

Town of Los Gatos

Insight ESG Ratings as of September 30, 2020

Security Description	Maturity Date	Par/Shares	Moody Rating	S&P Rating	Insight ESG Rating	Environment	Social	Governance
HONEYWELL INTERNATIONAL 2.3% 15AUG2024 (CALLABLE 15JUL24)	8/15/2024	\$ 1,000,000	A2	A	3	3	5	3
AMERICAN EXPRESS CREDIT 2.25% 05MAY2021 (CALLABLE 04APR21)	5/5/2021	\$ 1,000,000	A2	A-	2	1	3	3
AMERICAN HONDA FINANCE 2.4% 27JUN2024	6/27/2024	\$ 1,000,000	A3	A-	3	2	4	3
ORACLE CORP 2.4% 15SEP2023 (CALLABLE 15JUL23)	9/15/2023	\$ 1,000,000	A3	A	3	1	3	4
TOYOTA MOTOR CREDIT CORP 2.6% 11JAN2022	1/11/2022	\$ 1,100,000	A1	A+	3	1	3	3
WALT DISNEY COMPANY/THE 4.5% 15FEB2021	2/15/2021	\$ 1,000,000	A2	A-	3	3	3	3
WELLS FARGO BANK NA 2.082% 09SEP2022 (CALLABLE 09SEP21)	9/9/2022	\$ 1,350,000	Aa2	A+	4	1	5	4
TOYOTA MOTOR CREDIT CORP 1.9% 08APR2021	4/8/2021	\$ 500,000	A1	A+	3	1	3	3
JPMORGAN CHASE & CO 3.25% 23SEP2022	9/23/2022	\$ 900,000	A2	A-	4	1	3	5
US BANCORP 3.375% 05FEB2024 (CALLABLE 05JAN24)	2/5/2024	\$ 1,000,000	A1	A+	3	2	4	3
PNC FINANCIAL SERVICES 3.3% 08MAR2022 (CALLABLE 06FEB22)	3/8/2022	\$ 1,000,000	A3	A-	2	2	2	3
IBM CORP 1.875% 01AUG2022	8/1/2022	\$ 1,000,000	A2	A	3	1	2	4
BANK OF AMERICA CORP 2.328% 01OCT2021 (CALLABLE 01OCT21)	10/1/2021	\$ 1,300,000	A2	A-	4	1	4	4
JPMORGAN CHASE & CO 3.875% 01FEB2024	2/1/2024	\$ 1,400,000	A2	A-	4	1	3	5
AMERICAN HONDA FINANCE 1.95% 10MAY2023	5/10/2023	\$ 600,000	A3	A-	3	2	4	3
Total/Average		\$ 15,150,000			3.1	1.5	3.4	3.5

*ESG ratings are from 1 to 5, with 1 as the highest rating and 5 as the lowest. All ratings are weighted by industry rankings, based on the importance of the category within the individual industry.

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Socially Responsible Investing for Local Governments

Dave Witthohn

August 2019

Part of  BNY MELLON



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Terms used in responsible investing

- **Socially Responsible Investing (SRI):** describes an investment approach where certain companies are excluded from your portfolio through negative screening of businesses that are involved in practices which are excluded for moral or ethical reasons
- **Environmental, Social and Governance (ESG):** attempts to categorize areas of concern into one of these categories and to measure the companies' relative responsiveness to these areas of sensitivity. These categories have been accepted globally so that they can be measured
- **Divestment :** using a screen in your investment process to exclude companies that are involved in certain activities (e.g. South Africa, guns, fossil fuels)
- **Impact Investing:** Investing in projects or companies with the purpose of making changes in practices or behaviors



Where did it start? United Nations – Principals for Responsible Investing (UNPRI)



Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. *UNPRI*

Signers agree to the following principals:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Source is UNPRI.org

What are the various ESG issues?

