

SEIU Local 1021
ESG Investment Policy Statement
October 2024



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I. Introduction

This Environmental, Social & Governance Investment Policy Statement (ESG IPS) is designed to assist **SEIU Local 1021** (“SEIU”) in strengthening the impact of its investments by aligning its investment portfolio with their core values. SEIU’s ESG IPS has been developed in consultation with SRI Wealth Management Group (“SRI Group”) and is based on SEIU’s qualitative values as determined by the responses to the SRI Group’s ‘*Environmental, Social & Governance Risk Assessment Questionnaire*,’ which was dated June 7, 2024, and the two addendums provided by SEIU on October 21, 2024 titled, ‘*SEIU Local 1021 Resolution on Divestment From the Occupation and Genocide in Palestine*’ dated June 22, 2024 and ‘*SEIU Local 1021 Resolution Calling For Ceasefire, Humanitarian Aid, and An End To The Occupation Of Palestine*’ dated December 15, 2023. The criteria articulated below have been selected by SEIU based on its discussions with the SRI Wealth Management Group and will be applied to each equity security and/or fixed income security that is considered for purchase into SEIU’s investment portfolio.

II. Environment & Natural Resource Use

Natural resource use and the impact of business activities on the environment vary between and within sectors. Some business activities can pose greater significant threat to the environment and human health than others. Therefore, a firm’s ability to manage its resource use and environmental risks has an impact on company performance. As such, a “**Best of Sector**” environmental screen will be applied to the portfolio. Specifically, a “*Best of Sector*” screen means that SEIU wishes to invest in companies that have demonstrated the ability to positively manage the environmental risks associated with their business activities when compared to industry/sector peers.

a. Sector Exclusions

While SEIU is comfortable investing in companies whose environmental performance is in-line with industry standards, SEIU will have a **Fossil Fuel Free Portfolio by excluding both Fossil Fuel Reserves and the Fossil Fuel Supply Chain** from their portfolio. The portfolio will have instituted a *de-facto fossil free portfolio policy* through the exclusion of the following sectors from the portfolio:

Fossil Fuel Free Portfolio	
Fossil Fuel Reserves	Fossil Fuel Supply Chain
Coal & Consumable fuels	Oil & Gas Refining & Marketing & Transportation
Oil & Gas Exploration & Production	Energy equipment & services
Integrated Oil & Gas	Utilities companies that generate electricity by burning coal or oil and gas; or distribute oil & gas

III. Labor Rights & Supply Chain Management

SEIU will invest in companies with strong labor rights and supply chain management records by applying a “**Best of Sector**” screen to the portfolio for this category. A “*Best of Sector*” screen means

that SEIU will invest in companies that are considered to be the industry leaders. These companies have demonstrated that they can positively manage their risks in this area when compared to industry peers. Company supply chains are increasingly comprised of component suppliers and product manufacturers with operations globally. Such vast networks come with varied regulatory environments and management systems. Adequate management of the risks associated with having a disparate supply chain is vital to company performance. Additionally, the appropriate management of labor and human rights concerns that are relevant to company employees is integral to the efficient operation of a company. Increased global transparency has made it imperative that a company manages both domestic and international labor and supply chain risks well to avoid negative impacts on company performance and subsequently shareholder value. This screen will include avoiding investing companies that have a history of poor union relations and/or aggressive efforts to prevent the formation of unions, which may include companies on the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Boycott list.

This screen gives positive consideration to companies which develop and implement improved policies and programs; have a publicly available worker Code of Conduct; offer employee benefits such as profit sharing, domestic partner benefits, paid maternity and paternity leave, 401(k) matching, etc.; policies and programs to support the recruitment, retention and professional development of women and minorities; and board diversity including adequate women and minority executive and board representation.

IV. Human Rights & Community Impact

Some companies operate in areas where human rights abuses are endemic. Operating in these areas can have a negative impact on a firm's productivity. Increased transparency of company operations in these areas may have a deleterious effect on company brand. Finally, some companies may themselves be engaged in perpetuating human rights abuses including the use of militia groups and/or local governments to intimidate, forcibly remove people from their lands, and physical violence. Independent of specific human rights abuses, a company's business operations can have a profound impact in the community where its operations are located. As such, a firm's ability to manage such risks responsibly is imperative to continued growth and to brand integrity. Taking the aforementioned issues above into consideration, a "**Best of Sector**" screen will be applied to the investment portfolio with respect to concerns of human rights, human trafficking, and community impact.

Moreover, SEIU will **divest** from companies that profit from apartheid, colonization, ethnic cleaning, and occupation. This includes Israeli companies based in Israel or in foreign countries, foreign companies that sell products and provide services to Israel for military or weapons use, foreign companies with Israeli subsidiary companies, or Israeli companies with foreign subsidiary companies.

V. Product Quality & Safety

The products that companies produce are often subject to regulatory standards to protect human health and safety. A company's ability to manage risks associated with the products they produce has an impact on their brand and can impact positively or negatively future opportunities for growth. Therefore, a **"Best of Sector"** screen will be applied to the portfolio.

