

United Nations Principles for Responsible Investment Reporting

Senior Leadership Statement

Minnesota State Board of Investment

Submitted: Summer 2025

Our Commitment

The primary mission of the Minnesota State Board of Investment (SBI) is to maintain the long-term viability of the retirement plans for which it invests. Our fiduciary duty serves as the touchstone for all investment decisions undertaken by the SBI, as codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A. Among other things, our fiduciary duty requires us to consider all material risks and opportunities for the benefit of the retirement funds under our management. As detailed below, consistent with our fiduciary duty, the SBI has taken a measured and pragmatic approach to carefully considering and integrating relevant factors that affect long-term value into our organization and framework. Given the complexity of the underlying issues, we expect our efforts to evolve thoughtfully over time, as appropriate, to create an enduring framework that is in keeping with our mission.

Overview

In addition to the statutory fiduciary rule framework described above, in 2017, the SBI adopted a set of Investment Beliefs that provide additional context for SBI actions, reflect our investment values, and acknowledge our role in supporting the State's broader retirement systems. One of these beliefs is as follows:

Utilizing engagement initiatives to address environmental, social, and governance-related (ESG) issues can lead to positive portfolio and governance outcomes.

In addition to specific engagement strategies the SBI might apply, proxy rights attached to shareholder interests in public companies are also “plan assets” of the SBI and represent a key mechanism for expressing SBI’s positions relating to specific ESG issues. By taking a leadership role in promoting responsible corporate governance through the proxy voting process, SBI can contribute significantly to implementing ESG best practices which should, in turn, add long-term value to SBI’s investments.

In 2019, the SBI became a signatory of the Principles for Responsible Investment. Consistent with this undertaking and its fiduciary duty, the SBI committed to incorporating appropriate ESG risks and opportunities into its investment analysis and decision-making process.

In February 2020, the SBI adopted a resolution to continue developing its approach to addressing ESG-related investment risks and opportunities throughout the investment portfolios. The

resolution stated that the SBI believes that corporations and partnerships that do not take these risks into consideration may jeopardize their financial viability and decrease their value, and that the SBI encourages managers to enhance their risk analysis. Consistent with its fiduciary responsibility, the Resolution addressed a number of topics including that the SBI would continue to vote proxies, participate in relevant coalitions, develop plans for addressing ESG investment risks, and promote diversity on corporate boards and within the investment industry.

The SBI recognizes the impact that maximizing talent, opportunity, and investment culture has on generating long-term investment returns for the retirement funds under our management. To that end, in 2022 the SBI augmented its Investment Beliefs with the following:

Best Practices are developed by the best teams.

There is no merit-based explanation for the lack of racial and gender diversity in the investment industry. In fact, research indicates that such diversity adds value. The SBI must ensure that non-financial biases do not prevent it from working with the best teams. In this diverse and changing world, organizations that demonstrate a commitment to diversity are more likely to succeed.

In 2024, the SBI further expanded its Investment Beliefs to reflect its ongoing commitment to prudent stewardship of the funds entrusted to it. The belief states:

As long-term institutional investors, our fiduciary duty requires us to consider all material risks and opportunities.

This belief affirms that fulfilling our fiduciary duty demands a comprehensive evaluation of the factors that can affect the long-term value and security of our investments. It emphasizes that the SBI's investment approach remains forward-looking, adaptive, and rooted in sound analysis of all considerations, whether they arise from market conditions, economic shifts, technological change, or other structural forces shaping the investment landscape.

In keeping with our fiduciary duty, and consistent with the commitments described above, the SBI has devoted additional resources to enhance our approach. Among other things, in 2021 the SBI dedicated a senior full-time staff person to Stewardship. In 2023, this role was elevated to an independent division reporting directly to the Executive Director and Chief Investment Officer. In January 2024, two analysts were hired to provide additional resources and support this division.

Additionally, in order to support its stewardship activities, the SBI maintains an active membership role in several investor organizations such as Council of Institutional Investors (CII), Investor Coalition for Equal Votes (ICEV), and Institutional Limited Partners Association. The SBI views participation in these groups as important to fostering collaboration, sharing best practices, and providing a diverse perspective on key issues.

