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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

VERMONT PENSION INVESTMENT COMMITTEE
ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES
REVISED AND RESTATED ____, ___ 20__

The Vermont Pension Investment Committee ("Committee") Investment Policy sets forth the Committee's investment purposes and objectives. This document sets forth the Committee's policy ("ESG Policy") for considering environmental, social or governance ("ESG") factors that potentially influence risk and return as part of the investment process.

With regard to investing Portfolio assets, the Committee is subject to 3 VSA § 523(a) which requires the Committee to strive to maximize total return on investment, within acceptable levels of risk for public retirement systems, in accordance with the standards of care established by the prudent investor rule under 14A V.S.A. § 902 (the "prudent investor rule"). Further, the three State pension plans are qualified plans in accordance with Section 401(a) of the Internal Revenue Code. Federal and State law prohibit the use or diversion of any part of the corpus or income of the plans at any time prior to the satisfaction of all liabilities with respect to members and their beneficiaries for purposes other than the exclusive benefit of members and their beneficiaries.

Pursuant to 14A V.S.A. § 902, the VPIC shall consider such of the following as are relevant for a particular investment:

(1) general economic conditions;

(2) the possible effect of inflation or deflation;

(3) the expected tax consequences of investment decisions or strategies;

(4) the role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interests in closely held enterprises, tangible and intangible personal property, and real property;

(5) the expected total return from income and the appreciation of capital;

(6) other resources of the beneficiaries;

(7) needs for liquidity, regularity of income, and preservation or appreciation of capital; and

(8) an asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.

The Committee believes that as part of its prudent investor analysis, ESG issues may have a direct relationship to the economic value of the Portfolio investments which are proper components of the VPIC's primary analysis of the economic merit of investment choices.

Similarly, if the VPIC determines, in accordance with its statutory standard of care, that an investment is appropriate based solely on economic considerations, including those that may derive from ESG factors, the VPIC may make the investment without regard to the collateral benefits the investment may also promote.

External Managers and Vehicles

The entire VPIC Portfolio is managed by external Investment Managers and investment vehicles. In selecting Investment Managers, the VPIC must reasonably conclude that a selected Investment Manager's practices are consistent with the principles articulated in this Policy. In conducting their due diligence, the Investment Consultant and Treasurer's Office staff shall assess the policies, processes and systems of potential Investment Managers to determine the extent to which they incorporate ESG issues into their investment analyses and decisions.

During the life of the investment, the Investment Consultant and Treasurer's Office staff shall require Investment Manager reporting sufficient to (i) determine if an Investment manager is acting consistent with the Investment Manager's investment policies, processes for identifying ESG-related value drivers and managing material ESG-related risks and (ii) understand positive and negative ESG-related developments which affect the risk and return of the investment.

Applicable ESG reporting requirements shall be incorporated in Investment Manager contracts.

Voting the VPIC Proxy

The VPIC supports and prefers the use of constructive engagement to further environmental, social and governance goals where possible and has adopted both Domestic and International Proxy Voting Policies for this purpose. As an institutional investor, the VPIC has standing and rights as a shareholder and the ability as a shareowner to influence corporate and governmental entities to act responsibly through constructive engagement. This includes but is not limited to shareholder resolutions, shareholder sign-on letters, and supporting policy initiatives for transparency.

Incorporating Wider Stakeholder Views

The VPIC may make investment decisions which reflect wider stakeholder views, provided they are consistent with its statutory standard of care and its obligation to act exclusively for the benefit of retirement system beneficiaries. The prudent investor standards applicable to ESG issues are no different than the standards applicable to VPIC investments generally. This includes giving appropriate consideration to the role the investment plays in terms of such factors as diversification, liquidity and risk/return characteristics, as set forth above.

As an instrumentality of the State of Vermont, the VPIC acknowledges there are many who express opinions on investment strategy or request the VPIC to engage on an issue. The primary stakeholders of the VPIC are the retirement system members and beneficiaries, the municipalities of the State and the taxpayers of the State as these stakeholders bear the economic consequences of VPIC investment decisions.

The VPIC prefers to engage those raising these issues. In considering whether to engage on issues raised by primary stakeholders and others, the VPIC will use the following framework:

1.) Principles and Policy – to what extent is the issue supported by the VPIC "Core Processes and Beliefs" as set forth in the VPIC Investment Policy?
2.) Materiality – Does the issue have the potential for an impact on Portfolio risk and return?
3.) Definition and Likelihood of Success – is success likely, in that the VPIC action will produce or influence a measurable outcome.