

December 14, 2021

Senator Craig Hickman, Senate Chair
Representative Mike Sylvester, House Chair
Members, Joint Standing Committee on Labor and Housing
100 State House Station
Augusta, ME 04333

Dear Senator Hickman, Representative Sylvester and Members of the Labor and Housing Committee:

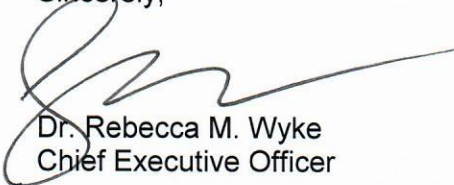
I am writing in response to P.L. 2021, c. 234, § 3, which requires the Maine Public Employees Retirement System ("MainePERS") Board of Trustees to review its "Environmental, Social and Governance Policy," make any changes required to conform to 5 M.R.S. § 1957, and report to this Committee on the review and any amendments to the policy.

Two laws enacted in the First Special Session of the 130th Legislature address distinct divestment requirements using the same code section number, 5 M.R.S. § 1957. P.L. 2021, c. 231, addresses fossil fuel divestment; P.L. 2021, c. 234, addresses private prison divestment. We expect that the duplicative use of the same section number will be corrected in an errors and inconsistencies bill.

The MainePERS Board reviewed and amended its Environmental, Social and Governance Policy pursuant to P.L. 2021, c. 234, § 3 at its meeting on November 18, 2021. A copy of the amended policy is enclosed. The amendments consist of citing 5 M.R.S. § 1957; providing for the reporting of commonly available environmental performance metrics as required by P.L. 2021, c. 231, § 3; advancing the timing of annual report preparation to comply with P.L. 2021, c. 231, § 3; and a few non-substantive revisions. No further changes were required to conform to the prison divestment law, P.L. 2021, c. 234.

We would be pleased to provide further information or answer any questions you might have.

Sincerely,



Dr. Rebecca M. Wyke
Chief Executive Officer

Encl.

Governance Manual

MainePERS Board of Trustees

Board Responsibilities – Investments and Administration

2.6 – Environmental, Social and Governance Policy

Date Adopted: January 8, 2015

Date Amended: May 11, 2017; November 18, 2021

Policy

The MainePERS Board of Trustees considers material environmental, social, and governance (ESG) risks and value creation opportunities critical for inclusion in its due diligence and ongoing monitoring of investments subject to its fiduciary duties, constitutional requirements and in accordance with laws and regulations. The MainePERS Board of Trustees directs the Chief Executive Officer and MainePERS Investment Team to incorporate ESG considerations into all investments considered or made by MainePERS following the adoption date of this policy, and to examine opportunities for ESG integration in existing investments.

MainePERS acknowledges that it will not always be feasible to ensure a particular investment's integration of ESG considerations, especially in cases where MainePERS is a minority owner and has limited ability to influence the organization. In these cases, the MainePERS Investment Team shall engage organizations with which it currently invests to strongly consider relevant ESG-related issues. In addition, MainePERS will consider its ability to influence ESG considerations when weighing prospective investments.

The MainePERS Board of Trustees shall annually review implementation of this policy and update or revise this policy as appropriate.

This policy shall also apply to investment consultants hired by MainePERS to provide guidance on investment due diligence matters.

Statutory/Legal Provisions

- Me. Const. art. IX § 18
- 5 M.R.S. §§ 1957, 17102 and 17103

Roles and Responsibilities

The Chief Executive Officer shall ensure that the MainePERS Investment Team integrates this policy into the investment due diligence process. The MainePERS Chief Investment Officer and Deputy Chief Investment Officer shall ensure that material ESG issues are continually reviewed, revised and integrated by the investment team in the due diligence process. A report describing the implementation of this policy, including recommendations for updates or revisions to this policy, will be provided to the Trustees at the December Board meeting each year. The report must also include commonly available environmental performance metrics on the environmental effects of MainePERS' investments.

Governance Manual

MainePERS Board of Trustees

ESG Due Diligence

MainePERS believes that organizations that understand the benefit of and openly practice sound environmental, social and governance business practices create strong business models and investment opportunities. Consistent with its fiduciary duties, constitutional requirements and in accordance with laws and regulations, MainePERS shall:

1. Maintain awareness of new and existing key ESG considerations and their impact on investment valuation, and update the due diligence process used to identify material ESG issues accordingly.
2. Examine and understand each potential or existing investment's material ESG risk exposure and use this knowledge when evaluating potential investments and during the duration of investment ownership.
3. Be accessible to, and engage with, relevant stakeholders.
4. Encourage and support the adoption and implementation of sound environmental, social, and governance practices by companies and managers in which MainePERS invests.
5. Encourage governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest.
6. Encourage MainePERS investments, and MainePERS business partners to commit to aligning their operations and strategies with the United Nations Global Compact's principles regarding human rights, labor, environment, and anti-corruption.
7. Provide timely and transparent information accessible by stakeholders on the matters addressed in this policy.