BOARD OF INVESTMENT TRUSTEES

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MEMORANDUM

October 24, 2025

TO: Board of Investment Trustees and Board of Trustees

FROM: Dave Crow, Acting Executive Director
Ben Holthus, Investment Officer

SUBJECT: Environmental, Social, Governance – Required Annual Update – 2025

As detailed in the Board's Governance Manual, the Boards are required to annually provide a comprehensive report describing the implementation and outcomes of the Boards' ESG policy, including recommendations for updates or revisions to this policy, as part of the year-end reporting process.

This report includes the following:

I. Industry Developments
II. Current Manager ESG Updates and Corporate Engagement
III. Consultant Initiatives
IV. Staff/Board Actions and Research

I. Industry Developments

- **SEC updates guidance on ESG engagement disclosures -** The Securities and Exchange Commission changed agency guidance on when asset managers are required to file longer disclosures (13D) about shareholder engagement on environmental, social, and governance issues, prompting a pause in engagement from some of the nation's largest asset managers. Schedule 13D disclosures, typically required of activist investors, will now be required from shareholders who recommend governance actions such as recommending companies "undertake specific actions on a social, environmental, or political policy."

- **Proxy Advisors Glass Lewis and ISS Continue Fight Against State Attorney General Challenges to "Nonfinancial" Advice in Challenge of Texas Law -** Institutional Shareholder Services Inc. (ISS) and Glass, Lewis & Co., LLC ("Glass Lewis"), filed separate complaints in federal court against Texas Attorney General Ken Paxton, challenging the constitutionality of Senate Bill 2337. The Act would require all proxy advisory services to disclose advice or recommendations that are "not provided solely in the financial interest of the shareholders of a company." Advice and/or a recommendation is defined as being "for nonfinancial reasons" when it "is wholly or partly based on, or otherwise takes into account, one or more nonfinancial factors" including “an environmental, social, or governance (ESG) goal,” “diversity, equity, or inclusion (DEI)”, or “a social credit or sustainability factor or score.” They allege the Act violates the First Amendment’s prohibition against viewpoint discrimination, infringes upon their freedom of association, and is unconstitutionally vague.

- **SEC withdraws several proposed rules, including additional ESG disclosure -** The Securities and Exchange Commission announced that it is withdrawing numerous rule proposals, including one on ESG disclosure. The rule would have required investment advisers and companies to make additional disclosures about their ESG strategies and practices in their prospectuses, annual reports and brochures; implemented a comparable disclosure approach for investors to easily compare ESG funds; and required environmentally-focused funds to disclose their portfolio greenhouse gas emissions, according to an agency fact sheet.

- **Deutsche Bank-owned asset manager DWS fined \$27 million for greenwashing—**DWS had publicly claimed that it was a "leader" in environmental, social and governance investing, and that ESG was an integral part of its DNA but these statements "did not correspond to reality" and DWS misled investors from around mid-2020 to the end of January 2023, the Frankfurt state prosecutor's office said. DWS said on Wednesday that it accepted the latest fine, "In recent years, we have already publicly acknowledged that ... our marketing was sometimes exuberant.”

- **Judge Rules American Airlines Violated Retirement-Plan Duties by Encouraging ESG Investing -** U.S. District Judge Reed O’Connor said American breached its duty of loyalty to employees because BlackRock, an asset manager the airline uses for its retirement funds, favored so-called ESG goals and based investment decisions on factors other than financial interests.

II. Current Manager ESG Updates and Corporate Engagement

In 2021, Staff and our investment consultants began reporting to the Boards on impact/sustainable investments within the private market portfolio. The portfolio currently contains several funds with impact investment strategies. Some examples include strategies focused on renewable power development, sustainable forestry, water infrastructure, and real estate. The segment of our portfolio with the highest concentration of impact investments is private real assets, where 38% of the ERS portfolio is allocated to impact/sustainable investments.