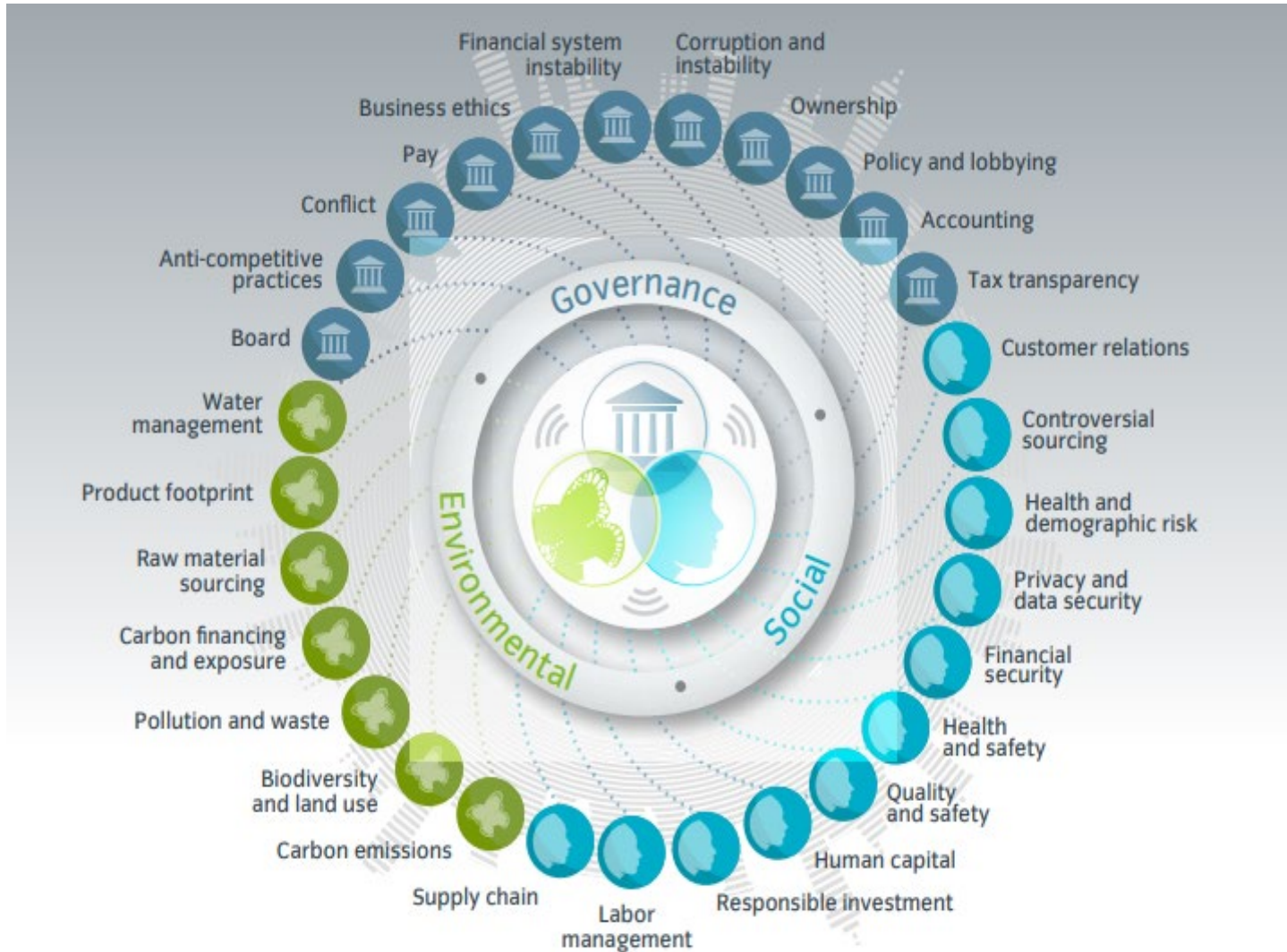
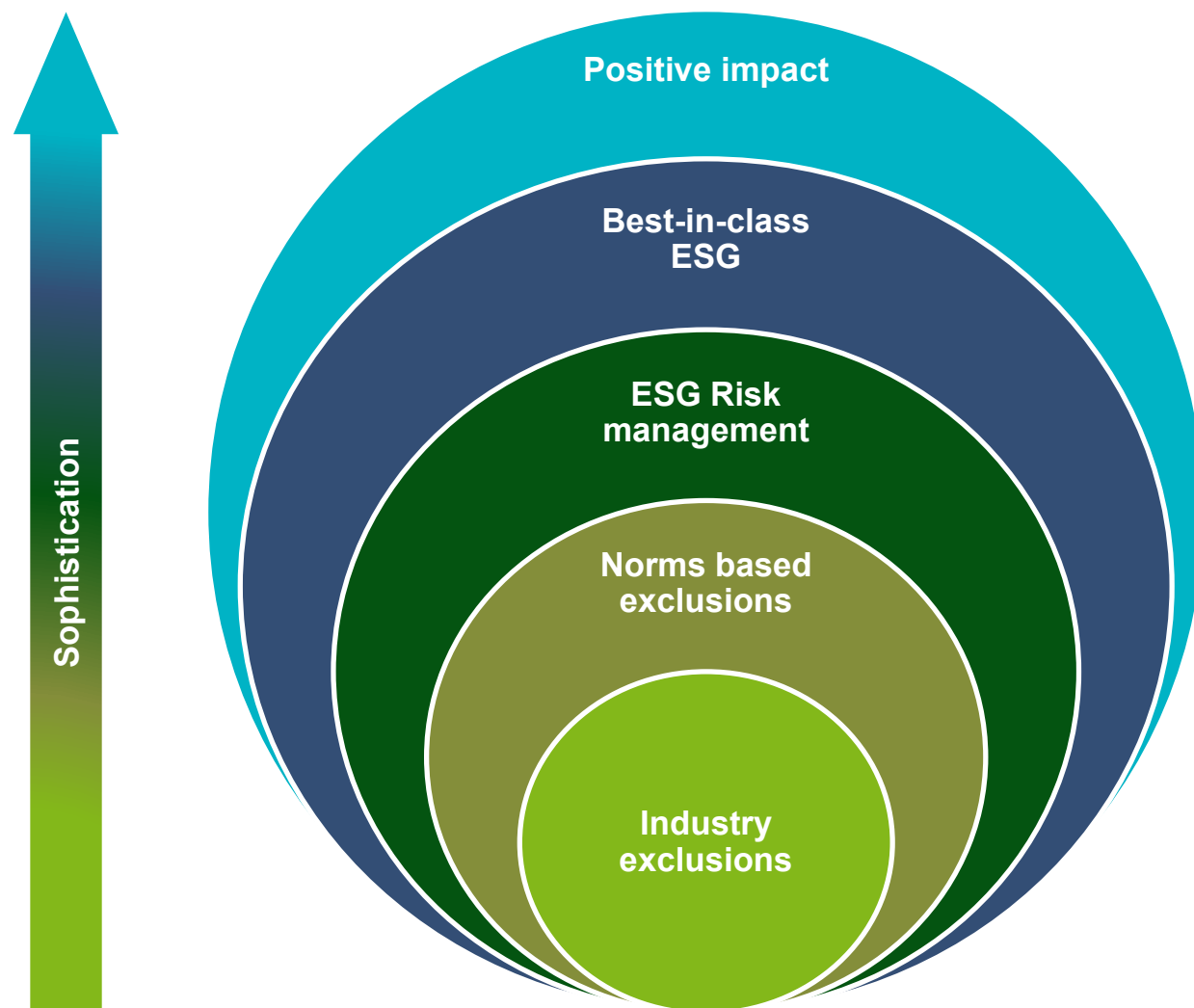


