



## CHICAGO'S ESG INVESTING INITIATIVE

*On February 28<sup>th</sup>, Chicago City Treasurer Kurt Summers and Alderman John Arena announced a new effort to fully integrate environmental, social, and governance considerations into Chicago's investment decision-making process, which would lead the way for responsible investment in the United States and across the globe.*

### What is ESG Investing?

ESG investing describes the consideration of environmental, social, and governance (ESG) factors alongside traditional financial factors in the investment decision-making process, ensuring that investments are financially prudent and impact driven. ESG factors may include greenhouse gas emissions, energy usage, labor standards, business ethics, gender and racial diversity, executive compensation, and more.

### Why is ESG Investing Important?

First, ESG investing drives better risk-adjusted returns, since companies that score higher on ESG factors tend to have stronger fundamentals that mitigate financial risk, putting those companies in a better position for long-run stability and profitability.

And second, ESG investing helps guide investment dollars to make a positive impact on some of the most fundamental challenges facing Chicagoans. Through promoting investments in companies that prioritize conservation and sustainable business practices, it helps protect our environment for future generations. Through promoting investments in companies that promote a better quality of life for all of us, it helps create a more equitable, just corporate eco-system and world. And through promoting investments in companies with strong corporate governance, it helps promote sound and representative management practices.

### What is the City of Chicago's Approach?

We plan to take clear, defined steps toward fully integrating ESG factors into the investment decisions within our operating portfolio, potentially including the following actions and commitments:

- **100% Integration:** Ensure that 100% of investment decisions on corporate securities are analyzed through ESG factors, making Chicago the largest city in the country to take this step with its operating portfolio. Specific factors will include (but will not be limited to):
  - Environmental: Carbon Footprint; Energy Consumption; Water/Waste; External Conservation Initiatives; and Sector-Specific Adjustments.
  - Social: Labor Rights; Employee Diversity; Corporate Social Responsibility; and Human Rights/Ethics.
  - Governance: Leadership Structure; Executive Compensation; Human Capital Management; Transparency/Disclosure; and Shareholder Rights.
- **Comprehensive Approach:** Seek to maintain a minimum ESG portfolio rating of investment grade or higher, making Chicago the first city in the world to adopt a minimum ESG portfolio rating for holdings in corporate securities.
- **Proactive, Responsible Investing:** Pursue opportunities for sustainable investments, including purchasing securities from market leaders in disclosure and corporate board diversity, securities that fund community development projects, and other securities with strongly positive effects on our communities.
- **Commitment to UNPRI:** Become a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI), making Chicago the largest city in the world to join the international initiative encouraging responsible investment across sectors.
- **Commitment to Carbon-Neutrality:** By 2020, achieve a carbon-neutral portfolio from an investment perspective, which may include seeking to offset existing investments in the top 200 publicly-owned coal, oil, and gas reserve owners (ranked by the carbon emissions embedded in their reserves) with socially responsible investments.