

CITY OF PHILADELPHIA SINKING FUND COMMISSION

RESOLUTION

SANDY HOOK PRINCIPLES

MARCH 13, 2013

WHEREAS, in solemn remembrance of the 20 children and six adults whose lives were taken during the tragic shooting massacre of December 14, 2012 at Sandy Hook Elementary School, and in remembrance of too many others who have lost their lives to gun violence before and since, the Sandy Hook Principles, attached hereto and incorporated herein as Exhibit "A," were established as one idea that can help make America safer;

WHEREAS, the Sandy Hook Principles are a call to action for corporations to heed the basic core values of American citizens in promoting the health, safety and well-being of our communities;

WHEREAS, the objective of the Sandy Hook Principles is to encourage positive corporate behavior by gun and ammunition manufacturers, distributors and retailers by establishing a baseline standard for responsible conduct and business practices to help ensure maximum safety to our citizens;

WHEREAS, the Principles promote progressive actions by these companies toward eliminating the substantial and unjustified risk to human health and life associated with inadequately regulated firearm use;

WHEREAS, the Principles address five specific categories of reform in terms of procedures, coordination, management, safety and technology;

WHEREAS, the Principles were created in an effort to work proactively with the gun industry to seek commonsense solutions in response to the proliferation of gun violence in America that has caused immeasurable harm to our citizens;

WHEREAS, implicit in these Principles lies the belief that adjustments and changes in certain business practices, policies or conduct by the gun industry can improve the health, safety and well-being of our communities;

WHEREAS, these Principles call upon the gun industry to be a part of the solution to the public safety and public health challenges we face in cities and towns across the nation and present an opportunity for significant progress toward the imperative objectives of keeping firearms out of the wrong hands, and making guns and ammunition safer for authorized users;

WHEREAS, the Principles affirm that the overwhelming majority of gun owners in America are responsible, law abiding and safety-conscious citizens;

WHEREAS, through the widespread adoption of these Principles, an appropriate balance is sought between protecting the rights of gun ownership and the rights of our citizens to be safe and secure. These rights must complement each other;

WHEREAS, the Principles apply to gun and ammunition manufacturers, distributors and retailers, with an exception for the production and sale of guns or ammunition to local, state and federal law enforcement agencies and all U.S. military forces for use in conducting their official duties;

WHEREAS, the City of Philadelphia and its citizens have suffered immensely from the effects of gun-related violence;

WHEREAS, the City of Philadelphia Sinking Fund Commission (the “Commission”) was created pursuant to Section 3-100 of the Philadelphia Home Rule Charter;

WHEREAS, pursuant to Section 3-915 of The Philadelphia Home Rule Charter, the Commission is comprised of Director of Finance, the City Controller and an experienced banker or investment banker;

WHEREAS, pursuant to the Amended and Restated City-PFMC Management Agreement AMENDED (as amended through Bill 070047, signed into law 3/15/2007), the Commission oversees and acts in a fiduciary capacity for the investments of the Philadelphia Gas Works (“PGW”) Retirement Reserve (“PGW Retirement Reserve”);

WHEREAS, it is the judgment of the Commission that the corporate behavior of gun and ammunition manufacturers, distributors and retailers should reflect the core values of their investors;

BE IT RESOLVED, that the Commission has determined it is prudent to adopt a policy whereby each and every gun and ammunition manufacturer, distributor and retailer in which the Commission now, or may in the future, invest pension funds shall, as a condition of such investment, have adopted the Sandy Hook Principles, in accordance with the terms and conditions set forth below.

SECTION I **DEFINITIONS**

The following definitions shall apply within this Resolution:

(A) “Commission” means The City of Philadelphia Sinking Fund Commission.

(B) “Company” means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly-owned subsidiaries, majority-owned subsidiaries, parent companies or affiliates of such entities or business associations, that exists for profit-making purposes.

(C) “Compliant Companies List” means that list maintained by the Commission in accordance with Section III(C) below which shall consist of those Covered Companies that have signed the Sandy Hook Principles in accordance with this Resolution.

