ETHICAL INVESTMENTS

MODEL POLICY

Purpose

The district shall manage its investments consistent with its fiduciary obligations while excluding categories of investment that the Board has determined conflict with the district's values, consistent with applicable law.

Excluded Categories

The district shall not invest, directly or indirectly, in companies within any category of investment the Board designates for exclusion by separate resolution. Each such resolution shall define the excluded category with enough specificity, such as by reference to a third-party benchmark index or a stated percentage-of-revenue threshold, that the district's investment manager or managers can apply it consistently.

Implementation Review

Before adopting or amending an excluded category, the Superintendent or designee shall confirm with the district's investment manager or managers that the exclusion can be implemented within the district's investment accounts, and shall report that assessment to the Board before the Board takes final action.

Risk Review

Before adopting or amending an excluded category, the district shall request that its investment manager or managers evaluate and report on any anticipated impact to the yield, diversification, or risk profile of the district's investment portfolio.

Limited Asset Classes

The district recognizes that some investments may be held in vehicles, such as certain private or alternative investments, where information about exposure to an excluded category is not readily available. Investment managers shall be responsible for communicating any known exposure to an excluded category in these less transparent asset classes.

Monitoring

The district's investment manager or managers shall review the portfolio for compliance with this policy at least annually, and shall apply excluded categories to new investments as they are made.

CONSIDERATIONS FOR DISCUSSION

The items below are not part of the model policy language itself. They are issues a board may want to work through, with administration and with legal counsel, before adopting a policy along these lines.

Choosing exclusion categories.

This policy is written as a general framework rather than naming specific categories, since boards differ in what they want to exclude. Public institutions have adopted exclusions covering fossil fuel extraction and production, private prison operation, tobacco, firearms manufacturing, and companies involved in human rights abuses, among others. Boards should decide their own categories through a public process, consistent with the district's own values and community input.

Defining a category precisely.

A category that is too vague, such as simply 'fossil fuel companies,' is hard for an investment manager to apply consistently. A workable definition usually references a specific, regularly updated third-party index, a defined revenue-percentage threshold, or both, along with a clear process for any exceptions.

Confirming the manager can implement it.

Not every bank or investment manager has the tools to screen a portfolio against a custom exclusion list. Boards should discuss associated resolutions with their manager before adopting an exclusion and may decide to select managers that are capable of implementing the desired exclusions.

State law may restrict this kind of policy.

A number of states have passed laws restricting or prohibiting public entities from excluding or 'boycotting' certain industries, such as fossil fuels or firearms, in their investments or contracting. Boards should have legal counsel confirm whether their state has a law of this kind, and whether it applies to the district, before adopting an excluded category.

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A Note on Using This Model Policy

This model policy is a starting point, not a finished product. It is intended to prompt discussion among board members and with district administration, not to be adopted verbatim. Every board should revise this language to reflect its own district's circumstances, governance culture, and priorities before bringing it forward for adoption.

Boards considering this policy should consult with their district's legal counsel to confirm that any policy they adopt complies with applicable state investment, procurement, and fiduciary law, which varies by state and is not addressed in this document.