



# HOUSE BILL 750: Address ESG Factors.

2023-2024 General Assembly

<b>Committee:</b>	Senate Rules and Operations of the Senate	<b>Date:</b>	June 8, 2023
<b>Introduced by:</b>	Reps. D. Hall, Saine, Cairns, N. Jackson	<b>Prepared by:</b>	Karyl Smith
<b>Analysis of:</b>	Second Edition		Staff Attorney

## OVERVIEW: House Bill 750 would:

- *Prohibit State entities from creating or using environmental, social, and governance (ESG) criteria or economically targeted investments (ETI) requirements when making employment decisions.*
- *Require the State Treasurer to only consider pecuniary factors when (i) evaluating an investment or (ii) evaluating or exercising any right appurtenant to an investment.*
- *Allow the State Treasurer to reasonably conclude that not exercising a right appurtenant to an investment is in the best interest of the fund's beneficiaries.*

**CURRENT LAW:** There are currently no North Carolina statutes that authorize or prohibit State entities from creating or using ESG criteria or ETI requirements when making employment decisions.

Article 6 of Chapter 147 (State Officers) describes the authorities and obligations of the State Treasurer. Specifically, G.S. 147-69.7 requires the State Treasurer to carry out certain fiduciary duties regarding each fund or investment program held by the State Treasurer.

## BILL ANALYSIS:

**Section 1** would add new G.S. 143-162.6 in Article 10 (Various Powers and Regulations) of Chapter 143 (State Departments, Institutions, and Commissions) to do the following:

- Define "ESG criteria" and "ETI requirements".
- Prohibit State agencies, political subdivisions of the State, trusts, committees, and commissions of any political subdivisions of the State from creating or using ESG or ETI policies when hiring, firing, or evaluating employees.
- Prohibit ESG, ETI, or related criteria from being considered in the awarding of State contracts, except as allowed by law.

**Section 2** would amend G.S. 147-69.7 to do the following:

- Define "pecuniary factor".
- Require the State Treasurer to only consider pecuniary factors when (i) evaluating an investment or (ii) evaluating or exercising any right appurtenant to an investment.
- Classify environmental or social considerations as pecuniary factors only if they present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories.

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- Allow the State Treasurer to reasonably conclude that not exercising a right appurtenant to an investment is in the best interest of the fund's beneficiaries.

**Section 3** would provide a severability clause.

**EFFECTIVE DATE:** This bill would become effective when it becomes law.