(D) “Component Parts Manufacturers” means Companies which are manufacturers of component parts or materials of guns or ammunition that are incorporated into the gun or ammunition at any point in the manufacturing process, provided that the sale of such component parts or materials to manufacturers of guns or ammunition accounts for fifty percent (50%) or more of the revenue of such component parts manufacturers, but not to the extent such Companies manufacture such components for an Exempt Law Enforcement or Military Purpose. Revenues derived from the manufacture of such components for an Exempt Law Enforcement or Military Purpose shall not be counted toward the fifty percent (50%) revenue threshold.

(E) “Covered Companies” means Companies which are Gun and/or Ammunition Manufacturers, Distributors and/or Retailers, and/or Component Parts Manufacturers.

(F) “Covered Companies List” means that list maintained by the Commission pursuant to Section II(B) below.

(G) “Direct Holdings” in a Company means all securities of that Company held directly by the Commission or in an account or fund in which the Commission owns all shares or interests.

(H) “Exempt Law Enforcement or Military Purpose” shall mean the manufacture, distribution or sale of guns and/or ammunition or their component parts or materials for or to local state or federal law enforcement agencies or U.S. military forces for use in conducting their official duties.

(I) “Gun and/or Ammunition Manufacturers, Distributors and/or Retailers” means Companies which manufacture, distribute or sell at retail any guns or ammunition, but not to the extent such Companies manufacture, distribute or sell guns or ammunition for an Exempt Law Enforcement or Military Purpose.

(J) “Indirect Holdings” in a Company means all securities of that Company held in an account or fund, such as a mutual fund, managed by one or more persons not employed by the Commission, in which the Commission owns shares or interest together with other investors not subject to the provisions of this Resolution.

(K) “Non-Compliant Companies List” means that list maintained by the Commission in accordance with Section III(C) below which shall consist of those Covered Companies that have declined to sign the Sandy Hook Principles in accordance with this Resolution.

(L) “Sandy Hook Principles” means the document attached hereto and incorporated herein as “Exhibit “A.”

(M) “PGW Retirement Reserve” means the Philadelphia Gas Works Retirement Reserve.

SECTION II

IDENTIFICATION OF COVERED COMPANIES

(A) Within ninety (90) days following passage of this Resolution, the Commission shall make its best efforts to identify all Covered Companies in which the Commission has Direct or Indirect Holdings or could possibly have such holdings in the future. Such efforts shall include, as appropriate:

- (1) Reviewing and relying, as appropriate in the Commission’s judgment, on publicly available information regarding Covered Companies, including information provided by non-profit organizations, research firms, international organizations, and government entities; and/or
- (2) Contacting asset managers contracted by the Commission that invest in Covered Companies; and/or
- (3) Contacting other institutional investors that have divested from and/or engaged with Covered Companies.

(B) By the first meeting of the Commission following the 90-day period described in subsection (A), the Commission shall assemble all Covered Companies identified pursuant to subsection (A) into a Covered Companies List.

(C) The Commission shall update the Covered Companies List on a quarterly basis based on evolving information from, among other sources, those listed in subsection (A).

SECTION III

ADDRESSING COVERED COMPANIES

The Commission shall take the following steps for Companies on the Covered Companies List:

(A) Engagement

- (1) For each Company on the Covered Companies List, the Commission shall take action to notify the Company of its Covered Company status and that it may become subject to divestment or prohibition by the Commission. The notice shall offer the Company the opportunity to clarify its gun and or ammunition-related activities and shall encourage the Company, within ninety (90) days, to sign the Sandy Hook Principles in order to avoid qualifying for divestment or prohibition by the Commission.
- (2) If, within ninety (90) days following the Commission's first engagement with a Company on the Covered Companies List, that Company signs the Sandy Hook Principles, the Company shall be placed on the Compliant Companies List and the provisions of this Section shall cease to apply to it, provided it remains in compliance with the Sandy Hook Principles.

