



MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS
CONSOLIDATED RETIREE HEALTH BENEFITS TRUST

November 18, 2022

SIXTH REPORT TO THE COUNTY COUNCIL AND THE COUNTY EXECUTIVE
PURSUANT TO COUNCIL RESOLUTION NO. 18-804

On May 16, 2017, the Montgomery County Council adopted Resolution No. 18-804, *Environmental, Social, and Governance Investment Policy Guidelines and Fossil Fuel Company Investments of the Employees' Retirement System and the Consolidated Retiree Health Benefits Trust*.¹ The resolution is Attachment 1. It requested the Boards for the ERS and the CRHBT to:

1. consistent with their fiduciary duties, explore all means possible to:
 - a. minimize the Boards' investments in companies with the largest fossil fuel reserves as rapidly as possible; and
 - b. apply environmentally and economically sound decision-making, both generally and specific to climate change, using ESG policy guidelines; and
2. report within 6 months after adoption of this resolution and annually thereafter to the Council and the Executive on implementation of these actions, detailing the research conducted on top fossil fuel holding companies and detailing the extent of divestment or the rationale for not pursuing divestment from individual holdings.

This is the Board's sixth report to Council. It is organized as follows: Part A reviews the Boards' fiduciary duty and the Environmental, Social, and Governance (ESG) policy guidelines employed by the Boards and their investment managers and consultants. Part B reviews the Boards' current holdings in fossil fuel companies. Part C reviews the research and actions undertaken by the Boards and Staff since the adoption of the resolution.

¹ The Employees' Retirement System (ERS), the defined benefit pension plan that includes employees of Montgomery County Government, participating agencies, and their beneficiaries, is overseen by the Board of Investment Trustees. The Consolidated Retiree Health Benefits Trust (CRHBT), the trust that includes employees of Montgomery County Government, Montgomery County Public Schools, Montgomery College, participating agencies, and their dependents, is overseen by the Board of Trustees. As of September 30, 2022, the ERS had assets of \$4.5 billion. The CRHBT had assets of \$1.5 billion. The ERS, which started in 1965, currently has a funded level of 102 percent on an actuarial basis and 100% on a market value basis. Its 10-year investment return is in the top quartile of its peer group (better than 75% of peers) of public pension funds. The CRHBT, which started in 2008, currently has a funded level of 48 percent on an actuarial basis and 48% on a market value basis.

A. The Boards' fiduciary duty and the ESG policy guidelines employed by the Boards and their investment managers and consultants, both generally and specific to climate change.

Both Boards are required by law to act in accordance with their fiduciary duty. The Standard of Care for the ERS in Section 33-61C of the County Code requires a fiduciary to act “only in the best interest of the participants and their beneficiaries.” The Duty of Care for the CRHBT in Section 33-163 requires a fiduciary to act “only in the interest of the participants in retiree benefit plans and eligible dependents.”

The County Code also requires the Boards to use investment managers to select individual securities; we are not authorized to do so ourselves. We apply rigorous screens to determine the best investment managers for different asset classes.

The Boards have developed ESG policy guidelines that are embedded in our investment and governance processes. Our Governance Manuals state that our policy is:

that the Executive Director and Investment Staff incorporate ESG considerations into all investments...and examine opportunities for ESG integration in existing investments. This policy also applies to investment consultants and investment managers hired...to provide guidance on investment due diligence matters. The Boards annually review engagement outcomes and update this policy as appropriate.

As our investment managers work to achieve the best risk-adjusted return in accordance with their fiduciary duty, they apply ESG factors to help determine which companies to include or exclude from consideration. Shown below are actions taken by our investment managers since our last report:

- **Private Equity Managers** – In 2022, the Trust Funds hired two private equity managers that have recently become recognized as minority-certified businesses. A minority and women-owned business enterprise, otherwise known as MWBE, is at least 51% owned and controlled by one or more minority persons or socially and economically disadvantaged individuals. Beyond ownership, these managers have diverse executive and senior management such as a female CFO, female Head of Business Development, and an Indian female Head of Operations.
- **Private Natural Resources Manager** – In 2022, the Trust Funds hired a private natural resources manager that targets investments in renewable energy assets and other sustainable infrastructure projects across the U.S. and Canada. The fund's investments are expected to generate in excess of 233,300 MWh annually and have resulted in 165,400 tons of carbon abated. Additionally, the firm's portfolio companies ensure that these renewable assets minimize their impact to the local ecosystem. For instance, a portfolio company that is engaged in developing and rehabilitating local small hydro power plants has laid the groundwork this year to procure fish cannons to allow native species to bypass the dams as they swim upstream to spawn. The fish cannon is a new hardware technology that is imperative for the health of the ecosystem, and substantially more economic versus other solutions like fish ladders.
- **Private Natural Resources Manager** – In 2022, the Trust Funds hired a private natural resources manager that targets control investments in middle-market infrastructure assets that are difficult to replicate and are essential to their customer base. The fund targets smaller-scale assets that are highly fragmented with a special focus on utilities. The manager also seeks to make direct social impacts in the local communities that they serve. For example, towns generally welcome

their water utility portfolio companies as they are able to professionalize and stabilize water operations. Legacy owners of these assets are generally family businesses, real estate developers, or local entrepreneurs that lack the knowledge and sophistication to properly operate the assets. As a result, customer bills are usually higher due to suboptimal infrastructure such as old or damaged pipes. As new owners of the utilities, the manager will put in new pumps, build storage facilities, and fix leaks. The manager uses their scale to operate the waterworks at a lower cost basis while incorporating regional rate cases to minimize the impact of customer bill increases.

