

AN ACT concerning finance.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 1. Short title. This Act may be cited as the Illinois Sustainable Investing Act.

Section 5. Findings and purpose.

(a) The General Assembly finds that consideration of factors relevant to the environmental impact, social impact, and governance of investments is vital for maximizing the safety and performance of public funds. Such sustainability factors are indicative of the overall performance of an investment and are strong indicators of its long-term value. Public agencies and governments have a duty to recognize and evaluate these materially relevant factors.

(b) It is the purpose of this Act to prudently integrate sustainability factors into the investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership of public funds to maximize anticipated financial returns, minimize projected risks, more effectively execute fiduciary duties, and contribute to a more just, accountable, and sustainable State of Illinois.

Section 10. Definitions. As used in this Act:

"Financial institution" means a bank, savings bank, or credit union established under the laws of the State of Illinois, another state, or the United States of America.

"Governmental unit" has the same meaning as in the Local Government Debt Reform Act.

"Investment policy" means a written investment policy adopted by a public agency or governmental unit which addresses safety of principal, liquidity of funds, and return on investment and which requires the investment portfolio be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due.

"Public agency" means the State of Illinois, the various counties, townships, cities, towns, villages, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, the Illinois Bank Examiners' Education Foundation, the Chicago Park District, and all other political corporations or subdivisions of the State of Illinois, now or hereafter created, whether herein specifically mentioned or not.

"Public funds" means current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any public agency.

"Sustainability factors" means factors that may have a

material and relevant financial impact on the safety or performance of an investment and which are complementary to financial factors and financial accounting.

Section 15. Development of sustainable investment policies.

(a) Any public agency or governmental unit should develop, publish, and implement sustainable investment policies applicable to the management of all public funds under its control. The sustainable investment policy may be incorporated in existing investment policies developed, published, and implemented by a public agency or governmental unit.

(b) The sustainable investment policy should include material, relevant, and decision-useful sustainability factors to be considered by the public agency or governmental unit as one component of its overall evaluation of investment decisions. Such factors may include, but are not be limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors.

Section 20. Consideration of sustainable investment factors in decision-making.

(a) A public agency shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, due diligence,

and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty.

(b) Sustainability factors may include, but are not limited to, the following:

(1) Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.

(2) Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.

(3) Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.

(4) Human capital factors that recognize that the

workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.

(5) Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

(c) Sustainability factors may be analyzed in a variety of ways, including, but not limited to: (1) direct financial impacts and risks; (2) legal, regulatory, and policy impacts and risks; (3) against industry norms, best practices, and competitive drivers; and (4) stakeholder engagement.

(d) Nothing in this Act prohibits a public agency or governmental unit from integrating additional factors into its investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership of public funds. This Act shall not apply to financial institution time deposits or financial institution processing services.

Section 100. The Deposit of State Moneys Act is amended by changing Section 22.8 as follows:

(15 ILCS 520/22.8)

Sec. 22.8. The Treasurer shall develop, publish, and implement an investment policy covering the management of all State funds under his or her control. The investment policy shall be published each year in the Treasurers' annual report as prescribed in Section 15 of the State Treasurer Act (15 ILCS 505/15). The policy shall also be published at least once each year in at least one newspaper of general circulation in both Springfield and Chicago. Any such investment policy adopted by the Treasurer shall be reviewed, and updated if necessary, within 90 days following the installation of a new Treasurer.

The investment policy shall include material, relevant, and decision-useful sustainability factors to be considered by the Treasurer in evaluating investment decisions, including, but not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing.

(Source: P.A. 89-350, eff. 8-17-95.)

Section 105. The Public Funds Investment Act is amended by changing Section 2.5 as follows:

(30 ILCS 235/2.5)

Sec. 2.5. Investment policy.

(a) Investment of public funds by a public agency shall be governed by a written investment policy adopted by the public agency. The level of detail and complexity of the investment policy shall be appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio. The policy shall address safety of principal, liquidity of funds, and return on investment and shall require that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. In addition, the investment policy shall include or address the following:

- (1) a listing of authorized investments;
- (2) a rule, such as the "prudent person rule", establishing the standard of care that must be maintained by the persons investing the public funds;
- (3) investment guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (4) a policy regarding diversification of the investment portfolio that is appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (5) guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to this Act, and, if applicable,

guidelines for contractual arrangements for the custody and safekeeping of that collateral;

(6) a policy regarding the establishment of a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity;

(7) identification of the chief investment officer who is responsible for establishing the internal controls and written procedures for the operation of the investment program;

(8) performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(9) a policy regarding appropriate periodic review of the investment portfolio, its effectiveness in meeting the public agency's needs for safety, liquidity, rate of return, and diversification, and its general performance;

(10) a policy establishing at least quarterly written reports of investment activities by the public agency's chief financial officer for submission to the governing body and chief executive officer of the public agency. The reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date;

(11) a policy regarding the selection of investment

advisors, money managers, and financial institutions; and

(12) a policy regarding ethics and conflicts of interest.

(a-5) The investment policy shall include a statement that material, relevant, and decision-useful sustainability factors have been or are regularly considered by the agency, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

(b) For purposes of the State or a county, the investment policy shall be adopted by the elected treasurer and presented to the chief executive officer and the governing body. For purposes of any other public agency, the investment policy shall be adopted by the governing body of the public agency.

(c) The investment policy shall be made available to the public at the main administrative office of the public agency.

(d) The written investment policy required under this Section shall be developed and implemented by January 1, 2000.

(Source: P.A. 90-688, eff. 7-31-98.)

Section 110. The Illinois Pension Code is amended by changing Section 1-113.6 and by adding Section 1-113.17 as

follows:

(40 ILCS 5/1-113.6)

Sec. 1-113.6. Investment policies. Every board of trustees of a pension fund shall adopt a written investment policy and file a copy of that policy with the Department of Insurance within 30 days after its adoption. Whenever a board changes its investment policy, it shall file a copy of the new policy with the Department within 30 days.

The investment policy shall include a statement that material, relevant, and decision-useful sustainability factors have been or are regularly considered by the board, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-113.17 new)

Sec. 1-113.17. Investment sustainability. Every retirement system, pension fund, or investment board subject to this Code shall adopt a written investment policy and file a copy of that policy with the Department of Insurance within 30 days after its adoption. Whenever a board changes its investment policy,

it shall file a copy of the new policy with the Department within 30 days.

The investment policy shall include material, relevant, and decision-useful sustainability factors to be considered by the board, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors shall include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.