The Board of Trustees ("Board") shall invest the reserves of the Metropolitan Water Reclamation District Retirement Fund ("Fund") in accordance with ILCS 40 5/13-706(d), Board powers and duties. The Board allocates the management of reserves to one or more investment managers acting as fiduciaries on behalf of the Fund participants. Each investment manager shall discharge their duties with respect to the Fund solely in the interest of the participants and beneficiaries and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Each investment manager appointed by the Board is done through a contractual agreement ("Agreement") between the Board and the investment manager. The Agreement includes the mutually agreed upon investment mandate, performance objectives, and guidelines to minimize risk.

To achieve the performance objectives, the Investment Manager should, within the bounds of financial and fiduciary prudence, recognize and evaluate sustainability factors that may have a material and relevant financial impact on the safety and/or performance of the Fund’s reserves under their management.

**Sustainability factors** may include:

- **Corporate governance and leadership factors**, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.

- **Environmental factors** that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water sustainability and wastewater management, water quality, waste and hazardous materials management, and ecological impacts.

- **Social capital factors** that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.

- **Human capital factors** that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, ethics and workplace harassment policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.

- **Business model and innovation factors** that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply
chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

The Investment Manager will report to the Board the following:

1) Prior to the effective date of this section, a comprehensive report on how the Investment Manager utilizes sustainability factors in:
   a. Analyzing investment opportunities on behalf of the Fund
   b. Monitoring investments made on behalf of the Fund
   c. Procedures for engagement with the management of investment holdings
   d. Procedures in voting proxies utilizing sustainability factors

2) Investment Manager shall report annually to the Board the following:
   a. All sustainability factors procedures in place
   b. Any changes to procedures since the previous year
   c. Any engagements with management of investment holdings
   d. Prior year proxy voting report; highlighting matters regarding sustainability factors
   e. Financial impact, to the best of their ability, of the utilization of sustainability factors procedures.

In addition, the Board will develop a Sustainability Investing Questionnaire that will be utilized as part of required documentation to any Request for Proposal for Investment Management Services conducted by the Board.

The Board opposes any policy or strategy that would direct the Board to sell an individual or group of securities in order to achieve a goal that is not primarily investment related.

This section of the Investment Policy Statement will go into effect January 1, 2020 and will be reviewed every two (2) years or on a as needed basis to ensure relevancy to investment guidelines.

*Adopted by the Retirement Board of Trustees of the Metropolitan Water Reclamation District Retirement Fund – December 18, 2019*