- **Emerging Market Equities Manager** – This firm has recently made several advancements in their investment process to incorporate ESG themes. In 2022, the firm added the Gender Balance signal to their Alpha Model. The signal measures changes in the composition of the male/female gender ratios in the senior management, executive management, and board members of a company. The firm believes that gender diversity & equality fits “resource theory” in that a more diverse workplace represents a valuable set of resources that may help achieve better economic outcomes due to the different points of view and experiences it offers. Furthermore, there is an underreaction by investors to adequately price in the value of a company moving towards a more gender balanced composition due to limited access to the information. Additionally, in 2022, the firm implemented a Climate Analytics dashboard that allows them to evaluate companies and portfolios on a variety of climate-related metrics. The dashboard calculates and shows the carbon emissions measures of companies and portfolios, both historical and future predicted emissions, pathway alignment analysis with several different climate scenarios, and decomposition of changes in carbon exposures over time. Finally, in late 2021, the firm added a country stability and governance signal to the Global Country Model. The firm’s Global Country Model uses a set of county governance factors aimed at capturing the socio-economic development of countries they invest in. Country governance extends the notion of ESG to the macro level as it applies to countries' progress toward building robust and prosperous societies. Countries are seeking to do this by improving their physical infrastructure and institutions, developing human capital, and managing the impact of their economic activities on the world around them. The signal uses survey-based data to assess country-level exposures to the Sustainability Development Goals (SDGs). The signal integrates SDGs into country-level risk assessments. Examples include scoring countries on health and well-being (SDG3), education (SDG4), equality (SDG5, SDG10), water sanitation (SDG 6), innovation and infrastructure (SDG9, 10), and political risk (SDG 16).
- **Domestic Fixed Income Manager** – This index-based manager engages and collaborates with peers on matters related to index design and on the incorporation of ESG principles. While the manager is required to track the index and cannot tilt the portfolio based on ESG metrics, they are increasingly engaging directly with companies. For instance, the manager engaged with Ford in Q2 2022 to discuss how the company will achieve carbon neutrality, as well as their plans for EV investments and supporting infrastructure, and efforts to reduce water consumption. The manager will monitor the company’s progress toward its goal of producing only zero-emission vehicles by 2035. The manager will follow up annually to monitor the progress and update their ESG score of the company based on this engagement.
- **Emerging Markets Debt Manager** – This manager regularly has face-to-face visits with officials from countries’ central banks, treasuries, and/or debt management offices. On average, the manager meets with between 25-30 sovereign or quasi-sovereign issuers per year, with most of the engagements involving some ESG elements. For instance, in March of 2022, the firm met with the Government of Suriname where they recognized Suriname’s status as a negative net carbon emitter. They also proposed a governance structure for a value recovery mechanism linked

to oil production that would reduce the opportunity for corruption and improper governance, maximizing financial resources for social welfare and development objectives.

Additionally, this manager has made multiple ESG improvements within the past year:

- Developed a proprietary ESG scoring model
 - Published their first responsible investing and sustainability report
 - Hired a Head of ESG and Sustainability who is responsible for overseeing all their ESG and sustainability-related initiatives
 - Signed up for the Net Zero Asset Manager's initiative and the CDP's nondisclosure campaign
- **Emerging Markets Equities Manager** – This manager has been continuously expanding their sources of ESG third-party research and data. One of their current focus areas is sharpening their materiality assessments of ESG factors in the investment process. To that end, in February 2022, they joined the Sustainability Accounting Standards Board (SASB) Alliance. The SASB materiality framework is used as an information source by the investment team to help identify financially material ESG issues.

This manager has also made multiple DEI enhancements in the past year. For example, during Q3 2022, they partnered with WorkplaceDiversity.com to expand the reach of their job postings across twelve diversity-based job boards. Their Diversity and Inclusion Council launched a DEI Survey to illustrate the importance of diversity and inclusion to the Firm and to engage employees in illustrating what they would like to see as prioritized efforts in DEI. Lastly, during Q2 2022, they completed an annual review of its Diversity and Inclusion Policy. Human Resources undertook a project to collect diversity data across their global offices and revised DEI statistics to provide historical data and a broader picture (hiring and departures, for example) of DEI at the firm. Finally, Human Resources also initiated a company-wide monthly newsletter. In the newsletter, there is a section dedicated to reporting or sharing on diversity topics within the Firm.

- **Emerging Markets Debt Manager** – This manager has made multiple advancements in their ESG and DEI practices this year. On the ESG front, in Q3 2022, they hired an ESG coordinator that sits within their Risk Management group and is a member of the ESG Committee. The professional will oversee and support ESG data integration and reporting efforts across their investment teams, collaborate with Investor Relations on client materials, and keep the ESG Committee up to date on integration progress and larger ESG trends. In time, the ESG coordinator could partner with business units to design and develop ESG-focused products to meet client needs. They are also in the process of onboarding the services of an ESG risk ratings provider and they continue to strive to develop strong data partnerships and systems so that they can better analyze ESG-related risks relevant for each asset class. Depending on the nature of the underlying investment, different tools and data are utilized to best support their ESG efforts.

On the DEI front, in Q3 2021, they became a sponsor to the Association of Asian American Investment Managers (AAAIM) and 100 Women in Finance, offering firmwide involvement with associated events and panels. Additionally, they are engaged with a leading firm to bring valuable career development programs in-house for their Women's Network. They partner with organizations to increase their recruiting and hiring pool of diverse candidates, including Sponsors for Educational Opportunity. Finally, they have a mentorship program which aims to retain and promote the professional development of their existing talent. Within the program,

senior employees are matched with less experienced team members to further improve performance, build a stronger culture, and enhance retention.

- **Fixed Income Manager** – In Q1 and Q2 2022, this manager rolled out the Mursion training platform. The Mursion training platform is an inclusive leadership and soft skills training platform to help managers facilitate courageous conversation on race and other challenging DEI topics with their staff. The Mursion training platform leverages virtual reality, artificial intelligence, and trained actors who use avatars, to provide immersive online training scenarios that managers participate in to practice in a safe manner and gain critical skills. The Mursion training platform will also help managers facilitate effective career and coaching conversations with staff. Mursion was vetted by their DEI Committee and piloted with their Management Committee in 2021.

Additionally, this manager has had multiple other DEI highlights within the past year:

- Hired a new Chief Diversity Equity and Inclusion Officer (CDEI Officer): This individual is collaborating and engaging with employees from across the firm to advance four DEI 2021 priorities focused on 1) governance and alignment, 2) representation, retention, and recruitment, 3) communications and culture, and 4) career conversations.
 - Conducted a DEI Listening Tour: The CDEI Officer conducted a listening tour and uncovered two critical observations prompting the need to 1) continue and enhance firm-wide courageous conversations on race, trauma, and hate crimes in the community, and 2) work to ensure the consistency of career coaching and development resources for all staff.
 - Led a Culture Workgroup: The Culture Workgroup was charged with identifying culture initiatives and culture characteristics that will help all their staff positively reaffirm and reimagine the firm's culture. The firm's CEO announced the Culture Characteristics IDEALS (which stands for Inclusion & Diversity, Dedication to Team, Excellence, Accountability, Leadership and Solutions Oriented) at a December 16, 2021, firm-wide town hall event.
- **Global Real Estate Investment Trust Manager** – This manager has made multiple enhancements to their firm's ESG practices recently. Highlights include:
 - The creation of a systematic template analysts to assess a company's fundamentals and quality. A quality score is now produced for every company.
 - The addition of MSCI ESG research and scoring data to enhance their analysis of ESG factors.
 - The enhancement of their proprietary Net Entity Value (NEV) models.
 - The switch to a new risk factor technology provider, switching from SunGard's APT to Barra's Risk Factor Analysis.

