

September 27, 2022

Mr. Mark Havens  
Chief Clerk and Deputy Land Commissioner  
Texas General Land Office  
1700 North Congress Avenue  
Austin, Texas 78711-2873

Dear Mr. Havens:

I am in receipt of your letter relating to the prohibition on investment in financial companies that boycott certain energy companies under Chapter 809 of the Texas Government Code. You state the School Land Board manages investments held by the Permanent School Fund which is required to submit notification of direct and indirect holdings in the publicly traded financial companies on the Chapter 809 list of companies that boycott energy companies (the "List").

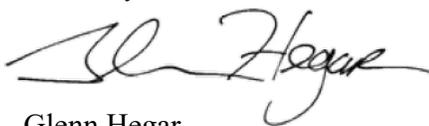
As stated in the answers to frequently asked questions ("FAQ") my office recently published, state governmental entities are required by the new statutes to divest from companies or funds that are listed in Annex I and Annex II.<sup>1</sup> The funds described in your letter are not listed in Annex II, but you indicate they are managed by Blackrock, Inc., a company that is listed in Annex I. As further stated in the FAQ, it is important for state governmental entities to make their own determinations regarding the policies that underlie the statutes at issue relative to the assets they manage, and the fiduciary obligations related thereto.

The Texas oil and gas industry is vital to the prosperity of Texans. Because the entities listed in Annex I have taken actions at the corporate level that I believe constitute a "boycott" of the industry as defined under Texas law, I have decided to take action with respect to assets managed under my supervision. As the agency tasked with creating and publishing the List, I have directed my office to begin the process of analyzing the most prudent way to divest from direct holdings in the listed companies and all investment funds managed by entities listed in Annex I, including all Blackrock-related investments.<sup>2</sup>

I understand and appreciate the complexities around divesting from private equity vehicles which effectively lock up the investor's capital for multiple years. However, given the importance of these underlying policies, I believe state governmental entities should carefully examine all available options and consider alternative approaches where possible to meet their investment goals within appropriate fiduciary standards.

Thank you for your notification.

Sincerely,



Glenn Hegar

<sup>1</sup> Comptroller of Public Accounts FAQ 18, available at <https://comptroller.texas.gov/purchasing/publications/divestment.php>

<sup>2</sup> Note: Consistent with FAQs 18 and 21, the statute does not require and I am not directing my staff to divest from all entities that are affiliated with or related to the funds listed in Annex II.