- **International Equity Manager** – During the year, this manager offset 150% of their carbon footprint by planting forests. In this case, they supported a project to plant new forest on a degraded pasture in Uruguay. The main objectives of this project are sustainable wood production, land restoration, and carbon sequestration. This project has established a better form of land use, combining sustainable forestry with existing cattle grazing. Trees are planted on the higher and more degraded land, reducing further topsoil degradation, while cattle graze the lower, unwooded areas.

- **Private Real Assets Manager -** This manager has been building a transmission line to connect renewable power from Arizona to California. During the project, the manager engaged with the Tribes in the region. While none of the project encroaches directly on any tribal lands, the manager wanted to be certain there was no impact from their construction activities. Through this engagement, the manager was able to adjust the route of the transmission line to divert away from an area that could have visually impacted a ceremonial location.

- **Private Equity Manager:** During the year, the Trust Funds hired a private equity manager who is a founding investor partner of Ownership Works. Ownership Works is a nonprofit organization that champions broad-based employee ownership as a core strategy to improve ESG performance and build shared wealth. By fostering employee-owner models, the organization aims to create equitable opportunities for workers, enhance corporate culture and performance, and drive positive social and environmental impacts that align with ESG goals.

- **Private Debt Manager:** During the last year, the Trust Funds hired a private debt manager that is a minority and women-owned firm, where 63% of the firm is owned by minority and female founders. Beyond firm ownership, the manager also seeks to proactively integrate ESG into its investment process. In particular, the manager promotes sustainability, job creation and strengthening governance across its portfolio.

- **Emerging Markets Debt Manager** – During the last year, this manager developed and incorporated a proprietary method for estimating emissions embodied in company value chains, which provides the investment team with a unique and powerful tool for quantifying, tracking, and managing portfolio carbon transition risk.

- **International Equity Manager** – This manager has been a signatory to Thomson Reuters Foundation's Workforce Disclosure Initiative ('WDI') and has encouraged the companies they invest in to join this engagement program. During the year, 4 of the manager's investments were winners in WDI Awards: "Best First Time Responder – runner up", "Best First Time Responder (Core Indicators) – runner up", "Most Improved – runner up", and "Most transparent - special mention".

- **Private Real Estate Manager -** In each of 2024 and 2025, the manager invested in the severely dislocated U.S. property catastrophic reinsurance market through a partnership with an industry loss warranty ("ILW") manager. After a 6-year stretch (2017-2022) of significant losses from catastrophic events (hurricanes, wildfires, typhoons, flooding, winter storms, tornadoes, COVID-19, etc.), many capital providers reduced the dollars deployed in the market, and little fresh supply entered, making it difficult for some to find coverage. By supporting this market, the manager can help ensure stability by retaining a sufficient number of market participants.

- **Emerging Markets Equity Manager** – During the year, this manager entered a new collaboration with an external consultant, specializing in Emerging Markets governance and ESG practices, to improve their understanding of board composition, board succession planning, and executive compensation plans and their impact on capital allocation decisions and long-term strategy.

- **Private Real Estate Manager –** During the year, this manager launched a sustainability-focused academy. The academy is designed to spearhead sustainable transformation across the private markets. The academy aims to enhance understanding of future-proofing topics, such as sustainability and AI. It caters to a wide range of investment advisory professionals, including senior capital allocators and sustainability experts, fostering an environment of mutual learning and leadership in sustainability practices. The academy has hosted three events in the past 12 months.

III. Consultant Initiatives and Approach to ESG

- **NEPC (General Consultant) –** During the last year, NEPC has continued to refine their approach to ESG manager ratings and impact investing. They have an Impact Investing Committee that was formed to display their commitment to being a best-in-class consulting partner for impact-oriented investors. Additionally, NEPC completed their 2024 DEI Progress Report, which is the fifth annual edition they have produced. They reported that diverse manager representation across the firm continues to increase. Finally, they have also increased their number of clients with diverse and emerging manager mandates over the year.