They have also started several social initiatives including:

- Established a scholarship program for students who are members of a minority group, are veterans, have a disability, or have financial need. The scholarship offers up to \$7,500 per student per year, renewable for up to four years.
- Established an internal employee resource group called Women In Real Estate (WIRE). The mission of WIRE is to create development and networking opportunities that attract, develop, advance, and retain women; promote an inclusive and diverse organizational culture; and cultivate leadership in the global real estate investment management industry.

- Supported the Iowa chapter of Commercial Real Estate Women (CREW) and paid the membership dues for all employee's involved in the organization.

Each Board's Governance Manual requires a comprehensive annual report detailing the implementation and outcomes of its ESG policy guidelines. The November 18, 2022 annual report for the Board of Investment Trustees for the ERS is Attachment 2. The report includes industry developments, current manager ESG updates and corporate engagement, consultant initiatives, recent board actions, and Staff research. There is a similar report for the Board of Trustees for the CRHBT.

B. The Boards' current holdings in fossil fuel companies.

Two tables, on Attachments 3 and 4, show the fossil fuel holdings of the ERS and the CRHBT as of September 30, 2022. As noted above, the Council resolution referred to "top fossil fuel holding companies." We have used the Carbon 200 list proposed by 350.org. These figures may fluctuate year by year due to market movements, asset allocation changes, or investment vehicle restructuring (i.e., moving from a commingled fund to a separately managed account).

As we indicated in part A, the County Code requires the Boards to use investment managers to select individual securities; we are not authorized to do so ourselves. The Boards apply rigorous screens to determine the best investment managers for different asset classes.

The Boards have developed ESG policy guidelines that are embedded in our investment and governance processes. As our investment managers work to achieve the best risk-adjusted return in accordance with their fiduciary duty, they consider ESG factors to help determine which companies to include or exclude from consideration.

Earlier last month, in preparation for this report and future annual reports, we asked our investment managers to confirm that their fossil fuel holdings, if any, reflect their best judgment as to their risk-return mix, their ESG policy, and their fiduciary duty. Six of our actively managed separate account managers have such holdings. All have replied in the affirmative.

The table for the ERS on Attachment 3 lists fossil fuel holdings of \$43.9 million. This represents 0.97 percent of our total fund's market value of \$4.5 billion as of September 30, 2022. This compares to a \$44.8 million or 0.84 percent exposure as of September 30, 2021.

The table for the CRHBT on Attachment 4 lists fossil fuel holdings of \$15.0 million. This represents 1.03 percent of the total fund's market value of \$1.5 billion. This compares to a \$13.0 million or 0.78 percent exposure as of September 30, 2021.

To place the current percentage of our funds' direct fossil fuel holdings in perspective, the majority of our holdings are actively managed. Roughly two-thirds of the fossil fuel holdings in the Trust funds are in bonds, not stocks.

The Boards will continue to assess and refine our ESG policy guidelines and those of our investment managers and consultants. This analysis will be included in the future annual reports required by the Council resolution.

C. Research and actions undertaken by the Boards and Staff since the fifth report to the Council

Since the fifth report to the Council on November 19, 2021 we have continued to expand our knowledge of ESG issues. Shown below is a summary of the activities taken:

- **PRI Annual Asset Owners Summit** – In October 2022, Staff attended the virtual Annual Asset Owners Summit for the second consecutive year. This annual meeting was a forum where global asset owners (i.e., institutional investors like MCERP) gathered to discuss strategies and challenges for integrating ESG considerations into the investment process. Staff also developed several relationships with other investment organizations that we will engage with in the coming year.
- **CERES Conference at 2022 United Nations Climate Change Conference** – In November 2022, Staff will attend the United Nations Climate Change Conference (COP 27) via video conference. The two meetings that Staff plans to attend at this conference are the Sustainable Innovation Forum and the Net Zero discussion.
- **CERES** – The Boards joined the CERES Investor Network in 2018 to gain a better understanding of climate risk within the portfolios, explore opportunities embedded in the clean energy economy, and develop a dialogue with other institutional investors on ESG-related matters. Since joining, Staff has been an active participant in the Disclosure Working Group, which seeks to push companies to disclose all relevant sustainability information using the Global Reporting Initiative (GRI) guidelines as well as additional sector-relevant indicators. The goal of this working group is for more companies to disclose material sustainability risks and opportunities within their financial filings.
- **Portfolio DEI Analysis** – Staff completed a second 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 24% invested in women or minority owned investment organizations with exposure across public markets, private equity, private debt, and private real assets, an increase of 3% relative to last year's 21% invested. 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 level of diverse ownership and management. For example, Curcio Webb, our defined contribution plan consultant, is a women-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 are 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 September 30th, 2022, 44% of the managers within the portfolio are signatories while 78% of the portfolio by market value is invested with signatories. While most of the public market managers within our portfolio are signatories, the adoption level is still somewhat low on the private market side. However, the level of adoption across the portfolio, both public and private, has been increasing recently with the signatory rate across our portfolio improving from 29% to 44% since 2020. Additionally, all three of the Boards' core investment consultants – Franklin Park, NEPC, and Albourne are signatories.

- **Fossil Fuel Securities Continue to Provide Diversification During Inflation** – During the decade prior to the pandemic, which was characterized by increased energy supply, steady energy demand, low inflation, and low interests, fossil fuel securities were a drag on portfolio performance for most investors. This underperformance led some institutions to heed the call for fossil fuel divestment. However, the recent two years following the onset of the pandemic have demonstrated the value of these holdings given the economic regime change to one of high inflation, supply constraints, rising interest rates, and significant geopolitical tensions. As inflation has surged, fossil fuel securities have been the top performing segment of the market for two consecutive years, proving particularly valuable in a period when a traditional stock/bond portfolio has delivered incredibly weak performance. Over the last year, commodity-oriented securities have significantly outperformed the market, across both stocks and bonds, and provided an element of inflation protection to those investors who remained invested. Some performance data from this highly inflationary period (October 2021 through September 2022) is shown below:
 - The S&P 500 Fossil-Free Index significantly underperformed the S&P 500 with a return of -16.9% vs. -15.5%.
 - The Russell 2000 energy sector significantly outperformed the broader Russell 2000 (domestic small cap equity index) with a return of 20.3% vs. -23.5%
 - The BAML US High Yield Index Excluding Energy, Metals, and Mining significantly underperformed the BAML US High Yield Index with a return of -14.98% vs. -14.06%.

