BLOOM TOWNSHIP
TRUSTEES OF SCHOOLS

INVESTMENT POLICY

I. PURPOSE/SCOPE

The purpose of this Investment Policy is to establish a clear understanding between the Bloom Township Trustees of Schools and financial institutions regarding investment objectives, goals and guidelines for the Trustees of Schools, to comply with Section 2.5 of the Public Funds Investment Act, 30 ILCS 235/2.5 and the Investment of Municipal Funds Act, 50 ILCS 340, and to obtain a maximized return within the confines of low risk tolerance. In this context, funds should be managed in a prudent manner as it relates to such issues as rates of return, investment vehicles and diversification among individual investments.

A. **Pooling of Funds.** Except for cash in certain restricted and special funds, the Trustees of Schools will consolidate balances from all funds to maximize investment earnings and diversification for all funds held for the benefit of any school district or other entity serviced by the Trustees of Schools. Investment income will be allocated to the various entities based on their respective participation and in accordance with generally accepted accounting principles.

II. GENERAL OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield:

A. **Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. **Credit Risk.** Credit risk is the risk of loss due to the failure of the security issuer or backer. The Trustees of Schools will minimize credit risk by:

- Limiting investments to the safest types of securities/financial instruments;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Trustees of Schools will do business; and

- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

2. **Interest Rate Risk.** The Trustees of Schools will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

   - Structuring the investment portfolio so that a significant portion of the securities either meet cash requirements for ongoing operations or have active secondary or resale markets; and
   - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

B. **Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that 1) the securities/financial instruments mature concurrent with cash needs to meet anticipated demands (static liquidity) or 2) a large portion of the portfolio has active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds.

C. **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The goal of investment is to exceed the inflation rate as measured by the consumer price index (CPI) on an annualized basis.

III. STANDARDS OF CARE

A. **Prudence.** The standard of prudence to be used by the Trustees of Schools' treasurer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

B. **Ethics and Conflicts of Interest.** The treasurer, the Board of Trustees or any employee having influence on the Trustees of Schools' investment decisions shall refrain from any personal business activity that knowingly would adversely affect the performance of the investment program. In addition, these parties shall not:

1. Have any material interest in any investments of which the Trustees of Schools have purchased or sold.
2. Receive, in any manner, compensation of any kind from any investments of which the Trustees of Schools have purchased or sold.

C. **Delegation of Authority.** The Board of Trustees of the Trustees of Schools holds the ultimate responsibility for the funds and the appropriateness of its investment policy and execution. The Board of Trustees:

1. Defines investment policy, objectives and guidelines for investments including risk tolerance;
2. Reviews adequacy or need for change of this policy;
3. Meets and reviews reports concerning asset management and performance; and
4. Selects institutions authorized to accept fund assets.

Authority to manage the investment program is hereby granted by the Board of Trustees to the Trustees of Schools' treasurer. Responsibility for the operation of the investment program is hereby delegated to the treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements as permitted under 30ILCS 235/2(g), wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the treasurer. The treasurer shall:

1. Be responsible for all transactions undertaken;
2. Establish a system of controls to regulate the activities of subordinate officials and employees;
3. Have full discretion of the management of the investments subject to the overall investment guidelines set by the Bloom Township Trustees of Schools and state law;
4. Serve as fiduciary responsible for specific security decisions;

5. Ensure that all cash is productively employed at all times;
6. Meet, as required with the Board of Trustees, and provide reports relative to the status of the investments;
7. Assist the Board of Trustees in developing investment policy guidelines; and
8. Follow all legal and statutory requirements regarding investments.

IV. SAFEKEEPING AND CUSTODY

A. Authorized Financial Institutions. Qualified and licensed financial institutions shall be selected which qualify as depositories/custodians under Illinois law. In making these selections, the Board of Trustees shall consider financial stability and strength of the institution and availability of financial data regarding the institution. A list will be maintained of the financial institutions authorized to provide investment services.

B. Authorized Investment Advisors. The treasurer, with the approval of the Board of Trustees may appoint investment advisors. The investment advisor shall be a fiduciary with respect to the security decisions and shall be one of the following:

1. An investment advisor registered under the Federal Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 *et seq.)* And the Illinois Securities Law of 1953;
2. A bank or trust company authorized to conduct a trust business in Illinois;
3. A life insurance company authorized to transact business in Illinois; or
4. An investment company as defined and registered under the Federal Investment Company Act of 1940 (15 U.S.C. Section 80A-1 *et seq.)* and registered under the Illinois Securities Law of 1953.