VI. Corporate Governance

Strong management of corporate and board governance concerns is vital to strong financial performance. Mismanagement of corporate governance risks may lead to increased legal sanctions and result in significant fines from regulatory agencies. These fines and sanctions can in turn have a negative impact on company performance and subsequently shareholder return. Bearing this in mind, a **"Best of Sector"** screen will be applied to the investment portfolio such that the portfolio will invest in companies whose corporate governance performance is better than their industry/sector peers.

VII. Animal Welfare

SEIU will **not invest** in companies involved in animal testing that is **non-medical and non-mandated** in nature. This selection will screen out many cosmetics and personal care products companies that continue to conduct animal testing and companies that make household cleaning products. However, companies whose animal testing is required by law (e.g., some chemical companies), or whose engagement in animal testing is contracted out to a testing facility (i.e., indirect involvement) will NOT be screened out.

b. Support Alternatives

While SEIU will generally not invest in companies whose business activities involve animal testing for non-medical purposes as described above, **an exception will be made for those companies that disclose statements in support of researching or employing alternatives to animal testing** (i.e., other methods of ensuring product safety that do not include the use of animals in experiments).

VIII. Defense & Weapons

SEIU wishes to **avoid companies that derive any revenue percentage (see table below)** from all weapons manufacturers, i.e., firearms, conventional weapons, non-conventional weapons, nuclear weapons and/or nuclear weapon will be screened out. In addition, companies that offer products or services that are not directly weapons related but are critical to the execution of military operations will also be screened out.

Furthermore, SEIU wishes to **avoid investing** in specialty companies engaged in military contracts or surveillance products used by law enforcement and military applications, even if its nature is nonviolent. SEIU will **divest** from weapons manufacturers and companies that build technology such as artificial intelligence (AI) or AI weapons, also known as lethal autonomous weapons (LAWs). This screen does not include firms that manufacture components or provide services and support for

non-weapons related defense business segments (e.g., technology, infrastructure) and combat vehicles or combat aircraft if the product that the military happens to purchase has a broader application. However, if the product is specifically manufactured for the military, then it would not be allowed in the portfolio.

Weapons Type	Revenue Threshold			
	0%	≥5%	≥50%	No filter
Firearms (pistols, hunting rifles, assault rifles, machine guns, shotguns)	√			
Conventional Weapons (ammunitions, missiles, land-mines, cluster munitions) or weapons systems (combat aircraft/submarines)	√			
Non-Convention Weapons (bio-chemical, lasers, drones, vacuum bombs, Depleted uranium shells, drones, AI-equipped drones/LAWs)	√			
Nuclear Weapons and/or Nuclear Weapon Systems	√			
Products or Services (not directly weapons related but considered critical to combat operations, surveillance systems for military use)	√			

IX. Nuclear Power Revenue & Reactor Ownership

SEIU will **avoid investing in companies that own greater than 10% of nuclear power reactors and/or generate 10% revenue from nuclear power** whether in whole or in part. This screen includes some utilities and nuclear plant owners.

X. Nuclear Power Essential Components

SEIU will **avoid investing in companies that derive 5% or more revenue** from the manufacture of components and supplies that are essential to the nuclear power industry. This may include uranium mining/processing and companies that manufacturing specialized parts for the exclusive use of nuclear power producers. This screen does not apply to utilities that purchase and sell energy produced by nuclear power.

XI. Tobacco

Companies that **derive any revenue** from the manufacture of tobacco products will not be allowed in SEIU’s portfolio. This list includes companies that manufacture tobacco products such as cigars, cigarettes, beedis, kreteks, smokeless tobacco, snuff, snus, and chewing tobacco. This screen does not include retailers or distributors, unless the tobacco producer is also a distributor of its own products.

XII. Gambling

SEIU will avoid investing in companies that **derive 5% or more of their revenue** from gambling or gambling activities. This screen includes revenue from gaming activities such as casinos, hotels and resort with casinos, racetracks and the manufacture of gaming devices and technologies.

XIII. Private Prisons, Detention Facilities & Border Patrol

SEIU will **not invest in companies that are directly involved in the private prison industry, immigrant detention companies and border patrol contractors**. Companies that own, manage, finance, or operate private for-profit prisons and detention centers instead of by government agencies will be excluded from the portfolio. Issuers of bail bonds that are exploitative in nature will also be filtered out from the portfolio. This screen does not include companies that provide ancillary services.

XIV. Shareholder Advocacy & Engagement

Under Securities and Exchange Commission (SEC) rules, shareholders may engage in dialogue with companies to adopt more progressive, environmental, social, and governance practices. SEIU will exercise this right and is interested in supporting shareholder resolutions that relate to issues such as:

- **Environment and Environmental Health**
- **Weapons Production/Military Involvement**
- **Corporate Governance**
- **Labor Policy/Union Relations**
- **Civil Rights/Political Freedoms**
- **Money in Politics**
- **Reproductive Health Care**
- **Corp Affinity Groups contrary to SEIU's mission and values**