Resolution No.: 18-804
Introduced: May 2, 2017
Adopted: May 16, 2017

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Council President Berliner
Co-Sponsors: Council Vice President Hans Riemer, Councilmember Tom Hucker

SUBJECT: Environmental, Social, and Governance Investment Policy Guidelines and Fossil Fuel Company Investments of the Employees' Retirement System and the Consolidated Retiree Health Benefits Trust

Background

1. In 2016, President Obama noted that "Climate Change is a potential existential threat to the entire world if we don't do something about it." The substantial global risks of climate change are without question and are an immediate and increasing threat to our own generation and those that follow.
2. Climate change is a global issue, but with profoundly local aspects as well. Known environmental impacts of climate change include the loss of ice at the poles, rising seas and increased coastal flooding, longer and more damaging wildfires, more destructive hurricanes, more frequent and intense heat waves, and increased droughts. Health impacts of climate change include increased air pollution, a longer and more intense allergy season, the spread of insect-borne diseases, the disruption of our food supply, and more frequent and dangerous medical issues due to heat waves. These will have a profound impact upon the quality of life for current and future Montgomery County residents. Other impacts include the continued acidification of the oceans, destruction of coral reefs, the loss of marine life and shrinking habitats.
3. The extraction, transport and burning of fossil fuels results in the release of greenhouse gases, such as carbon dioxide and methane, which directly contribute to climate change. The 2015 Paris Agreement on goals for reducing emissions is a major step forward, and market forces are moving strongly in the direction of clean energy. However, the challenge remains grave, especially given the gross disregard for the threat of climate change displayed by President Trump and members of his administration. It is more important than ever that local governments confront climate change and the companies that contribute to it. Montgomery County is a national leader among local governments in addressing climate change by taking direct action locally to support clean energy, energy efficiency, and sustainability.

4. Retirement funds and other institutional investors have focused increasing attention on environmental, social, and governance (ESG) factors in the selection of professional investment managers and in the process followed by those managers when selecting companies for investment. Investments in the securities of fossil fuel companies must draw particular scrutiny. The burning of fossil fuels results in the release of greenhouse gases, such as carbon dioxide and methane, which directly contribute to climate change. Many fossil fuel companies have refused to acknowledge climate science, have rejected business plans that accurately account for the carbon emissions created by their identified reserves, and have lobbied against urgently needed climate policies. For these reasons, a growing global movement believes that it is morally reprehensible to invest in and seek to profit from the catastrophe-inducing actions of these companies. Since 2012, investments worldwide with a total value of over \$5 trillion have been fully or partially divested of fossil fuel holdings. Minimizing the amount of County public employee pension funds invested in these companies will tell the world that we can no longer support policies and business practices that endanger our climate and our health.
5. The Employees' Retirement System (ERS), the defined benefit pension plan that includes employees of Montgomery County Government, participating agencies, and their beneficiaries, is overseen by the Board of Investment Trustees. The Consolidated Retiree Health Benefits Trust (CRHBT), the trust that includes employees of Montgomery County Government, Montgomery County Public Schools, Montgomery College, participating agencies, and their dependents, is overseen by the CRHBT Board of Trustees. The ERS currently has assets of about \$3.8 billion. The CRHBT currently has assets of about \$700 million.
6. Both Boards have adopted ESG guidelines for a socially responsible investment policy that applies ESG factors to the selection of investment managers and the managers' selection of securities. As the managers work to achieve the best risk-adjusted return in accordance with their fiduciary duty, they apply ESG screens to help determine which investment options to include or exclude from consideration.
7. There are several examples of public pension funds that have reduced or eliminated fossil fuel holdings using ESG factors. Notably, The District of Columbia Retirement Board has sold all of its directly held Carbon Underground 200 stocks via ESG screening as of June 9, 2016, in response to a DC Council resolution passed in 2014. The states of Maine and Vermont have also made considerable progress in reducing the fossil fuel holdings of their public employee pension funds using ESG policies.
8. Gino Renne, President of UFCW Local 1994, in an April 16 letter to Council President Berliner, expressed support for using ESG factors to reduce fossil fuel holdings in the ERS, noting that "Employee unions across the country have played a critical role in taking action to fight climate change by leveraging employee funds to make investment decisions that take the impact on our climate into consideration." And the Board of Investment Trustees noted in its April 10 statement on the issue that it will "focus particular attention on decisions by our managers to retain or invest in securities of fossil fuel companies."

Action

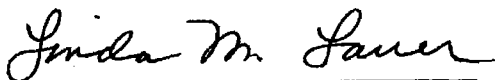
The County Council for Montgomery County, Maryland approves the following resolution:

The Council requests the Board of Investment Trustees of the Employees' Retirement System and the Board of Trustees of the Consolidated Retiree Health Benefits Trust to:

1. consistent with their fiduciary duties, explore all means possible to:
 - a. minimize the Board's investments in companies with the largest fossil fuel reserves as rapidly as possible; and
 - b. apply environmentally and economically-sound decision-making, both generally and specific to climate change, using ESG policy guidelines; and

2. report within 6 months after adoption of this Resolution and annually thereafter to the Council and the Executive on implementation of these actions, detailing the research conducted on top fossil fuel holding companies and detailing the extent of divestment or the rationale for not pursuing divestment from individual holdings.

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council



BOARD OF INVESTMENT TRUSTEES

BOARD OF TRUSTEES

MEMORANDUM

November 18, 2022

TO: Board of Investment Trustees and Board of Trustees

FROM: Kevin Killeavy, Acting Executive Director

SUBJECT: Environmental, Social, Governance – Required Annual Update – 2022

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 Board’s 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. Recent Board Actions
- V. Staff Research

I. Industry Developments

- **Endowments Continue to Announce Fossil Fuel Divestment Plans** – Over the last year, several university endowments across the country have announced fossil fuel divestment plans, including Boston University, the University of Minnesota, Harvard University, and Princeton University. The most notable divestment announcement was from Harvard University, the largest endowment in the U.S. These divestment pledges typically only pertain to directly held positions in companies with large fossil fuel reserves.
- **Impact Investing Market Exceeds \$1 trillion** – The global impact investing market now exceeds \$1 trillion in invested capital according to the Global Impact Investing Network. This sector seeks to make investments that generate a measurable, beneficial social or environmental impact alongside a competitive financial return. This market has grown significantly in recent years, essentially doubling since 2019. The market includes several dedicated impact firms in addition to large global asset managers like Apollo Global, KKR, and TPG Capital.

