NCIA POLICIES AND PROCEDURES

NCIA Reference:	**NCIA-POL-4007**
Title:	**Divestment and Contract Prohibition Policy**
Chapter:	**CIO-Approved**
Current Effective Date:	**August 5, 2026**
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I. PURPOSE AND BACKGROUND

The North Carolina Investment Authority ("NCIA") is subject to two North Carolina laws that restrict investment in, and contracts with, certain companies. The Iran Divestment Act (N.C. Gen. Stat. Chapter 147, Article 6E) covers companies involved in Iran's energy sector, while the Divestment from Companies Boycotting Israel Act (N.C. Gen. Stat. Chapter 147, Article 6G, the "Israel Act") covers companies that boycott or otherwise limit commercial relations with Israel.

Each year, the NCIA is required to create a list of prohibited companies under each statute (the "Prohibited Companies Lists"). The Prohibited Companies List for the Iran Divestment Act includes companies that over a 12-month period provide (1) at least $20 million in goods or services in Iran's energy sector; or (2) at least $20 million in credit to a company in Iran's energy sector. The Prohibited Companies List for the Israel Act includes companies that boycott or otherwise limit commercial relations with Israel. In addition, the Iran Divestment Act and Israel Act require the affiliates of prohibited companies to be included on the Prohibited Companies Lists.

The NCIA is generally prohibited from investing funds (including from the North Carolina Retirement Systems) in companies on the Prohibited Companies Lists, and state agencies and local governments are generally prohibited from entering into contracts with companies on the Prohibited Companies Lists.

The Iran Divestment Act and the Israel Act require the Board of Directors of the NCIA to adopt a policy to implement the acts. Through the Board Charter, the Board has delegated approval of such policy to the Chief Investment Officer.

NCIA, as the investment fiduciary for the funds held by the Treasurer, adopts this policy and will create and publish the Prohibited Companies Lists and manage compliance with the investment and contracting prohibitions described in this policy.

This policy is subject to, and will be implemented in compliance with, the Iran Divestment Act and the Israel Act.

II. LISTS OF PROHIBITED COMPANIES

NCIA, with the assistance of a vendor (the "Divestment Vendor"), will create and publish the Prohibited Companies Lists on an annual basis. The Divestment Vendor will provide initial Prohibited Companies Lists by a target date of March 31 each year and will send notices to companies on the initial lists by a target date of April 30 each year. The Iran Divestment Act and the Israel Act require notices to companies at least 90 days prior to the publication of the final Prohibited Companies Lists.

NCIA will review any responses received from companies on the initial Prohibited Companies Lists and will gather additional information as needed, including by engaging with responding companies. NCIA will remove any companies from the initial Prohibited Companies List that do not meet the statutory requirements for inclusion on the Prohibited Companies Lists.

If contact information for a company cannot be located following reasonable efforts by NCIA and the Divestment Vendor, the company will remain on the Prohibited Company List. If the company contacts NCIA following the publication of the Prohibited Company List, NCIA will review any additional information provided by the company and determine whether the company continues to meet the statutory requirements for inclusion on the Prohibited Company List.

NCIA will post the final Prohibited Company Lists on NCIA's website (www.ncinvest.gov). The initial lists will be posted within 120 days of the adoption of this policy; in subsequent years, the target date to post the lists is August 31.

NCIA may consider information received from a member of the public, an organization, or other third party in deciding whether to add a company to, or remove a company from, a Prohibited Companies List.

The Iran Divestment Act also requires a list of companies that meet the requirements of N.C. Gen. Stat. § 147-86.61(b) for substantial positive action regarding past investment activities in Iran; however, in practice, this list just an additional category on the Prohibited Companies List.

III. INVESTMENT PROHIBITION

NICA staff shall ensure that all of the Treasurer's investments comply with the Iran Divestment Act and the Israel Act. The Divestment Vendor will assist NCIA in creating lists of equity and fixed income securities for the prohibited companies (the "Prohibited Securities Lists"). To the extent required by law, NCIA will not directly invest in securities on the Prohibited Securities List. However, the Iran Divestment Act and the Israel Act do not apply to the following types of investments:

1. Investments in securities by limited partnerships, limited liability companies, and similar investment vehicles in which NCIA invests;
2. Investments in securities by collective investment trusts, ETFs, mutual funds, and similar investment vehicles in which NCIA invests;
3. Investments by NCIA's internal and external investment managers pursuant to index strategies; and
4. Investments by NCIA's internal and external investment managers in derivatives.

See N.C. Gen. Stat. §§ 147-86.57(3) and 147-86.80(3).

NCIA may require certain contractual representations and/or covenants from affected investment managers. Each of NCIA's investment management agreements for separate accounts will include a provision that prohibits investments in securities on the Prohibited Securities Lists. To the extent commercially practical and consistent with NCIA's fiduciary duties, NCIA's contracts for interests in limited partnerships and limited liability companies generally will include one of the following restrictions:

1. The limited partnership or limited liability company will not invest in companies on the Prohibited Companies Lists; or

2. Prior to an investment by the limited partnership, limited liability company, or similar investment vehicle in a company on a Prohibited Companies List, the manager will notify NCIA and excuse NCIA from participating in the investment.

NCIA will use its custodian to assist in monitoring investment managers' holdings.

The target date is August 31 each year to provide the Prohibited Securities Lists to the custodian and to NCIA's investment managers, general partners, managing members, and other entities that invest on behalf of NCIA or the vehicles in which NCIA invests.

IV. CONTRACT PROHIBITION

NCIA will not enter into a contract with a company that is on the Prohibited Companies Lists. As part of entering into a contract with a vendor or an investment manager, NCIA will either (1) determine that the counterparty is not on the Prohibited Companies Lists; or (2) include a representation by the counterparty that it is not on the Prohibited Companies Lists.

V. EXCEPTIONS

The Chief Investment Officer may authorize exceptions to this policy to comply with NCIA's fiduciary duties or as otherwise permitted by the Iran Divestment Act or the Israel Act. Any exception shall be documented (including by email).

VI. INTERPRETATION

Questions concerning the interpretation of this policy shall be answered by the Chief Investment Officer, the General Counsel, or a designee of either.

Revision/Review History

Version	Date Approved/Reviewed	Description of Changes
1.0	August 5, 2026	New Policy