The investment advisor shall be a person who:

1. Has the power to manage, acquire, or dispose of any security;
2. Has knowledge in writing that he or she is a fiduciary with respect to the Trustees of School's securities; and
3. Is at least one of the following: (i) registered as an investment advisor under the federal Investment Advisors Act of 1940 (15 U.S.C. 80b-1 *et seq.);* (ii) registered as an investment advisor under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisors Act of 1940; or (iv) an insurance company authorized to transact business in this Illinois.

All investment advice and services provided by an investment advisor so appointed shall be rendered pursuant to a written contract between the investment advisor and the Trustees of Schools, and in accordance with the Trustees of Schools' investment policy. The contract shall include all of the following:

1. Acknowledgment in writing by the investment advisor that he or she is a fiduciary with respect to the Trustees of Schools' securities;
2. The Trustees of Schools' investment policy;
3. Full disclosure of direct and indirect fees, commission, penalties, and any other compensation that may be received by the investment advisor, including reimbursement for expenses; and
4. A requirement that the investment advisor shall submit periodic written reports, on at least a quarterly basis, for the Board of Trustees' regularly scheduled meetings. All returns on investments shall be reported as net returns after payments of all fees, commissions, and any other compensation.

C. **Internal Controls.** The treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Trustees of Schools are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the chief investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following:

1. Control of collusion;
2. Separation of transaction authority from accounting and record keeping;
3. Custodial safekeeping;
4. Avoidance of physical delivery securities;
5. Clear delegation of authority to subordinate staff members;
6. Written confirmation of transactions for investment and wire transfers; and
7. Development of a wire transfer agreement with the lead bank and third-party custodian.

All investments shall be clearly held and accounted for to indicate ownership by the Trustees of Schools. Funds invested in institutions insured by the FDIC including CDs may be fully collateralized.

V. SUITABLE AND AUTHORIZED INVESTMENTS

A. **Investment Types.** The following investments will be permitted by this policy and as limited by the Public Funds Investment Act, 30 ILCS 235/2 and the Investment of Municipal Funds Act, 50 ILCS 340, where applicable:

1. Interest bearing U.S. government bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued;
2. U.S. government obligations and U.S. government agency obligations in the form of bonds, notes, debentures or other similar obligations of the United States of America, its agencies, and its instrumentalities;
3. Interest-bearing savings accounts, certificates of deposit, time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
4. U.S. corporation obligations with assets exceeding $500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 10 years from the date of settlement, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the Bloom Township Trustees of School’s funds may be invested in such short term obligations that mature 270 days or less at the time of settlement and an additional one-third of the Bloom Township Trustees of School’s funds may be invested in obligations of corporations that mature between 270 days and 10 years at the time of settlement;
5. Money market mutual funds registered under the Investment Company Act of 1940;
6. Interest bearing county, township, city, village, incorporated town, and school district bonds;
7. FDIC insured banks, short term discount obligations of the Federal National Mortgage Association, securities issuable by savings banks or savings and loan associations insured by the FDIC: insured dividend- bearing share accounts or class of share accounts of a credit union chartered under the laws of Illinois or the United States but having the principal office located within Illinois;
8. Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act, funds managed, operated and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company;
9. Tax anticipation warrants and municipal bonds meeting the requirements of the Investment of Municipal Funds Act (50 ILCS 340):
10. Illinois School District Liquid Asset Fund and the Illinois Trust Local Government Investment Pools
11. Repurchase Agreements as defined in the following section B.
12. Any investment as authorized by the Public Funds Investment Act and Acts amendatory thereto. This paragraph 12 supersedes paragraphs 1-11 and controls in the event of conflict.

B. **Repurchase Agreements.** The Trustees of Schools may purchase or invest in repurchase agreements of government securities having the same meaning set out in the Government Securities Act of 1986, subject to the provisions of the Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the Trustees of Schools, shall be purchased through banks or trust companies authorized to do business in Illinois. Except for such repurchase agreements, the Trustees of Schools may not purchase or invest in instruments that constitute repurchase agreements unless the instrument and transaction meet the requirements set forth in 30 ILCS 235/2(h)(1)-(11).