- **Harvard Endowment CEO Cites Divestment Costs** – The CEO of Harvard University’s endowment, Narv Narvekar, said that the university’s commitment to climate goals has negatively impacted returns since the pandemic as the endowment was not able to take advantage of cheap valuations in the oil and gas sector like some of their peers. He noted that “a number of institutional investors leaned into the conventional energy sector, through either equities or commodity futures, adding materially to their total return.”
- **BlackRock and Vanguard Refuse to Divest from Fossil Fuel** – The world’s two biggest asset managers, BlackRock and Vanguard, told a UK inquiry that they will continue to invest in fossil fuels. BlackRock noted that “BlackRock’s role in the transition is as a fiduciary to our clients – it is not to engineer a specific decarbonization outcome in the real economy.” Both asset managers noted that they intend to remain long-term investors in carbon-intensive companies because of their crucial role in the economy.
- **Republican-Led States Push Back on ESG** – During the last year, Republican-led states such as Florida, Texas, Louisiana, and Idaho have pushed back strongly against state pensions prioritizing ESG factors in their investments. Both Idaho and Florida passed bills prohibiting public entities from considering environmental, social, or governance factors in a way that could violate the prudent investor rule. Texas is threatening to divest from any company that divests from fossil fuels, an industry that is key to the state’s economy. Louisiana went a step further and divested nearly \$800 million worth of state funds from Blackrock due to their perception that the asset manager has “anti-fossil fuel policies.”
- **PRI Signatory Growth** – The number of signatories to the Principles for Responsible Investment reached 5,202 by the end of September 2022. Over the last year, this group has grown by 23% with the current roster including 3,964 investment managers, 713 asset owners, and 525 service providers. Montgomery County became a signatory in October 2019.

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 31% of the ERS portfolio is allocated to impact/sustainable investments.

- **Private Equity Managers** – In 2022, the Trust Funds hired two private equity managers that have recently become recognized as minority-certified businesses. A minority and women-owned business enterprise, otherwise known as MWBE, is at least 51% owned and controlled by one or more minority persons or socially and economically disadvantaged individuals. Beyond ownership, these managers have diverse executive and senior management such as a female CFO, female Head of Business Development, and an Indian female Head of Operations.
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ecosystem. For instance, a portfolio company that is engaged in developing and rehabilitating local small hydro power plants has laid the groundwork this year to procure fish cannons to allow native species to bypass the dams as they swim upstream to spawn. The fish cannon is a new hardware technology that is imperative for the health of the ecosystem, and substantially more economic versus other solutions like fish ladders.

- **Private Natural Resources Manager** – In 2022, the Trust Funds hired a private natural resources manager that targets control investments in middle-market infrastructure assets that are difficult to replicate and are essential to their customer base. The fund targets smaller-scale assets that are highly fragmented with a special focus on utilities. The manager also seeks to make direct social impacts in the local communities that they serve. For example, towns generally welcome their water utility portfolio companies as they are able to professionalize and stabilize water operations. Legacy owners of these assets are generally family businesses, real estate developers, or local entrepreneurs that lack the knowledge and sophistication to properly operate the assets. As a result, customer bills are usually higher due to suboptimal infrastructure such as old or damaged pipes. As new owners of the utilities, the manager will put in new pumps, build storage facilities, and fix leaks. The manager uses their scale to operate the waterworks at a lower cost basis while incorporating regional rate cases to minimize the impact of customer bill increases.
- **Emerging Market Equities Manager** – This firm has recently made several advancements in their investment process to incorporate ESG themes. In 2022, the firm added the Gender Balance signal to their Alpha Model. The signal measures changes in the composition of the male/female gender ratios in the senior management, executive management, and board members of a company. The firm believes that gender diversity & equality fits “resource theory” in that a more diverse workplace represents a valuable set of resources that may help achieve better economic outcomes due to the different points of view and experiences it offers. Furthermore, there is an underreaction by investors to adequately price in the value of a company moving towards a more gender balanced composition due to limited access to the information. Additionally, in 2022, the firm implemented a Climate Analytics dashboard that allows them to evaluate companies and portfolios on a variety of climate-related metrics. The dashboard calculates and shows the carbon emissions measures of companies and portfolios, both historical and future predicted emissions, pathway alignment analysis with several different climate scenarios, and decomposition of changes in carbon exposures over time. Finally, in late 2021, the firm added a country stability and governance signal to the Global Country Model. The firm’s Global Country Model uses a set of county governance factors aimed at capturing the socio-economic development of countries they invest in. Country governance extends the notion of ESG to the macro level as it applies to countries' progress toward building robust and prosperous societies. Countries are seeking to do this by improving their physical infrastructure and institutions, developing human capital, and managing the impact of their economic activities on the world around them. The signal uses survey-based data to assess country-level exposures to the Sustainability Development Goals (SDGs). The signal integrates SDGs into country-level risk assessments. Examples include scoring countries on health and well-being (SDG3), education (SDG4), equality (SDG5, SDG10), water sanitation (SDG 6), innovation and infrastructure (SDG9, 10), and political risk (SDG 16).
- **Domestic Fixed Income Manager** – This index-based manager engages and collaborates with peers on matters related to index design and on the incorporation of ESG principles. While the manager is required to track the index and cannot tilt the portfolio based on ESG metrics, they are increasingly engaging directly with companies. For instance, the manager engaged with Ford in Q2 2022 to discuss how the company will achieve carbon neutrality, as well as their plans for EV investments and supporting infrastructure, and efforts to reduce water consumption. The manager

will monitor the company's progress toward its goal of producing only zero-emission vehicles by 2035. The manager will follow up annually to monitor the progress and update their ESG score of the company based on this engagement.

