

**SUDAN INVESTMENT POLICY**  
ERS Investment Policies & Procedures Manual

III. 9. Sudan Investment Policy

Act 192, Session Laws of Hawaii 2007, expresses the State's desire to not participate in ownership of companies that provide "significant practical support" for genocide activities as currently being conducted by the Sudanese government in the Darfur region. The ERS Board of Trustees wishes to recognize its agreement with the intent of Act 192 and to abide by its requirements. The Board, however, also applies a decision framework of acting for the exclusive benefit of ERS Plan participants. In this respect, the Board recognizes that divestment activities could potentially increase the portfolio's idiosyncratic investment risk. Therefore, divestment guidelines and procedures should seek to minimize the impact of a specific divestment policy (such as Sudan divestment) upon the investment results of the portfolio.

The Board has determined to use the following procedures to comply with Act 192 by requiring the Chief Investment Officer, or another designated member of Staff, to:

- Assemble a list of all direct holdings in "scrutinized companies";
- Review publicly available information regarding companies with business operations in the Sudan provided by nonprofit organizations (e.g., the Sudan Divestment Taskforce) and other appropriate parties;
- Send written notice informing companies of their scrutinized company status and the possibility that they may become subject to divestment;
- Monitor other institutional investors that have divested from or engaged with companies that have business operations in Sudan;
- Consider divestment or other corrective actions to the extent reasonable with due consideration for among other things, return on investment, diversification, and the System's other legal obligations;
- Inform the System's equity managers of Board decisions as related to the above processes; and
- Review and update progress of scrutinized companies on a quarterly basis.

This policy is intended to avoid: 1) discriminating against companies whose Sudan-related business activities are supported by the U.S. government; 2) discriminating against companies whose Sudan-related business activities do not support genocide activities; 3) unnecessarily harming U.S. companies and jobs; and 4) compromising the Board's duties to the beneficiaries of the System.