

**EXHIBIT C1**



# **ATRS BlackRock Update**

**Joint Performance Review Committee  
February 26, 2024**

**Mark White, ATRS Executive Director**

# ESG Context: Arkansas

- Act 411 of 2023 established an ESG Oversight Committee to make divestment decisions for the State.
- Act 498 of 2023 requires equity shares to be voted solely in the pecuniary interest of members.

# ESG Context: National

Divestment processes similar to Act 411 have been established in other states:

- Kentucky (11 firms listed)
- Oklahoma (6 firms listed)
- Texas (15 firms listed)

# ATRTRS Actions Against ESG

ATRTRS Investment Policy requires each of the System's investment managers to:

- ✓ Not discriminate against energy, fossil fuel, firearm, or ammunition industry entities
- ✓ Exercise proxy voting rights solely in the pecuniary interest of ATRRS members
- ✓ Comply with Arkansas law on ESG

# Tennessee Lawsuit

- Tennessee's Attorney General filed suit in December, alleging that BlackRock misleads consumers about the scope and effects of its ESG activity.
- The lawsuit alleges BlackRock's ESG activism drives strategy for some non-ESG funds, and that the impacts of pro-ESG funds are exaggerated.

# Tennessee Lawsuit

- Tennessee's lawsuit specifically identifies 27 BlackRock investment products in its allegations of deceptive practices.
- ATRS has no investment in any of these 27 products.

# ATRIS Investments

- ATRIS has three BlackRock holdings: an equity index fund, a bond fund, and an energy infrastructure fund.
- As required by Act 498, BlackRock has certified in writing that it will vote proxies solely in the pecuniary interest of ATRIS members.
- The energy infrastructure fund has invested in fossil fuel production, pipelines, processing, & storage, and power generation.

## ATR BlackRock Holdings

Fund	MSCI ACWI IMI Fund (All Country World Index)	US Core Plus Bond Fund	Global Energy and Power Infrastructure Fund II
Initial Investment	2011	2003	2014 (*)
NAV	\$1 billion	\$260 million	\$13.8 million
Asset Category	Public Equity	Fixed Income	Real Assets
Management	Passive	Active	Active
Total Fees (in basis points)	3 bp	19 bp	133 bp
Net IRR (since inception)	8.50%	3.60%	11.1%

*(as of 2/20/24)*

*(as of 2/20/24)*

*(as of 9/30/23 - not publicly traded)*

(\*) Global Energy and Power Infrastructure Fund II was created by First Reserve in 2014 and acquired by BlackRock in 2017.



# ATRIS Next Steps

- Once the ESG Oversight Committee identifies those firms in violation of Arkansas law, ATRIS will work with its investment consultants to transition as appropriate.
- Act 411's exemptions for locked-in maturity dates may be relevant to funds that are not publicly traded.

# ATRIS Next Steps

- Proxy Voting reports per Act 411 will be submitted to ATRIS by investment managers after the end of the fiscal year and presented publicly to the ATRIS Board of Trustees.
- BlackRock is in the process of acquiring another infrastructure fund in which ATRIS is a partner. That acquisition has not yet closed.

# Thank You!

**Mark White**

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