- **Emerging Markets Debt Manager** – This manager regularly has face-to-face visits with officials from countries' central banks, treasuries, and/or debt management offices. On average, the manager meets with between 25-30 sovereign or quasi-sovereign issuers per year, with most of the engagements involving some ESG elements. For instance, in March of 2022, the firm met with the Government of Suriname where they recognized Suriname's status as a negative net carbon emitter. They also proposed a governance structure for a value recovery mechanism linked to oil production that would reduce the opportunity for corruption and improper governance, maximizing financial resources for social welfare and development objectives.

Additionally, this manager has made multiple ESG improvements within the past year:

- Developed a proprietary ESG scoring model
 - Published their first responsible investing and sustainability report
 - Hired a Head of ESG and Sustainability who is responsible for overseeing all their ESG and sustainability-related initiatives
 - Signed up for the Net Zero Asset Manager's initiative and the CDP's nondisclosure campaign
- **Emerging Markets Equities Manager** – This manager has been continuously expanding their sources of ESG third-party research and data. One of their current focus areas is sharpening their materiality assessments of ESG factors in the investment process. To that end, in February 2022, they joined the Sustainability Accounting Standards Board (SASB) Alliance. The SASB materiality framework is used as an information source by the investment team to help identify financially material ESG issues.

This manager has also made multiple DEI enhancements in the past year. For example, during Q3 2022, they partnered with WorkplaceDiversity.com to expand the reach of their job postings across twelve diversity-based job boards. Their Diversity and Inclusion Council launched a DEI Survey to illustrate the importance of diversity and inclusion to the Firm and to engage employees in illustrating what they would like to see as prioritized efforts in DEI. Lastly, during Q2 2022, they completed an annual review of its Diversity and Inclusion Policy. Human Resources undertook a project to collect diversity data across their global offices and revised DEI statistics to provide historical data and a broader picture (hiring and departures, for example) of DEI at the firm. Finally, Human Resources also initiated a company-wide monthly newsletter. In the newsletter, there is a section dedicated to reporting or sharing on diversity topics within the Firm.

- **Emerging Markets Debt Manager** – This manager has made multiple advancements in their ESG and DEI practices this year. On the ESG front, in Q3 2022, they hired an ESG coordinator that sits within their Risk Management group and is a member of the ESG Committee. The professional will oversee and support ESG data integration and reporting efforts across their investment teams, collaborate with Investor Relations on client materials, and keep the ESG Committee up to date on integration progress and larger ESG trends. In time, the ESG coordinator could partner with business units to design and develop ESG-focused products to meet client needs. They are also in the process of onboarding the services of an ESG risk ratings provider and they continue to strive to develop strong data partnerships and systems so that they can better analyze ESG-related risks relevant for each asset class. Depending on the nature of the underlying investment, different tools and data are utilized to best support their ESG efforts.

On the DEI front, in Q3 2021, they became a sponsor to the Association of Asian American Investment Managers (AAAIM) and 100 Women in Finance, offering firmwide involvement with associated events and panels. Additionally, they are engaged with a leading firm to bring valuable career development programs in-house for their Women's Network. They partner with organizations to increase their recruiting and hiring pool of diverse candidates, including Sponsors for Educational Opportunity. Finally, they have a mentorship program which aims to retain and promote the professional development of their existing talent. Within the program, senior employees are matched with less experienced team members to further improve performance, build a stronger culture, and enhance retention.

- **Fixed Income Manager** – In Q1 and Q2 2022, this manager rolled out the Mursion training platform. The Mursion training platform is an inclusive leadership and soft skills training platform to help managers facilitate courageous conversation on race and other challenging DEI topics with their staff. The Mursion training platform leverages virtual reality, artificial intelligence, and trained actors who use avatars, to provide immersive online training scenarios that managers participate in to practice in a safe manner and gain critical skills. The Mursion training platform will also help managers facilitate effective career and coaching conversations with staff. Mursion was vetted by their DEI Committee and piloted with their Management Committee in 2021.

Additionally, this manager has had multiple other DEI highlights within the past year:

- **Hired a new Chief Diversity Equity and Inclusion Officer (CDEI Officer):** This individual is collaborating and engaging with employees from across the firm to advance four DEI 2021 priorities focused on 1) governance and alignment, 2) representation, retention, and recruitment, 3) communications and culture, and 4) career conversations.
 - **Conducted a DEI Listening Tour:** The CDEI Officer conducted a listening tour and uncovered two critical observations prompting the need to 1) continue and enhance firm-wide courageous conversations on race, trauma, and hate crimes in the community, and 2) work to ensure the consistency of career coaching and development resources for all staff.
 - **Led a Culture Workgroup:** The Culture Workgroup was charged with identifying culture initiatives and culture characteristics that will help all their staff positively reaffirm and reimagine the firm's culture. The firm's CEO announced the Culture Characteristics IDEALS (which stands for Inclusion & Diversity, Dedication to Team, Excellence, Accountability, Leadership and Solutions Oriented) at a December 16, 2021, firm-wide town hall event.
- **Global Real Estate Investment Trust Manager** – This manager has made multiple enhancements to their firm's ESG practices recently. Highlights include:
 - The creation of a systematic template analysts to assess a company's fundamentals and quality. A quality score is now produced for every company.
 - The addition of MSCI ESG research and scoring data to enhance their analysis of ESG factors.
 - The enhancement of their proprietary Net Entity Value (NEV) models.
 - The switch to a new risk factor technology provider, switching from SunGard's APT to Barra's Risk Factor Analysis.

They have also started several social initiatives including:

- Established a scholarship program for students who are members of a minority group, are veterans, have a disability, or have financial need. The scholarship offers up to \$7,500 per student per year, renewable for up to four years.
- Established an internal employee resource group called Women In Real Estate (WIRE). The mission of WIRE is to create development and networking opportunities that attract, develop, advance, and retain women; promote an inclusive and diverse organizational culture; and cultivate leadership in the global real estate investment management industry.
- Supported the Iowa chapter of Commercial Real Estate Women (CREW) and paid the membership dues for all employee's involved in the organization.