C. **Collateralization.** Collateralization of funds through pledging of appropriate securities by depositories is the only way to fully guarantee the safety of deposits. Collateralization of assets insured by the FDIC should be in writing; executed by the depository and any person claiming an adverse interest, contemporaneously with the acquisition of the asset by a depository; approved by the board of directors of the depository; and kept continuously from the time of execution as an official record of the depository.

VI. INVESTMENT PARAMETERS

A. **Diversification.** The investments shall be diversified by:

1. Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. government and U.S. government agency securities);
2. Limiting investment in securities that have higher credit risks;
3. Investing in securities with varying maturities; and
4. Continuously investing a portion of the portfolio in readily available funds such as local government investment pools or money market funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VII. SUSTAINABILITY

A. **Statement**. In compliance with the Illinois Sustainable Investing Act, Public Act 101-0473, effective January 1, 2020, all material relevant, and decision-useful sustainability factors should be regularly considered by the treasurer within the bounds of financial and fiduciary prudence, in evaluating investment decisions.

B. **Integration**. The treasurer shall prudently integrate sustainability factors into the investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership to maximize anticipated financial returns, minimize projected risk, and more effectively execute the treasurer's fiduciary duty. Sustainability factors shall be implemented within a framework predicated on the following:

1. *Integration of Sustainability Factors*. Prudent integration of material sustainability factors, including, but not limited to, (a) corporate governance and leadership, (b) environmental factors, (c) social capital, (d) human capital, and (e) business model and innovation, as components

of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership, given that these factors have material financial impacts.

2. *Regular Evaluation of Sustainability Factors*. Recurring annual evaluation of sustainability factors to ensure the factors are relevant to the evolving marketplace.

3. *Engagements*. Attentive oversight of investment holdings to address sustainability risks and opportunities through direct engagement with third parties.

4. *Additional Relevant Financially Material Factors*. Consideration of other relevant factors such as legal, regulatory, and reputational risks that contribute to the optimal risk management framework and are necessary to protect and create long-term investment value.

The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Similar to financial accounting, sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value.

C. **Corporate Governance and Leadership Factors**. The Trustees of Schools supports board accountability, transparency, sensible executive compensation programs, robust shareholder rights, and ethical conduct as key governance factors. The Trustees of Schools advocates for policies and practices in support of these factors. Corporate governance and leadership factors also involve the management of issues that are inherent to the business model or common practice in the industry and that are in potential conflict with the interest of broader stakeholder groups (e.g., government, community, customers, and employees), and therefore create a potential liability or, worse, a limitation or removal of a license to operate. This includes compliance, and regulatory and political influence.

1. *Board Accountability*. The board of directors is elected by the company's shareholders and is accountable to them. The role of the board is to represent shareholders' interests in their oversight of corporate management. The board of directors must maintain a level of independence from management to exercise proper oversight. The Treasurer considers an independent director to be one who: (1) is not an executive of the company, (2) does not have direct familial ties with

executive management, (3) does not have significant business ties to the company, and (4) is not a significant shareholder.

2. *Board Diversity.* Research demonstrates that a diverse board of directors is better equipped to ensure multiple perspectives are considered and better positioned to enhance long-term company performance within a marketplace defined by extensive diversity and multiculturalism.

3. *Transparency*. With due respect to proprietary information, companies should strive to be transparent in their business operations. Disclosure concerning matters of shareholder or public interest, such as those items outlined herein, provides useful information and mitigates risks inherent with undisclosed matters. Transparency and accuracy in the reporting of fees to the Trustees of Schools from service providers is also essential to secure competitive rates.

4. *Sensible Executive Compensation Programs*. Excessive executive compensation programs may signal board entrenchment and exacerbate income inequality. Executive compensation should be reflective of company performance and within a reasonable range of compensation levels at industry leading companies.

5. *Robust Shareholder Rights*. Shareholders should be given tools to convey their perspectives to the board of directors, which serves as their representative body. Tools that provide shareholders with the appropriate mechanisms for communication include the ability to (a) call a special meeting, (b) act by written consent, and (c) have access to the proxy to nominate their own candidate(s) for the board assuming certain threshold requirements. In addition, a majority voting standard for the election of directors ensures that directors have the confidence of their shareholders. Boards of directors should also be declassified to enable shareholders to weigh-in on each director on an annual basis.

