. The SBI will engage with companies on this issue asking them to voluntarily adopt this rule. In addition, the SBI will sponsor or co-sponsor shareholder proposals for 2021 proxy ballots asking companies to adopt the rule.

Engagement Efforts (Cont.)

SBI Engagement Efforts on Deforestation

The SBI continues to engage with companies about the impact of deforestation in South America due to agricultural supply chains. In 2019, the SBI signed on to an investor letter through United Nations Principles of Responsible Investment (PRI) urging large global agricultural companies to require beef producers in their supply chains to eliminate illegal farming operations in the Amazon region. Recently, the SBI signed on to a similar effort reaching out to soy producers in the region. The SBI will continue to monitor progress toward eliminating deforestation through its membership in the PRI and Ceres organizations.



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