III. Consultant Initiatives and Approach to ESG

- **NEPC (General Consultant)** – During the last year, NEPC became a founding member of the U.S. Investment Consultants Sustainability Working Group. The group consists of leading institutional investment consultants across the globe and will collaborate to better empower asset owners to advance sustainable investment practices across the industry. NEPC has also further integrated diverse manager research into their broader research process. This allows NEPC to leverage the expertise and experience of their research specialists in evaluating these firms. Full integration into their broader research process has led to strong representation of diverse managers across their client's investment programs. NEPC is also taking steps to target diverse managers more proactively for their Focused Placement Lists across all asset classes. While it is yet to be completed, NEPC is also in the final stages of developing a proprietary DEI scoring system to evaluate investment managers' commitment to DEI practices as well as their progress.
- **Franklin Park Associates (Private Equity & Debt Consultant)** – During the last year, Franklin Park continued to refine their ESG Policy Statement and their ESG due diligence process, while also revamping their DEI reporting efforts and joining the ILPA Data Convergence Initiative. This initiative is an open partnership of private equity stakeholders committed to streamlining the private investment industry's historically fragmented approach to collecting and reporting ESG data. When conducting ESG diligence on prospective fund managers, Franklin Park evaluates whether the manager has an ESG Policy, whether the manager is a signatory to the UNPRI or similar body, and which team members are involved in ESG and their time, dedication, and experience on these topics. For funds purporting to have an impact or sustainable mandate, Franklin Park requests the manager complete their ESG Questionnaire. Further, Franklin Park is very active in providing feedback to the private manager community around potential improvements to their ESG policies and practices.
- **Albourne (Private Real Assets Consultant)** – Over the last year, Albourne established a new Sustainable Investing Team (SI), which sets out to create new fund offerings, adapt existing ones, and build internal capabilities to deliver these to clients, while developing and airing narratives to help client make sense of this evolving area. To coordinate these activities, Albourne has created a Sustainable Investing Taskforce comprised of senior employees from across the firm. They also recently finalized their Diversity, Equity, and Inclusion Questionnaire, which has been completed by 536 investment managers to date.

IV. Recent Board Actions

- **PRI Annual Asset Owners Summit** – In October 2022, Staff attended the virtual Annual Asset Owners Summit for the second consecutive year. This annual meeting was a forum where global asset owners (i.e., institutional investors like MCERP) gathered to discuss strategies and challenges for integrating ESG considerations into the investment process. Staff also developed several relationships with other investment organizations that we will engage with in the coming year.
- **CERES Conference at 2022 United Nations Climate Change Conference** – In November 2022, Staff will attend the United Nations Climate Change Conference (COP 27) via video conference. The two meetings that Staff plans to attend at this conference are the Sustainable Innovation Forum and the Net Zero discussion.
- **CERES** – The Boards joined the CERES Investor Network in 2018 to gain a better understanding of climate risk within the portfolios, explore opportunities embedded in the clean energy economy, and develop a dialogue with other institutional investors on ESG-related matters. Since joining, Staff has been an active participant in the Disclosure Working Group, which seeks to push companies to disclose all relevant sustainability information using the Global Reporting Initiative (GRI) guidelines as well as additional sector-relevant indicators. The goal of this working group is for more companies to disclose material sustainability risks and opportunities within their financial filings.
- **CFA Institute ESG Expert Network** – Investment Staff continues to actively participate in the CFA ESG Expert Network, a diverse working group to share knowledge and resources focused on integrating ESG best practices. The CFA Institute is a leading global association for investment professionals.

V. Staff Research

- **Portfolio DEI Analysis** – Staff completed a second 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 24% invested in women or minority owned investment organizations with exposure across public markets, private equity, private debt, and private real assets, an increase of 3% relative to last year's 21% invested. 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 level of diverse ownership and management. For example, Curcio Webb, our defined contribution plan consultant, is a women-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 are 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 September 30th, 2022, 44% of the managers within the portfolio are signatories while 78% of the portfolio by market value is invested with signatories. While most of the public market managers within our portfolio are signatories, the adoption level is still somewhat low on the private market side. However, the level of adoption across the portfolio, both public and private, has been increasing recently with the signatory rate across our portfolio improving from 29% to 44% since

2020. Additionally, all three of the Boards’ core investment consultants – Franklin Park, NEPC, and Albourne are signatories.

- **Fossil Fuel Securities Continue to Provide Diversification During Inflation** – During the decade prior to the pandemic, which was characterized by increased energy supply, steady energy demand, low inflation, and low interests, fossil fuel securities were a drag on portfolio performance for most investors. This underperformance led some institutions to heed the call for fossil fuel divestment. However, the recent two years following the onset of the pandemic have demonstrated the value of these holdings given the economic regime change to one of high inflation, supply constraints, rising interest rates, and significant geopolitical tensions. As inflation has surged, fossil fuel securities have been the top performing segment of the market for two consecutive years, proving particularly valuable in a period when a traditional stock/bond portfolio has delivered incredibly weak performance. Over the last year, commodity-oriented securities have significantly outperformed the market, across both stocks and bonds, and provided an element of inflation protection to those investors who remained invested. Some performance data from this highly inflationary period (October 2021 through September 2022) is shown below:
 - The S&P 500 Fossil-Free Index significantly underperformed the S&P 500 with a return of -16.9% vs. -15.5%.
 - The Russell 2000 energy sector significantly outperformed the broader Russell 2000 (domestic small cap equity index) with a return of 20.3% vs. -23.5%
 - The BAML US High Yield Index Excluding Energy, Metals, and Mining significantly underperformed the BAML US High Yield Index with a return of -14.98% vs. -14.06%.

- **ESG and DEI Questionnaire** – Over the last year, Staff developed an ESG and Diversity questionnaire for our investment managers and consultants. By using this questionnaire, Staff will be able to better analyze ESG integration and progress across our portfolio in a more streamlined fashion. The questionnaires are shown below:

ESG Questionnaire

Question	Response
1. What are some examples of how ESG factors may have influenced an investment decision (buy, sell, or avoid)	
2. What are some examples of where you engaged company management on ESG issues	
3. Has there been any recent enhancements to your firm’s ESG practices?	
4. Has there been any recent enhancements to your firm’s DEI practices?	

DEI Questionnaire

Job Categories	Gender			Ethnicity	
	Male (%)	Female (%)	Other (%)	Caucasian (%)	Non-Caucasian (%)
Firm & Investment Board Members					
Executives, Senior Level Investment Managers					
Junior/Mid Level Investment Professionals					
Back Office Staff, and Other Non-Investment Related Employees					

By collecting the data shown above, Staff can analyze our investment managers and consultants at a granular level. This granularity allows Staff to analyze our managers at a level that more accurately reflects diversity across their organizations. By collecting this data across multiple years, Staff can also better monitor and report on the impact that our manager’s diversity initiatives are having. After analyzing data collected through the questionnaire for all managers that provided statistics for 2021 and 2022, we found that:

- The largest improvements were in our equity managers, specifically female executive-level and non-Caucasian mid-level representation, both of which improved by 4% on average from the prior year.
- The largest improvements across all asset classes and consultants were in female board-level and non-Caucasian mid-level representation, which improved by 2% and 3%, respectively, on average from the prior year.
- On average and relative to last year, the smallest improvements across all asset classes and consultants were in non-Caucasian board-level and executive-level representation.
- All categories in every asset class improved or were flat from the prior year.

