

Agenda Report

November 22, 2021

TO: Honorable Mayor and City Council
Successor Agency to the Pasadena Community Development
Commission

THROUGH: Finance Committee

FROM: Department of Finance

SUBJECT: AMENDMENT TO THE CITY'S INVESTMENT POLICY

RECOMMENDATION:

It is recommended that the City Council and the Successor Agency to the Pasadena Community Development Commission:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt the recommended amendment the City's Investment Policy to consider the integration of environmental, social, and governance (ESG) principles into the current City of Pasadena Investment Policy.

BACKGROUND:

ESG Investing (also known as "socially responsible investing," "impact investing," and "sustainable investing") refers to investing, that prioritizes optimal environmental, social, and governance factors or outcomes. ESG investing is widely seen as a way of investing "sustainably," where investments are made with consideration of the environment and human wellbeing, as well as the economy. It is based upon the growing assumption that the financial performance of organizations is increasingly affected by environmental and social factors. ESG factors cover a wide spectrum of issues that are not part of traditional financial analysis. This might include how corporations respond to climate change, how good they are with water management, how effective their health and safety policies are in the protection against accidents, how they manage their supply chain, how they treat their workers, how diversified is

their workforce, and whether they have a corporate culture that builds trust and fosters innovation.

The three pillars of ESG are Environmental, Social, and Governance:

Environmental:

- The first pillar relates to a firm's impact on the environment. Criteria include impact on climate change, energy usage, pollution and waste, and use of natural resources. Positive metrics include environmental improvement initiatives such as using renewable energy and electric vehicles.

Social:

- This second pillar of ESG includes a firm's impact on society and stakeholders in the company. Social factors include working conditions (including slavery and child labor), conflict, health and safety, employee relations, and diversity.

Governance:

- The third pillar of the ESG attempts to explain the risks in a company's governance structure. Some popular metrics include board diversity, accounting policies, executive pay, bribery, corruption, political lobbying and donations, tax strategy, and overall ethical behavior.

It is staff's recommendation to incorporate the following language in the City's Investment policy:

"Investments will be considered in entities that support environmental, social, and governance (ESG) factors alongside traditional financial measures in the investment decision-making process, ensuring that investments are financially prudent, and impact driven. Investing in companies that prioritize conservation and sustainable business practices helps protect our environment for future generations and is commensurate with the City of Pasadena's values. ESG factors may include, but are not limited to:

- Environmental: Carbon Footprint; Energy Consumption; Water/Waste; External Conservation Initiatives; and use of natural resources;
- Social: Labor Rights; Employee Diversity; Corporate Social Responsibility; Human Rights/Ethics;
- Governance: Leadership Structure; Executive Compensation; Corruption/bribery; Human Capital Management; Transparency/Disclosure; and Shareholders Rights."

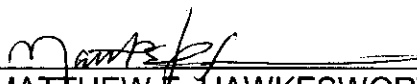
COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

There is no current fiscal impact as a result of this action nor will there be any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,



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Approved by:



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