

Valley Water

Clean Water • Healthy Environment • Flood Protection

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FY 2020-21 Investment Policy, Executive Limitation, and ESG Policy

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Recommendation

Approve the Revised Fiscal Year 2020-2021 Investment Policy and update Executive Limitation 4.7 Financial Management:

3.5.1 California Bank Investments

Keeping investments to local banks, within the Bay Area, to keep money at home and jobs local; invest only in banks with below \$10 billion in assets; and keep a minimum of 4% of liquid cash in banks with up to \$10 billion in assets and 1% in banks with up to \$2 billion in assets for a limit of 5 years (short term) at the discretion of the treasurer; such investments may be in the form of collateralized deposits, FDIC/NCUA insured CDs, CDARS, or any other legally allowable deposits.

7.13.3 Prohibited Banks

No investments will be made in any banks who do not have an ESG ranking at or better than the "Average/Medium" category by at least one of the professional ESG research companies such as Sustainalytics, or other equivalent rankings published by other ESG research firms. Small and local banks/credit unions located within the nine Bay Area counties with total assets at or below \$10 billion are exempt from this provision.

E.L. 4.7.7: Valley Water shall not do business with banks who do not have an ESG ranking at or better than the "Average/Medium" category by at least one of the professional ESG research companies such as Sustainalytics, or other equivalent rankings published by other ESG research firms. Small and local banks/credit unions located within the nine Bay Area counties with total assets at or below \$10 billion are exempt from this provision.



Environmental, Social, Governance (ESG) Evaluation Criteria

- 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

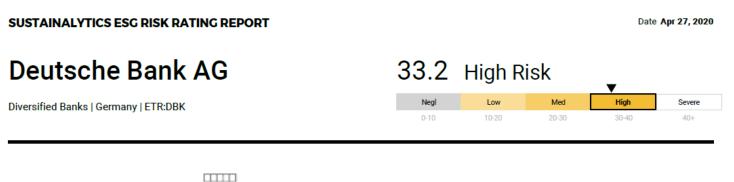


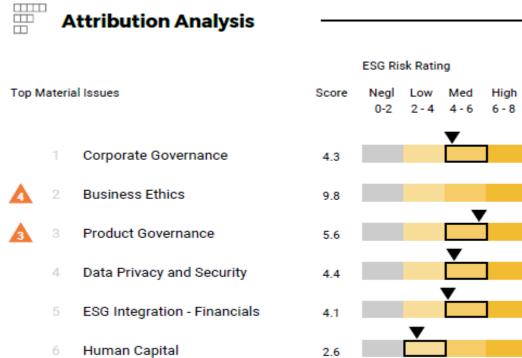
ESG) Evaluation Criteria - continued

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, operationa resilience, leverage and financial flexibility	Attao

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Sample ESG Rating – Prohibit Investments in Deutsche Bank





Severe

8+

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alleywater.org

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Valley Water 🛆 = Significant event

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QUESTIONS





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