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**New Mexico Permanent Funds  
Environmental, Social, and Governance Policy**

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1. Introduction and Statement of Purpose

The New Mexico State Investment Council ("the Council"), as part of its oversight of the New Mexico State Investment Office ("SIO") adopts this *Environmental, Social, and Governance Policy* ("ESG Policy") to establish guidelines for incorporation of environmental, social, and governance ("ESG") considerations into the process applied by the SIO, the SIO staff, and the Council in connection with the management of the investments in the New Mexico Permanent Funds ("the Funds").

2. ESG Considerations

ESG considerations may encompass a wide range of factors, such as but not limited to:

- ***Environmental considerations***: how a fund or its investments performs as environmental stewards (energy efficiency, waste management, pollution, natural resource conservation, climate change, sustainability, water usage, consumer protection, biodiversity, deforestation, environmental risks, and treatment of animals)
- ***Social criteria***: how a fund or its investments manages relationships with employees, vendors, stakeholders and locales in which they operate (business relationships, vendors' values, ethics, philanthropy, employee engagement, community relations, volunteerism, labor standards/working conditions, employee health & safety, gender, diversity, equity & inclusion, human rights, customer satisfaction, data protection & privacy)
- ***Governance matters***: how a fund and the entities in which it invests handles leadership, compensation, audits/audit committee structure, internal controls and investor rights (accurate and transparent accounting techniques, limited partner

committee roles, conflict of interest policies, avoidance of corruption & other illegal practices, board composition, & proper government relations/lobbying & political contributions standards)

### 3. Fiduciary Responsibility

The fiduciary responsibility of the SIO and Council, as described in the Investment Policy Statement, is to preserve the Funds for future generations and to provide future benefits by growing the Funds at a rate at least equal to inflation. The SIC seeks to manage the Funds such that future generations of New Mexicans receive the same or greater benefits as current beneficiaries, while maximizing current distributions through time to provide current revenue sources to the state's educational system and the General Fund.

### 4. Implementation and Consistency with Fiduciary Responsibility

NMSIC has a long-term investment horizon and recognizes that the successful management of the Funds is linked to global economic growth. Consistent with its fiduciary responsibilities, the SIO seeks to invest in entities that strive for long-term sustainability in their operations. As such, in investing and managing the assets of the Funds, the SIO will consider ESG factors which can present material business risks or opportunities. ESG considerations will be integrated into all asset classes through investment manager due diligence conducted by the SIO and the Council's consultants. In addition, an analysis of an investment manager's overall ESG approach and the manager's written ESG policies can be conducted by using the following:

- For private partnership fund investments, the Institutional Limited Partners Association (ILPA) which publishes and updates a due diligence questionnaire template that may act as a contemporary guide to such analysis; and
- For publicly-traded investments, ESG considerations will be incorporated into the proxy voting process for both actively managed and passive accounts, as applicable.

This ESG Policy and its implementation shall be subject at all times to applicable law and to the fiduciary duties of the SIO and the Council, including without limitation the duty to manage and invest the assets solely in the interest of beneficiaries and for the exclusive benefit of providing financial benefits to the beneficiaries of the assets.

### 5. In implementing this ESG policy, the SIO may take any or all of the following actions, to the extent applicable and deemed appropriate, subject to the fiduciary duties required:

- consult with the Council with respect to ESG issues
- recommend policies and strategies to the Council
- consult with external investment consultants
- oversee the retention of third-party proxy voting and scoring systems
- keep the Council informed of on-going implementation activities