With these diversity statistics, it is important to note that any year-to-year fluctuations, whether positive or negative, shouldn’t be overemphasized. Staff believes that simply monitoring and reporting on diversity statistics across multiple levels in our manager’s organizations will sufficiently incentivize them to make progress in their diverse representation over time and that the general trend, rather than year-over-year changes, is a more significant measure of progress or the lack thereof.

ERS Carbon 200 Exposure - September 2022

Coal or Oil	Company	Market Value
C	African Rainbow Minerals	\$ 39,414.35
C	Allete	\$ 662,161.50
O	Antero Resources	\$ 999,251.13
O	Apache	\$ 643,524.63
C	ArcelorMittal	\$ 338,539.93
O	Baytex	\$ 512,550.00
C/O	BHP Billiton	\$ 202,391.31
O	BP	\$ 1,002,812.54
O	California Resources	\$ 67,183.20
O	Cenovus Energy	\$ 266,987.52
O	Centennial Resource Developr	\$ 416,778.73
O	Chesapeake Energy	\$ 958,610.10
O	Chevron	\$ 3,196,370.16
O	CNX Resources	\$ 716,298.89
O	Comstock Resources	\$ 589,989.54
O	ConocoPhillips	\$ 1,475,333.44
O	Continental Resources	\$ 26,991.24
O	Coterra	\$ 232,729.20
O	Denbury Resources	\$ 90,284.72
O	Devon Energy	\$ 443,458.75
O	Diamondback Energy	\$ 239,113.10
O	Ecopetrol	\$ 154,000.00
O	Energiean	\$ 272,062.50
O	EOG Resources	\$ 733,060.53
O	EQT	\$ 969,720.69
O	Equinor	\$ 629,396.34
O	ExxonMobil	\$ 4,122,167.03
C	FirstEnergy	\$ 351,817.50
C	Glencore	\$ 508,704.23
O	Great Eastern Energy	\$ 40,572.86
O	Gulfport Energy	\$ 643,706.73
O	Hess	\$ 344,081.43
C	ITOCHU	\$ 123,355.56
O	Laredo Petroleum	\$ 543,840.00
O	Marathon Oil	\$ 819,676.59
O	Matador Resources	\$ 617,388.80
O	MEG Energy	\$ 1,039,800.00
C/O	Mitsui	\$ 3,557,909.32
O	Murphy Oil	\$ 767,761.56

Coal or Oil	Company	Market Value
O	National Fuel Gas	\$ 60,442.10
O	Northern Oil & Gas	\$ 834,375.00
O	Ovintiv	\$ 133,170.00
O	Oxy	\$ 6,007,393.55
O	PDC Energy	\$ 1,281,222.27
C	PGE	\$ 2,826,838.88
O	Pioneer Natural Resources	\$ 585,280.59
O	Range Resources	\$ 808,522.06
O	Santos	\$ 108,127.99
O	SM Energy	\$ 959,337.95
C	Southern Copper	\$ 105,194.64
O	Southwestern Energy	\$ 611,883.16
O	Vermilion Energy	\$ 138,000.00
O	Woodside	\$ 37,332.53
	Total ERS Carbon 200	\$43,856,916

Total Oil	\$35,140,589	80.13%
Total Coal	\$4,956,027	11.30%
Total Coal/Oil	\$3,760,301	8.57%
Total	\$43,856,916	100.00%

Increase from 9/30/2021	-\$981,022
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ERS Portfolio Size	\$4,526,783,165
Carbon 200 % of Portfolio	0.97%

Total Fixed Income	\$19,097,365	43.5%
Total Equity	\$24,759,551	56.5%
Total	\$43,856,916	100.00%

CRHBT Carbon 200 Exposure - September 2022

Coal or Oil	Company	Market Value
C	Allete	\$258,008
O	Antero Resources	\$335,848
O	Apache	\$232,155
C	ArcelorMittal	\$47,857
O	Baytex	\$165,825
O	California Resources	\$19,486
O	Centennial Resource Development Inc	\$103,672
O	Chesapeake Energy	\$321,989
O	Chevron	\$1,315,874
O	CNX Resources	\$275,300
O	Comstock Resources	\$188,549
O	ConocoPhillips	\$607,286
O	Continental Resources	\$11,090
O	Coterra	\$95,782
O	Denbury Resources	\$27,134
O	Devon Energy	\$182,555
O	Diamondback Energy	\$98,416
O	Ecopetrol	\$52,500
O	Energear	\$142,538
O	EOG Resources	\$301,783
O	EQT	\$431,957
O	ExxonMobil	\$1,696,870
C	FirstEnergy	\$134,922
O	Gulfport Energy	\$199,045
O	Hess	\$141,578
O	Laredo Petroleum	\$222,336
O	Marathon Oil	\$346,348
O	Matador Resources	\$217,051
O	MEG Energy	\$468,988
C/O	Mitsui	\$921,053
O	Murphy Oil	\$201,168
O	National Fuel Gas	\$24,866
O	Northern Oil & Gas	\$304,688
O	Ovintiv	\$54,832
O	Oxy	\$2,316,250
O	PDC Energy	\$450,437
C	PGE	\$798,910
O	Pioneer Natural Resources	\$240,998
O	Range Resources	\$403,699
O	SM Energy	\$364,271
C	Southern Copper	\$17,667
O	Southwestern Energy	\$222,765
O	Vermilion Energy	\$46,000
	Total CRHBT Carbon 200	\$15,010,342

Total Oil	\$12,831,927	85.49%
Total Coal	\$1,257,363	8.38%
Total Coal/Oil	\$921,053	6.14%
Total	\$15,010,342	100.00%

Increase from 9/30/2021	\$1,998,841
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CRHBT Portfolio Size	\$1,456,020,250
Carbon 200 % of Portfolio	1.03%

Total Fixed Income	\$6,993,924	46.59%
Total Equity	\$8,016,419	53.41%
Total	\$15,010,342	100.00%