Figure 2: There is frequently poor agreement between data providers about corporate ESG risks?



ESG strategies



- Evidence a positive impact
- Engagement for impact
- Tilt to best-in-class ESG issuers
- Reduce carbon footprint
- Avoid worst-in-class ESG issuers
- Monitor carbon footprint
- Adherence to key global norms
- UN Global Compact, ILO principles
- Regulatory or legal reasons
- Alignment with ethical values

For illustrative purposes only.

What's considered in ESG scores

Use external ESG research to determine the key issues facing each sector and forms part of materiality assessment.

ESG Overall Score Normalised industry-adjusted score 1-5							
Environment Pillar Absolute score 1-5			Social Pillar Absolute score 1-5			Governance Pillar Absolute score 1-5	
Carbon	Natural Capital	Pollution	People	Products	Place	Corporate Governance	Behavior
Carbon Emissions	Water Stress	Toxic Emissions	Labor Management	Product Safety and Quality	Controversial Sourcing	Board	Business Ethics
Carbon Vulnerability	Biodiversity and Land Use	Waste	Health & Safety	Chemical Safety		Pay	Anti-Competitive Practices
Product Footprint	Raw Material Sourcing		Human Capital Development	Financial Product Safety		Ownership	Corruption and Instability
Financing			Supply Chain	Privacy and Data Security		Accounting	Financial System Instability
			Health and Demographic Risk	Responsible Investment			Tax Transparency

} Ratings used in Risk Checklist

} ESG issues

Assessed category for all issuers

Illustration only. Based on MSCI ESG ratings framework.