CO-SPONSORSHIP MEMORANDUM

TO: **All Legislators**
FROM: **Sen. André Jacque**
DATE: **Tuesday, June 22, 2021**
RE: **Co-sponsorship of LRB 2774/1, relating to: prohibiting the Investment Board from making certain investments relating to China and Iran**
DEADLINE: **Tuesday, July 6th at 5:00 p.m.**

States have imposed dozens of restrictions on state bodies' investments in foreign countries, with most states having at least one such restriction in place. These restrictions vary in their scope and their legal justifications, with the most widely enacted state investment restrictions being those specifically authorized by federal law.

I will be introducing legislation on behalf of my constituents to prohibit the State of Wisconsin Investment Board (SWIB) from engaging in securities transactions involving certain companies associated with China and Iran, in alignment with established Federal policy. Specifically, this proposal would require divestment from and otherwise bar SWIB from purchasing or selling any publicly traded security of a Chinese military-industrial complex company. The bill also generally prohibits SWIB from investing in securities of any company that 1) has outstanding loans or other commitments of credit to the government of Iran; 2) maintains property or personnel, or has business operations, in Iran; 3) contracts with the government of Iran or provides goods or services in Iran; or 4) sells weapons, military technology, oil-production or mineral-extraction equipment, or related goods with reasonable knowledge that they will be resold to the government of Iran or redistributed into Iran.

This legislation conforms to executive orders issued by both the Trump and Biden Administrations (Executive Order 14032 of June 3, 2021 and Executive Order 13959 of November 12, 2020, as amended by Executive Order 13974 of January 13, 2021, "Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies") for divestment in companies linked to the Chinese military, as well as the federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, which authorizes state and local governments to divest from and prohibit investment in Iran. At least 34 states have passed laws divesting their state pensions from Iran, and the updated executive order from earlier this month does not make clear if the federal prohibition still applies to SWIB.

SWIB has an excellent reputation in the investment of funds, however, SWIB does not perform national security and human rights-related diligence on the companies in their portfolio.

Meanwhile, it remains clear that:

1.) The United States should highlight and counter the People's Republic of China's Military-Civil Fusion development strategy, which supports the modernization goals of the People's Liberation Army by ensuring its access to advanced technologies and expertise acquired and developed by even those Chinese companies, universities, and research programs that appear to be civilian entities, and target China's surveillance of religious or ethnic minorities, for which it has a lengthy list of human rights abuses:

New Report Details Firsthand Accounts Of Torture From Uyghur Muslims In China : NPR

2.) Iran is a state sponsor of terrorism and just this past weekend 'elected' as president a man responsible for the execution of thousands of political prisoners:

Hamas Chief Says His Group Has 'Sufficient' Money Provided By Iran | Iran International (iranintl.com)
'Butcher of Tehran' Raisi wins Iran election amid low turnout - The Jerusalem Post (jpost.com)

To be added as a co-sponsor of this legislation, please reply to this email or contact Sen. Jacque's office at 6-3512 by 5:00 p.m. on Tuesday, July 6th.

Analysis by the Legislative Reference Bureau

This bill prohibits the State of Wisconsin Investment Board from engaging in securities transactions involving certain companies associated with China and Iran.

Under current law, federal Executive Order 14032 of June 3, 2021, imposes certain restrictions related to the purchase or sale of securities in specified Chinese companies.

This bill prohibits SWIB from purchasing or selling any publicly traded security of a Chinese military-industrial complex company. The bill defines "Chinese military-industrial complex company" as a company listed in the Annex to Executive Order 14032 or later identified by the federal Secretary of the Treasury as such a company. However, the bill allows SWIB, for specified periods, to divest from prohibited securities already held by SWIB.

The bill also generally prohibits SWIB from investing in securities of any company that 1) has outstanding loans or other commitments of credit to the government of Iran; 2) maintains property or personnel, or has business operations, in Iran; 3) contracts with the government of Iran or provides goods or services in Iran; or 4) sells weapons, military technology, oil-production or mineral-extraction equipment, or related goods with reasonable knowledge that they will be resold to the government of Iran or redistributed into Iran. For purposes of the bill, the government of Iran includes any company owned or controlled by Iran. If SWIB maintains a prohibited investment on the effective date of the bill, SWIB must divest itself of the investment within approximately one year. However, the investment prohibition does not apply to investments made by external managers with whom SWIB has contracted, investments in mutual funds and other commingled instruments, and investments in private equity funds. In determining whether an investment is prohibited, SWIB may rely on information about a company available from a third-party screening service that utilizes criteria reasonably similar to the criteria described in items 1 to 4 above.

The bill also requires SWIB to include, in an annual report that under current law SWIB submits to the legislature, information relating to SWIB's efforts to satisfy the requirements under the bill, including identification of companies in which investment is prohibited and, as applicable, SWIB's status of divestment from these companies.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.