- **Franklin Park Associates (Private Equity & Debt Consultant) –** During the last year, Franklin Park engaged with a buyout manager to evaluate how its investments are structured to implement broad-based employee equity plans for portfolio company employees in order to align the financial interests of workers and employers. Franklin Park also engaged with a mezzanine fund manager to understand how it identifies, evaluates and monitors Responsible Investing-related risks. Throughout the year, they engaged with private market general partners to gain better insights into their ESG efforts, such as reporting, impact investment strategies, responsible investing, and DEI initiatives.

- **Albourne (Private Real Assets Consultant) –** Over the last year, Albourne completed their third annual Albourne Sustainability Integration Score (SiQ Score), which is a survey-based evaluation of the extent to which environmental, social, and governance considerations are incorporated into a fund's risk management and investment decision-making process. Funds are scored between 1-100. This past year, Albourne surveyed more than 1,180 funds on sustainability integration through this scoring methodology. Albourne also significantly increased their level of sustainability investment due diligence and has now engaged with 1,456 investment managers across 5,453 underlying funds. Further, Albourne engaged with 1,184 investment managers on DEI through their annual DEI questionnaire.

IV. Staff/Board Actions and Research

- **Portfolio DEI Analysis** – Staff completed a fourth annual diversity and inclusion analysis of the underlying funds within the portfolio to understand the level of diverse ownership across the portfolio and within various asset classes. This analysis revealed that the portfolio has roughly 31% invested in women- or minority-owned investment organizations with exposure across public markets, private equity, private debt, and private real assets, a slight decrease from last year. Staff will continue to track this metric on an annual basis and will explore ways to further enhance our approach to DEI. Albourne, NEPC, and Curcio Webb have significant levels of diverse ownership and management. For example, Curcio Webb, our defined contribution plan consultant, is a woman-owned business.

- **Portfolio PRI Signatory Portfolio Analysis** – Both Boards became signatories of the Principles for Responsible Investment (PRI) in October 2019. The Boards believe this is the premier organization for asset owners and investment managers in terms of ESG integration. While it is not required that investment managers be signatories, it is highly encouraged. Staff recently conducted an analysis to see the proportion of investment managers within the portfolio that are signatories. As of June 30th, 2025, 57% of the managers within the portfolio are signatories, while roughly 73% of the portfolio by market value is invested with signatories. Whereas most of the public market managers within our portfolio are signatories, the adoption level on the private market side remains somewhat low, but it is improving. Additionally, all three of the Boards' core investment consultants – Franklin Park, NEPC, and Albourne are signatories.

- **Portfolio ESG Analysis –** Staff recently analyzed the entire ERS and CRHBT investment portfolio to understand the level of ESG exposure. As of June 30th, 2025, the ERS and CRHBT had ESG investments totaling 13.3% and 12.1%, respectively. The vast majority of this ESG exposure is found within the two plans' private market portfolios. The components of ESG where the funds have the largest exposure are renewable energy, health and wellness, affordable/workforce housing, and education.