The SBI's efforts to date are focused on four key areas: 1) Engagement – through proxies and direct dialogue; 2) maximizing talent, opportunity, and investment culture; 3) executing on a

roadmap for climate and the energy transition; and 4) integrating all material risks and opportunities into our investment process.

Annual Overview

Engagement. We are pleased that in early 2024 the SBI's General Counsel, John Mulé, was appointed to the Board of Directors for CII. CII is a leading voice for effective corporate governance, strong shareowner rights, and sensible financial regulations that foster fair, vibrant capital markets. As a highly respected leader in his field, Mr. Mulé's service in this position reflects the SBI's commitment to these important principles.

We are also proud to share that SBI Investment Officer Alex Wolsky was recently appointed Vice Chairman of the Investor Coalition for Equal Votes (ICEV). ICEV was formed in 2022 to advocate for equitable voting rights and greater accountability in corporate governance structures. Mr. Wolsky's selection to this key leadership role underscores the SBI's continued dedication to shareholder rights and sound governance practices.

In 2024-25, the SBI continued its long history of engagement by voting proxies for approximately 1,850 U.S. corporations. The SBI, along with many other U.S. public pensions and institutional investors, plays an important role in encouraging improved practices that are material to the long-term sustainability of the world's largest corporations. The SBI continues to support a significant number of shareholder proposals, where appropriate, including fair labor practices, decarbonization, board composition, and reporting/disclosure practices.

Talent. In furtherance of our commitment to talent, opportunity, and investment culture, we recognize that continuously examining and improving our internal practices is fundamental. To that end, we have undertaken a number of efforts, including: 1) creation of an internal committee, composed of key investment staff, to review current practices and identify continuous improvement pathways; 2) refined our job postings to reflect core skill elements that are aligned with long-term success; 3) expanded our recruiting pipeline; 4) created an internship program; 5) modified our interview process; and 6) expanded our external investment manager interactions around these important topics.

Climate and Energy Transition. We recognize that complex and evolving issues regarding the risks and opportunities inherent in climate change and the energy transition are among those that must be considered as fiduciaries of long-term pools of capital. Since 2021, the SBI successfully engaged with several companies on climate-related issues. Engagements with Hess and Marathon Oil were followed by both companies making significant commitments to reduce flaring intensity and methane emissions intensity within its broader greenhouse gas emissions reduction goals. In 2024, the SBI began a successful engagement with Petroleos Mexicanos (PEMEX) focused on improving transparency and disclosure regarding their climate strategy. Our broad engagement efforts continued in 2024-25 and expanded to include more direct company interaction and more extensive engagement with our underlying external managers.

As part of our ongoing efforts to analyze the complex issues associated with climate change and the associated investment landscape, the SBI engaged the services of Meketa Investment Group (Meketa). In 2022, Meketa produced a climate change investment analysis report for the SBI's investment portfolio. In 2024, the SBI released a comprehensive investment roadmap focused on climate and the energy transition. This roadmap articulated the SBI's perspective and outlined key steps for action going forward.

Next Steps

In the coming year, SBI staff will continue to develop and refine its approach to addressing all material investment risks and opportunities throughout its investment portfolio. We will continue to emphasize the importance of talent, opportunity, and investment culture within the SBI and with external investment managers across all asset classes. As the SBI engages external managers for all retirement fund assets, we are focused on integrating evaluation frameworks into the investment due diligence process for new and existing external managers. These efforts will leverage industry standards developed by organizations such as the PRI, ILPA, and CFA to evaluate investment managers in all asset classes.

Underpinning our work described above, in the coming year we intend to expand our engagement efforts. In 2025, the SBI retained the services of Segal Marco Advisors to develop a program focused on collaborative, long-term corporate engagements. As long-term shareholders of publicly traded companies, we are committed to exercising our proxy rights and direct engagement opportunities to enhance the value of our investments.

As an important closing note, as stewards of the SBI, every effort that we undertake will be focused on achieving our primary mission: maintaining the long-term viability of the retirement plans for which we invest.

Jill E. Schurtz

Executive Director and Chief Investment Officer

Minnesota State Board of Investment