
A BILL FOR AN ACT

RELATING TO SOCIALLY RESPONSIBLE INVESTING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that consideration of
2 factors relevant to the environmental impact, social impact, and
3 governance of investments is vital for maximizing the safety and
4 performance of public funds. Such factors are indicative of the
5 overall performance of an investment and are strong indicators
6 of its long-term value. Public agencies and governments have a
7 duty to recognize and evaluate these materially relevant
8 factors.

9 The purpose of this Act is to prudently integrate socially
10 responsible factors into the investment decision-making,
11 investment analysis, portfolio construction, due diligence, and
12 investment ownership of public funds to minimize projected
13 risks, more effectively execute fiduciary duties, and contribute
14 to a more just, accountable, and sustainable state.

15 SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended
16 by adding a new part to be appropriately designated and to read
17 as follows:



1 **"PART . SOCIALLY RESPONSIBLE INVESTING**

2 **§ -1 Definitions.** As used in this part:

3 "Entity" means an entity with management and oversight or
4 fiduciary responsibility over the endowment funds of the
5 University of Hawaii, funds of the employees' retirement system,
6 employer-union trust fund, Hawaii tobacco prevention and control
7 trust fund, Hawaii children's trust fund, State of Hawaii
8 endowment fund, or any other endowment, trust, or investment
9 fund established by statute or maintained by state agencies or
10 offices.

11 "Socially responsible investing" means an investment
12 strategy that considers the factors that may have a material and
13 relevant financial impact on the safety or performance of an
14 investment, and which are complementary to fiduciary duty and
15 financial factors and financial accounting, including
16 environmental impact, social impact, and governance of
17 investment.

18 **§ -2 Socially responsible investing.** (a)

19 Notwithstanding any law to the contrary, each entity shall
20 develop, publish, and implement socially responsible investment
21 policies applicable to the management of all public funds under



1 its control. The socially responsible investment policy may be
2 incorporated in existing investment policies developed,
3 published, and implemented by the entity..

4 (b) The socially responsible investment policy shall
5 include material, relevant, and decision-useful sustainability
6 factors to be considered in evaluating investment decisions,
7 including, but not limited to:

- 8 (1) Corporate governance and leadership factors;
- 9 (2) Environmental factors;
- 10 (3) Social capital factors;
- 11 (4) Human capital factors; and
- 12 (5) Business model and innovation factors.

13 (c) Socially responsible policies shall support, and not
14 supplant, the fiduciary responsibility to the members and
15 beneficiaries of any retirement system or trust fund affected by
16 this Part.

17 (d) An entity may adopt a nationally or internationally
18 recognized policy that addresses these socially responsible
19 factors, including, but not limited to, the Principles of
20 Responsible Investment, to satisfy this Part. An entity that
21 has adopted a policy that meets the same or substantially



1 similar criteria, such as the Principles of Responsible
2 Investment, may utilize that adopted policy to satisfy the
3 requirements of this part.

4 **§ -3 Socially responsible investment policy filing**
5 **requirement.** An entity shall file a copy of its investment
6 policy with the department of budget and finance and the
7 legislature within 30 days after its adoption. Should an entity
8 have an existing policy that meets the socially responsible
9 factors outlined in section 2 herein, it shall file such policy
10 with the department of budget and finance and the legislature.
11 Whenever an entity changes the socially responsible factors in
12 its investment policy, it shall file a copy of the modified
13 policy with the department of budget and finance and the
14 legislature within 30 days.

15 **§ -4 Consideration of socially responsible investment**
16 **factors in decision-making.** (a) Each entity shall prudently
17 integrate socially responsible factors into its investment
18 decision-making, investment analysis, portfolio construction,
19 due diligence, and investment ownership of public funds to
20 minimize projected risks, and more effectively execute fiduciary
21 duty.



1 (b) Socially responsible factors may include, but are not
2 limited to, the following:

3 (1) Corporate governance and leadership factors, such as
4 the independence of boards and auditors, the expertise
5 and competence of corporate boards and executives,
6 systemic risk management practices, executive
7 compensation structures, transparency and reporting,
8 leadership diversity, regulatory and legal compliance,
9 shareholder rights, and ethical conduct;

10 (2) Environmental factors that may have an adverse or
11 positive financial impact on investment performance,
12 such as greenhouse gas emissions, air quality, energy
13 management, water and wastewater management, waste and
14 hazardous materials management, and ecological
15 impacts;

16 (3) Social capital factors that impact relationships with
17 key outside parties, such as customers, local
18 communities, the public, and the government, which may
19 impact investment performance. Social capital factors
20 include human rights, customer welfare, customer
21 privacy, data security, access and affordability,



- 1 selling practices and product labeling, community
2 reinvestment, and community relations;
- 3 (4) Human capital factors that recognize that the
4 workforce is an important asset to delivering long-
5 term value, including factors such as labor practices,
6 responsible contractor and responsible bidder
7 policies, employee health and safety, employee
8 engagement, diversity and inclusion, and incentives
9 and compensation; and
- 10 (5) Business model and innovation factors that reflect an
11 ability to plan and forecast opportunities and risks,
12 and whether a company can create long-term shareholder
13 value, including factors such as supply chain
14 management, materials sourcing and efficiency,
15 business model resilience, product design and life
16 cycle management, and physical impacts of climate
17 change.
- 18 (c) Socially responsible factors may be analyzed in a
19 variety of ways, including, but not limited to:
- 20 (1) Direct financial impacts and risks;
- 21 (2) Legal, regulatory, and policy impacts and risks;



1 (3) Assessment against industry norms, best practices, and
2 competitive drivers; and

3 (4) Stakeholder engagement.

4 (d) Nothing in this part prohibits an entity from
5 integrating additional factors into its investment
6 decision-making, investment analysis, portfolio construction,
7 due diligence, and investment ownership of public funds. This
8 part shall not apply to financial institution time deposits or
9 financial institution processing services."

10 SECTION 3. Each entity shall publish an annual investment
11 report that includes a summary of the proportion of its
12 investments in accordance with socially responsible investment
13 policies pursuant to this Act. If an entity has an existing
14 annual investment report that includes a summary of the
15 proportion of its investments in accordance with the socially
16 responsible investment policies pursuant to this Act, it may
17 publish that report to meet the requirements of this section.

18 SECTION 4. This Act shall take effect upon January 1,
19 2050.



Report Title:

Socially Responsible Investing; Endowment Funds; Trust Funds;
Investment Funds

Description:

Incorporates socially responsible investing in the investment decision-making of endowment, trust, or investment funds established by statute or maintained by state agencies or offices that are authorized by law to invest public funds. Requires an annual reporting. Effective 1/1/2050. (SD1)

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