6. *Ethical Conduct and Business Practices Companies*. Conducting business with or in receipt of investments from the Trustees of Schools must comply with all laws and regulations under which they are governed. Further, the Trustees of Schools expects companies to meet (if not exceed) all applicable ethical and professional standards of conduct. Companies that seek short-term profits by taking disreputable or anti-social actions may risk long-term sustainability. Prior corporate scandals have clearly demonstrated that profiting from harm caused to others impacts a company's reputation and bottom line. The Trustees of Schools expects companies to operate within the bounds of the law and ethical norms, particularly when it comes to responsible drug pricing, safe working

conditions, and the sale and distribution of drugs, weapons and other products and services that may cause harm.

7. *Systemic Risk Management*. The increased globalization and interconnectedness of the marketplace has become a central concern of state, federal, and international regulators. This is particularly relevant to companies in the financial sector and insurance industry, with many designated or at-risk of being designated as systemically important institutions. This designation can subject firms to stricter regulatory standards, credit limitations, and increased oversight by government officials. In an effort to demonstrate how these risks are being managed, companies should enhance their disclosures of key metrics, risk exposures, and additional aspects of systemic risk management.

8. *Regulatory Capture and Political Influence.* While political contributions can benefit the strategic interests of a company, board-level policies and processes should exist to ensure that such giving is aligned with shareholders' long-term interests. While shareholders understand that corporate participation in the political process can benefit companies strategically and contribute to value creation, corporate political giving has the potential to create risks to shareholder value through reputational harm and through undesirable reactions by employees and customers. Companies should have appropriate internal controls in place to manage, monitor, and disclose political contributions and managed related risks.

D. **Environmental Factors**. Environmental stewardship is a shared responsibility. Furthermore, environmental and climate-related factors may have adverse financial impacts on the Trustees of Schools investment portfolio. Accordingly, the Trustees of Schools recognizes that impacts on the environment, either through the use of non-renewable natural resources as inputs to the factors of energy production or through harmful releases into the environment, are key factors for consideration in identifying a company's value proposition and risk exposures.

1. *Greenhouse Gas Emissions*. Greenhouse gas emissions contribute to climate change and create additional regulatory compliance costs and risks due to climate change mitigation policies. Companies that cost-effectively reduce greenhouse gas emissions from their operations by implementing industry-leading technologies and processes can create operational efficiency. They can mitigate the impact on value from increased fuel costs and regulations that limit—or put a price on—carbon emissions, which are occurring as regulatory and public concerns about climate change are increasing in the U.S. and globally.

2. *Air Quality, Energy and Fuel Management*. Companies should consider how the environment and related regulation will positively or negatively impact operations and vice versa. Routine assessment of the nexus of operations, natural resource dependency, and the environment may be communicated to investors through sustainability reports. Quantitative reporting on environmental risks, policies, performance, and goals assures investors that companies are aware of potential opportunities and/or risks and are seeking to act upon them appropriately.

3. *Water and Waste.* Impacts of water-intensive production and potential contamination of water resources include higher costs, liabilities, and lost revenues due to curtailment or suspension of operations. Similarly, companies that reduce, recycle, and effectively manage their waste streams lower their regulatory and litigation risks, remediation liabilities, and operating costs.

4. *Climate Competence*. Climate change has serious risk implications for investors and the businesses in which they invest. Shifts in temperature, weather patterns, and rising sea levels impact supply chain, consumer demand, physical capital, and communities. Extreme weather events are occurring on a more frequent basis and with increasing intensity. Events such as droughts, floods, and storms may lead to scarce resources and disruptions in operations and workforce availability. A company's awareness of environmental risks and opportunities may have a significant impact on its operational capacity, financial position, and long-term value creation. With new environmental technologies, regulations, and business strategies rapidly developing (e.g., carbon pollution regulations and energy efficiency opportunities), it is important that companies maintain the knowledge and innovation to adapt and capitalize on these evolving changes. This may include, among other strategies, maintaining a board member or senior executive with expertise or ample experience with environmental science and technology.

