

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) Beginning January 1, 2024, investment managers shall  
10 disclose, prior to the award of a contract, a description of  
11 any process through which the manager prudently integrates the  
12 sustainability factors described in subsection (b) into their  
13 investment decision-making, investment analysis, portfolio  
14 construction, due diligence, and investment ownership in order  
15 to maximize anticipated risk-adjusted financial returns,  
16 identify projected risk, and execute the manager's fiduciary  
17 duties. Investment managers shall provide this disclosure to  
18 each public agency, pension fund, retirement system, or  
19 governmental unit for whom the investment manager is seeking  
20 selection as a fiduciary before acting in this official  
21 capacity.

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