



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB2782

Introduced 2/16/2023, by Rep. Ann M. Williams

SYNOPSIS AS INTRODUCED:

30 ILCS 238/10
30 ILCS 238/20

Amends the Illinois Sustainable Investing Act. Provides that, effective January 1, 2024, every investment manager shall comply with annual disclosure requirements that will require the investment manager to provide a description of the process through which the manager prudently integrates sustainability factors into its investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership in order to maximize anticipated financial returns, identify and minimize projected risk, and execute its fiduciary duties more effectively. Provides that the investment manager shall provide the annual disclosure to each public agency, pension fund, retirement system, or governmental unit for whom the investment manager is acting as a fiduciary or seeking selection as a fiduciary prior to acting in this capacity and at least annually thereafter. Provides that annual disclosures shall be submitted by January 31st of every year after the effective date of the amendatory Act. Defines "investment manager".

LRB103 30690 DTM 57161 b

1 AN ACT concerning finance.

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

4 Section 5. The Illinois Sustainable Investing Act is
5 amended by changing Sections 10 and 20 as follows:

6 (30 ILCS 238/10)

7 Sec. 10. Definitions. As used in this Act:

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

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

13 "Investment manager" means:

14 (1) a fiduciary selected by a public agency, pension
15 fund, retirement system or governmental unit who has the
16 power to manage, acquire, or dispose of any asset of a
17 public agency, pension fund, retirement system or
18 governmental unit;

19 (2) has acknowledged in writing that he or she is a
20 fiduciary with respect to the public fund, retirement
21 system or pension fund; and

22 (3) is at least one of the following: (i) registered
23 as an investment adviser under the federal Investment

1 Advisers Act of 1940; (ii) registered as an investment
2 adviser under the Illinois Securities Law of 1953; (iii) a
3 bank, as defined in the Investment Advisers Act of 1940;
4 or (iv) an insurance company authorized to transact
5 business in this State.

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

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

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

25 "Sustainability factors" means factors that may have a
26 material and relevant financial impact on the safety or

1 performance of an investment and which are complementary to
2 financial factors and financial accounting.

3 (Source: P.A. 101-473, eff. 1-1-20.)

4 (30 ILCS 238/20)

5 Sec. 20. Consideration of sustainable investment factors
6 in decision-making.

7 (a) A public agency shall prudently integrate
8 sustainability factors into its investment decision-making,
9 investment analysis, portfolio construction, due diligence,
10 and investment ownership in order to maximize anticipated
11 financial returns, minimize projected risk, and more
12 effectively execute its fiduciary duty.

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

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

22 (2) Environmental factors that may have an adverse or
23 positive financial impact on investment performance, such
24 as greenhouse gas emissions, air quality, energy
25 management, water and wastewater management, waste and

1 hazardous materials management, and ecological impacts.

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

10 (4) Human capital factors that recognize that the
11 workforce is an important asset to delivering long-term
12 value, including factors such as labor practices,
13 responsible contractor and responsible bidder policies,
14 employee health and safety, employee engagement, diversity
15 and inclusion, and incentives and compensation.

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

23 (c) Sustainability factors may be analyzed in a variety of
24 ways, including, but not limited to: (1) direct financial
25 impacts and risks; (2) legal, regulatory, and policy impacts
26 and risks; (3) against industry norms, best practices, and

1 competitive drivers; and (4) stakeholder engagement.

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

9 (e) Effective January 1, 2024, every investment manager
10 shall comply with annual disclosure requirements, which shall
11 include, but shall not be limited to, a description of the
12 process through which the manager prudently integrates the
13 sustainability factors described in subsection (b) into their
14 investment decision-making, investment analysis, portfolio
15 construction, due diligence, and investment ownership in order
16 to maximize anticipated financial returns, identify and
17 minimize projected risk, and execute the manager's fiduciary
18 duties more effectively. The investment manager shall provide
19 the manager's annual disclosure to each public agency, pension
20 fund, retirement system, or governmental unit for whom the
21 investment manager is acting as a fiduciary or seeking
22 selection as a fiduciary before acting in this official
23 capacity and at least annually thereafter. Annual disclosures
24 shall be submitted by January 31st of every year after the
25 effective date of this amendatory Act of the 103rd General
26 Assembly.

1 (Source: P.A. 101-473, eff. 1-1-20.)