E. **Social Capital Factors**. Social capital factors address the management of relationships with key outside parties, such as customers, local communities, the public, and the government. They may impact investment returns, particularly if companies become involved in controversies that pose risks to their reputation. Human rights, access and affordability, customer welfare, data security and customer privacy, fair disclosure and labeling, and fair marketing and advertising, and community reinvestment are key social capital factors that warrant attention.

1. *Human Rights*. Companies have a legal duty to adhere to internationally recognized labor and human rights standards. Companies should regularly assess and seek to minimize any negative impact caused by their operations.

2. *Consumer Welfare*. Companies have a material interest to provide products and services that do not expose their customers to undue physical or mental harm, deception, manipulation, exploitation, or unlawful conduct. This can expose companies to significant legal, regulatory, reputational, or other financial risks that jeopardize shareholder value. In addition, research demonstrates that companies that employ socially responsible business practices have the potential to create several distinct forms of value for customers, including positive marketing outcomes and subsequent financial performance. As such, this enhances firm value and long-term shareholder value.

3. *Data Security and Consumer Privacy*. Consumers trust companies with their personal and financial data. Companies that prevent data breaches and effectively manage data security and consumer privacy avoid harming brand value, reduce contingent liabilities, and maintain market share. Furthermore, companies that address data security threats and vulnerabilities through prevention, detection, and remediation are better positioned for customer acquisition and retention and may reduce extraordinary expenses from breaches of data security.

4. *Community Relations and Community Reinvestment*. Community relations are a fundamental, strategic aspect of business for public and private corporations. They are not only a barometer of image and market presence across the world. It helps attract and retain top employees, positions itself positively among customers and, increasingly improves its position in the market. Positive, proactive community relations can translate into improved financial performance.

F. **Human Capital Factors**. Companies that consider their workforce to be an important asset to deliver long-term value should manage their human capital with as much care and analytical insight as they manage their tangible and financial capital. It includes issues that affect the productivity of employees, such as employee engagement, diversity, incentives and compensation, as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education. Employers should respect the right of their workers to organize under collective bargaining agreements and should provide a working environment that upholds health and safety standards.

1. *Labor Relations and Fair Labor Practices*. Companies benefit from taking a long-term perspective on managing human capital. This relates to practices involving fair compensation, workers' rights, worker safety, and

workforce productivity enhancements through skills and capacity building, research and development, and capital investments. Companies that subvert the law of widely adopted international standards for labor practices are exposed to operational, legal, regulatory, and reputational risks that may create roadblocks for both its existing operations as well as efforts to expand to other markets. Conversely, companies with fair labor policies and practices may be at a competitive advantage in attracting and employing an effective workforce, leading to a healthy company culture, stronger customer loyalty, increased revenue, and reduced costs.

2. *Recruitment, Development, and Retention*. The evolution of U.S. business into a true service-based economy has led many companies to espouse that their employees are their most valuable asset. As key contributors to value creation, skilled workers are highly sought after, and many companies face challenges recruiting and retaining those assets. Shortages in skilled domestic employees have created intense competition to acquire and maintain highly skilled employees, as evidenced by high employee turnover rates. Companies that improve employee compensation, benefits, training, and engagement are likely to improve retention and productivity, which positively contributes to profitability and long-term value creation.

3. *Equity, Diversity and Inclusion*. The U.S. population is undergoing a massive demographic shift, with an increase in minority populations. Companies can benefit from ensuring that their company culture and hiring and promotion practices embrace the building of a diverse workforce at management and lower-ranking positions. Companies that respond to this demographic trend and employ staff who will recognize the needs of these populations may be better able to capture demand from these segments, which can provide companies a competitive advantage.

G. **Business Model and Innovation Factors**. The impact of sustainability issues on innovation and business models including corporate strategy and other innovations in the production process are integral to a company's financial and operating performance. The ability of a company to plan and forecast viable opportunities and risks to its business model is critically important to its ability to create long-term shareholder value.

1. *Lifecycle Impacts of Products and Services*. Companies face increasing challenges associated with environmental and social externalities attributed to product manufacturing, transport, use and disposal. Rapid obsolescence of products exacerbates the externalities. Addressing product lifecycle concerns such as hazardous material inputs, energy efficiency, and waste, particularly through product design and end-of-life management could contribute to increased shareholder value through improved competitive positioning, greater market share, and lower regulatory, demand, and supply chain risks.

