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Bank Line(s) of Credit and ESG Evaluation

Presented by: **Charlene Sun**, Treasury and Debt Officer

Recommendation

- A. Receive information regarding bank line(s) of credit solicitation; and
- B. Authorize Staff to Proceed with Negotiation and Execution of Bank Line(s) of Credit with Aggregate Stated Amount Not To Exceed \$200 Million

Environmental, Social, Governance (ESG) Evaluation Criteria

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- Professional ESG research firms use proprietary data collection and evaluation criteria to assign ESG ratings
- “Average or Medium” ESG rating signals that the company has implemented ESG policies and management practices that result in a medium level of ESG risk exposure.
- Sample ESG criteria:

ESG Criteria	Description
Corporate Governance	Factors evaluated include: Board and executive management quality and integrity, structure, ownership and shareholder rights, compensation, audit and financial reporting and stakeholder governance
Business Ethics	Factors evaluated include: money laundering policy, bribery & corruption policy, business ethics and compliance to law, whistleblower policy, lobbying and political expenses, accounting and taxation policies, anti-competitive practices, and sanctions against the company

ESG) Evaluation Criteria - continued

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ESG Criteria	Description
Product Governance	Factors evaluated include: socially responsible product design and marketing practices, cybersecurity policies, quality and safety practices, fair billing and post sale responsibility to customers and stakeholders
Data Privacy and Security	Factors evaluated include: data governance practices and policies regarding the collection, use and management of protected customer data
ESG Integration - Financials	Factors evaluated include: environmental/social/carbon/human rights impact of products, financial inclusion, credit and loan standards, responsible investment program, sustainable financial initiatives and responsible asset management
Human Capital	Factors evaluated include: management of human capital, labor relations, non-discriminatory policies, working conditions, employee training, minimum wage/compensation policies, collective bargaining, gender equality and diversity programs
Resilience	Factors evaluated include: financial management policies and practices that promotes compliance with regulatory capital requirements, solvency, operational resilience, leverage and financial flexibility

Summary

- All five banks have ESG ratings of “Average/Medium”
- Staff requests Board approval to proceed with negotiations for \$180 million line of credit with a Lead Bank
 - Lead Bank negotiation starting with MUFG, highest ranked firm for pricing/terms, move to next highest if needed
 - Work with Lead Bank to develop \$20 million syndicated loan reserved for small local banks

QUESTIONS





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