ERS Carbon 200 Exposure - June 2025

Coal or Oil	Company	Market Value
O	Antero Resources	$ 1,017,061.11
O	APA Corporation	$ 119,065.28
O	Apache	$ 56,772.16
C	ArcelorMittal	$ 410,889.16
O	Baytex	$ 175,106.09
C/O	BHP	$ 384,262.04
O	BP	$ 788,549.16
O	California Resources	$ 102,647.70
O	Centennial Resource Development	$ 124,787.69
O	Chevron	$ 2,012,965.02
O	CNX Resources	$ 282,752.00
O	Comstock Resources	$ 466,893.34
O	ConocoPhillips	$ 979,063.40
O	Coterra	$ 159,513.30
O	Crescent Point Energy	$ 740,520.20
O	Devon Energy	$ 170,533.41
O	Diamondback Energy	$ 223,962.00
O	EOG Resources	$ 569,343.60
O	EQT	$ 427,816.74
O	Equinor	$ 212,455.19
O	ExxonMobil	$ 4,026,222.20
C	FirstEnergy	$ 190,389.54
C	Glencore	$ 541,429.47
O	Gulfport Energy	$ 51,242.63
O	Hess	$ 786,224.55
C	Idemitsu	$ 139,932.15
O	Inpex	$ 152,809.03
O	Laredo Petroleum	$ 88,313.42
O	Marathon Oil	$ 446,171.46
O	Matador Resources	$ 622,837.95
O	MEG Energy	$ 74,923.45
C	Mitsubishi	$ 1,174,436.63
O	Murphy Oil	$ 1,041,846.71
O	National Fuel Gas	$ 65,904.38
O	Northern Oil & Gas	$ 431,477.68
O	Ovintiv	$ 84,623.20
O	Oxy	$ 246,472.67
O	PGE	$ 785,697.07
O	Range Resources	$ 83,210.82
O	Santos	$ 292,398.85
C	Severstal	$ 432.78
O	SM Energy	$ 174,083.38
C	Southern Copper	$ 71,122.51
O	Vermilion Energy	$ 143,627.45
	Total ERS Carbon 200	**$ 21,140,788.57**

Total Oil	$18,227,894	86.22%
Total Coal	$2,528,632	11.96%
Total Coal/Oil	$384,262	1.82%
Total	**$21,140,789**	**100.00%**

Change from 6/30/2024	**-$14,636,615**

ERS Portfolio Size	**$5,096,359,520**
Carbon 200 % of Portfolio	**0.41%**

Total Fixed Income	$4,545,908	21.5%
Total Equity	$16,594,880	78.5%
Total	**$21,140,789**	**100.0%**

CRHBT Carbon 200 Exposure - June 2025

Coal or Oil	Company	Market Value
O	Antero Resources	$714,951
O	APA Corporation	$37,403
C	ArcelorMittal	$265,389
O	Baytex	$125,076
C/O	BHP	$248,693
O	BP	$509,301
O	California Resources	$76,986
O	Centennial Resource Development	$99,830
O	Chevron	$1,308,327
O	CNX Resources	$234,312
O	Comstock Resources	$366,564
O	ConocoPhillips	$636,346
O	Coterra	$104,616
O	Crescent Point Energy	$724,682
O	Devon Energy	$111,144
O	Diamondback Energy	$145,507
O	EOG Resources	$369,954
O	EQT	$459,124
O	Equinor	$137,435
O	ExxonMobil	$2,616,845
C	FirstEnergy	$123,719
C	Glencore	$349,492
O	Gulfport Energy	$25,621
O	Hess	$568,423
C	Idemitsu	$90,259
O	Inpex	$98,134
O	Laredo Petroleum	$66,235
O	Marathon Oil	$289,862
O	Matador Resources	$455,841
O	MEG Energy	$49,949
C	Mitsubishi	$757,358
O	Murphy Oil	$735,283
O	National Fuel Gas	$42,779
O	Northern Oil & Gas	$485,163
O	Ovintiv	$55,515
O	Oxy	$158,840
C	PGE	$599,299
O	Range Resources	$105,488
O	Santos	$189,103
O	SM Energy	$301,107
C	Southern Copper	$46,134
O	Vermilion Energy	$119,594
	Total CRHBT Carbon 200	$15,005,683

Total Oil	$12,525,340	83.47%
Total Coal	$2,231,650	14.87%
Total Coal/Oil	$248,693	1.66%
Total	**$15,005,683**	**100.00%**

Change from 6/30/2024	**-$4,646,773**

CRHBT Portfolio Size	**$2,018,526,145**
Carbon 200 % of Portfolio	**0.74%**

Total Fixed Income	$4,190,399	27.93%
Total Equity	$10,815,284	72.07%
Total	**$15,005,683**	**100.00%**