United Nations Principles for Responsible Investment Reporting
Senior Leadership Statement
Minnesota State Board of Investment
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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. The SBI's fiduciary duty guides all investment decisions and is codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A. Consistent with its fiduciary duty, the SBI considers all material risks and opportunities that may affect long-term investment value and, where appropriate, incorporates them into its investment processes. The SBI's approach is measured, pragmatic, and designed to evolve over time in a manner consistent with its mission.

Overview

In 2017, the SBI adopted Investment Beliefs that provide additional context for its actions, reflect its investment values, and acknowledge its role in supporting the State's 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 to the Principles for Responsible Investment (PRI). 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 states 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 several topics, including continued proxy voting and participation in relevant coalitions, development of plans to address ESG-related investment risks and promotion of 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 its 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 the SBI's fiduciary duty demands a comprehensive evaluation of the factors that can affect the long-term value and security of its 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 its fiduciary duty, and consistent with the commitments described above, the SBI has devoted additional resources, worked to integrate all material risks and opportunities into its processes, and engaged with numerous industry partners to enhance our approach. The SBI's Stewardship team, which reports directly to the Executive Director and Chief Investment Officer, currently includes one senior stewardship professional and one analyst with formal plans to expand. To support its stewardship activities, the SBI maintains an active role in several investor organizations including the Council of Institutional Investors (CII), Investor Coalition for Equal Votes (ICEV), and Institutional Limited Partners Association (ILPA). Participation in these organizations supports collaboration, the exchange of best practices, and informed consideration of key investment issues.

In 2025, the SBI was named to the Responsible Asset Allocator Initiative's (RAAI) Leaders List, which recognizes leading responsible-investment practices among public pension funds and sovereign wealth funds. The SBI was among the top quintile of institutions evaluated and received a score of 97 percent across 30 criteria and 10 principles. This recognition reflects the SBI's ongoing work to strengthen stewardship and evaluate material long-term risks and opportunities consistent with its fiduciary responsibilities.

As described in more detail below, the SBI's efforts focus on three key areas: 1) active ownership and engagement through proxy voting and direct dialogue; 2) maximizing talent, opportunity, and investment culture; and 3) implementation of its climate and energy-transition roadmap.

Annual Overview
Active Ownership and Engagement. In early 2026, SBI General Counsel John Mulé was re-elected to the CII Board of Directors and appointed Chair of its Policies Committee. CII advocates for effective corporate governance, strong shareholder rights, and sound financial regulation.

SBI Senior Investment Officer Alex Wolsky continues to serve as Vice Chair of ICEV, a coalition formed in 2022 to advance equitable voting rights and corporate accountability. His service supports SBI's participation in broader discussions concerning shareholder rights and corporate governance.

In 2025–26, the SBI voted proxies at approximately 1,850 U.S. corporations. Along with other U.S. public pension funds and institutional investors, the SBI uses proxy voting and engagement to encourage practices that may support long-term value at companies in which it invests. The SBI evaluates shareholder proposals case by case and supports proposals when it determines they are likely to enhance long-term shareholder value or address material risks.

<u>Talent</u>. The SBI recognizes that strong teams and effective investment culture can contribute to long-term investment performance. The SBI has established an internal committee to review practices and identify improvement opportunities; refined job postings and interview processes; broadened recruitment and candidate outreach; established an internship program; and expanded dialogue with external investment managers on these topics.

<u>Climate and Energy Transition</u>. The SBI recognizes that climate change and the energy transition may present material investment risks and opportunities for long-term pools of capital. The SBI engages companies and external investment managers, where appropriate, on relevant risk-management, governance, and disclosure practices. In 2025–26, the SBI continued to engage with Petróleos Mexicanos (PEMEX) on improving transparency and disclosure regarding its climate strategy.

In 2024, the SBI released an investment roadmap addressing climate-related risks and opportunities and the energy transition. The roadmap identified three priorities: investing in energy-transition solutions, expanding the effective use of proxy voting, and enhancing direct company engagement. The SBI has made meaningful progress across these priorities and its broader implementation framework and continues to evaluate related activities in accordance with its fiduciary duty and investment standards.

Next Steps

Over the next 12 months, SBI Staff will continue to refine its approach to evaluating material investment risks and opportunities across the portfolio. The SBI will continue to emphasize talent, opportunity, and investment culture internally and in its work with external investment managers across asset classes. As the SBI evaluates new and existing managers, it will continue to integrate relevant evaluation frameworks into its investment due-diligence process. These efforts will be informed, where appropriate, by relevant industry standards and resources, including those developed by PRI, ILPA, and CFA Institute.

The SBI will continue to expand its active-ownership and engagement efforts. In 2025, the SBI retained the services of Segal Marco Advisors to support development of a collaborative, long-term corporate engagement program. Since then, the SBI has established a formal engagement framework and expanded its direct company engagements. As a long-term investor, the SBI will continue to use proxy voting and engagement, where appropriate, to support long-term investment value.

In all of these efforts, the SBI remains focused on its primary mission: supporting the long-term financial sustainability of the retirement plans for which it invests.

Jill E. Schurtz

Executive Director and Chief Executive Officer

Minnesota State Board of Investment