2. *Product Quality and Safety*. Companies have a material interest in ensuring the safety, proper labeling, and quality of their products. Companies that limit the incidence of safety or other product claims will be better positioned to reduce regulatory, legal, and reputational expenses and protect shareholder value. Conversely, companies with poor quality and safety standards may experience revenue loss due to damaged reputation, product recalls, or fines.

3. *Supply Chain Management*. Supply chain management is crucial for companies to prevent operational disruptions, avoid legal or regulatory action, protect brand value, and improve revenues. Sourcing from suppliers that have high quality standards, employ environmentally sustainable methods, honor labor rights, and avoid socially damaging practices better positions companies to protect themselves from supply disruptions and maintain shareholder value. In addition, appropriate supplier screening, monitoring, and engagement is necessary to ensure continued future supply and to minimize potential lifecycle impacts on company operations.

H. **Divestment**. The Trustees of Schools opposes any policy or strategy that would direct the sale of an individual or group of securities to achieve a goal that is not primarily investment related. The Trustees of Schools may consider divesting only in cases where the financial or reputational risks from a company's policies or activities are so great that maintaining the investment security is no longer prudent.

The Trustees of Schools firmly believes that active and direct engagement is the best way to resolve issues and risk factors. The policy of engagement over divestment is based on several key considerations: (1) divestment would eliminate our standing and rights as a shareholder and foreclose further engagement; (2) divestment would likely have a negligible impact on portfolio companies or the market; (3) divestment could result in increased costs and short-term losses; and (4) divestment could compromise the Trustees of Schools investment strategies and negatively affect performance. For these reasons, divestment does not offer the Trustees of Schools an optimal strategy for changing the policies and practices of portfolio companies, nor is it the best means to produce long-term value.

I. **Potential Actions**. It is necessary to remain informed about issues that are likely to be of interest to other investors during the review process, including the Trustees of Schools. The total mix of information available through the existence of, or potential for, impacts on factors include: (1) direct financial impacts and risk; (2) legal, regulatory, and policy drivers; (3) industry norms, best practices, and competitive drivers; (4) stakeholder concerns that could lead to financial impact; and (5) opportunities for innovation.

Potential actions will identify issues that can or do affect operational and financial performance by analyzing the three primary drivers of financial impact: (1) revenues and costs; (2) assets and liabilities; and (3) cost of capital or risk profile. Revenue in market size or pricing power of a company will be tracked to identify trends. Costs that can impact a company's profitability include recurring costs such as COGS, R&D, CAPEX or any other capital expenditures will be monitored. Issues, like climate change, that can impair tangible and intangible assets, such as PP&E and brand value are part of the review. Sustainability issues have the potential to create contingencies and provisions, or impact pensions and other liabilities and must be part of the overall assessment. The financial condition of a company can be impacted by sustainable factors that will raise the risk profile and create uncertainty in time capital needs.

The Trustees of Schools may undertake various activities to advance the aforementioned key sustainability factors, including, but not limited to prudently integrating sustainability criteria as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership for internally managed and externally managed investment managers

VIII. REPORTING

A. Methods. The treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio; transactions made over the last quarter, and a statement of the market value of the portfolio at the end of that quarter. This management summary will be prepared in a manner that will allow the Trustees of Schools to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Board of Trustees. The report will include the following:

1. Listing of individual securities held at the end of the reporting period.
2. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one- year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
3. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
4. Listing of investment by maturity date.

5. Percentage of the total portfolio which each type of investment represents.

B. Performance Standards. The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

IX. POLICY CONSIDERATIONS

A. Exemption. Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such moneys shall be reinvested only as provided by this policy.

B. Amendments. This policy shall be reviewed by the treasurer on an annual basis. Any changes must be approved by the Board of Trustees. The treasurer will notify the Board of Trustees at the annual meeting that the Board is in compliance with applicable law and that there have been no major changes or amendments to the applicable law within the foregoing year that would affect such compliance.

A copy of the Trustees of Schools' Investment Policy shall be kept on file in the Trustees of Schools' ex-officio clerk's office and made available to the public during normal business hours.

Updated: April 7, 2025