(B) Divestment

- (1) If, after ninety (90) days following the Commission's first engagement with a Company on the Covered Companies List, the Company fails to sign the Sandy Hook Principles, the Commission shall place such Company on the Non-Compliant Companies List and cause to be sold, redeemed, divested, or withdrawn all Direct and Indirect Holdings of the PGW Retirement Reserve in the Company, according to the following schedule:
 - (a) At least fifty percent (50%) of such assets shall be removed from the Commission's assets under management by nine (9) months after the Company's most recent appearance on the Non-Compliant Companies List.
 - (b) One hundred percent (100%) of such assets shall be removed from the Commission's assets under management within fifteen (15) months after the Company's most recent appearance on the Non-Compliant Companies List.
- (2) If a Company that signed the Sandy Hook Principles following engagement pursuant to subsection (A)(2) fails to comply in any manner with such Principles, such determination to be in the sole discretion of the Commission, then subsection (B)(1) shall immediately apply, and the Commission shall take action to notify the Company. The Commission shall also immediately place the Company on the Non-Compliant Companies List.

(C) Compliant and Non-Compliant Companies List. The Commission shall update the Compliant and Non-Compliant Companies Lists on a quarterly basis.

(D) Prohibition. At no time shall the Commission invest monies or funds of the PGW Retirement Reserve in a Covered Company unless the Covered Company shall first have

signed and be in compliance with the Sandy Hook Principles as set forth herein.

(E) All Gun and/or Ammunition Manufacturers, Distributors and/or Retailers and Component Parts Manufacturers who sign the Sandy Hook Principles in accordance with this Resolution shall comply with the Principles in their entirety, except that, notwithstanding anything to the contrary herein, such Distributors and Retailers are not required to comply with the fifth Principle.

SECTION IV TRANSPARENCY AND REPORTING

The Commission, on or before the first day of July each year, shall prepare a report and make it available to the public, including:

- (1) A summary of correspondence with Companies engaged by the Commission under this Resolution;
- (2) The Covered Companies List, the Compliant Companies List and Non-Compliant Companies List; and
- (3) All divestment actions taken by the Commission in accordance with this Resolution.

SECTION V MAINTENANCE OF FIDUCIARY OBLIGATIONS

Nothing in this Resolution shall alter or diminish fiduciary or statutory obligations and other terms, conditions, and limitations on the investment of PGW Retirement Reserve assets for the exclusive interest and benefit of members and beneficiaries of the PGW Retirement Reserve.

SECTION VI IMPLEMENTATION

Commission staff, in consultation with the Law Department, shall take all necessary and appropriate actions to promptly implement this Resolution, including, without limitation, notifying existing investment managers and consultants of this Resolution, and incorporating provisions into the Commission's requests for proposals, contracts and other documents and agreements, as appropriate.

EXHIBIT "A"
SANDY HOOK PRINCIPLES

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THE CONTEXT

In solemn remembrance of the 20 children and 6 adults whose lives were taken during the tragic shooting massacre of December 14, 2012, at Sandy Hook Elementary School, and in remembrance of too many others who have lost their lives to gun violence before and since, the Sandy Hook Principles are hereby established as one idea that can help make America safer. These Principles are a call to action for corporations to heed the basic core values of American citizens in promoting the health, safety and well-being of our communities.

THE PREAMBLE

The objective of the Sandy Hook Principles is to encourage positive corporate behavior by gun and ammunition manufacturers, distributors and retailers by establishing a baseline standard for responsible conduct and business practices to help ensure maximum safety for our citizens. Accordingly, the Principles promote progressive actions by these companies towards eliminating the substantial and unjustified risk to human health and life associated with inadequately regulated firearm use. The Principles address five specific categories of reform in terms of procedures, coordination, management, safety and technology.

These Principles are created in an effort to work proactively with the gun industry to seek common sense solutions in response to the proliferation of gun violence in America that has caused immeasurable harm to our citizens. Implicit in these Principles lies the belief that adjustments and changes in certain business practices, policies or conduct by the gun industry can improve the health, safety and well-being of our communities. In these Principles, the gun industry is being called upon to be part of the solution to the public safety and public health challenges we face in cities and towns across the nation and presents an opportunity for significant progress towards the imperative objectives of keeping firearms out of the wrong hands, and making guns and ammunition safer for authorized users.

It is hereby affirmed that the overwhelming majority of gun owners in America are responsible, law abiding and safety-conscious citizens. Through the widespread adoption of these Principles, an appropriate balance is sought between protecting the rights of gun ownership and the rights of our citizens to be safe and secure. These rights must complement each other.

The Principles apply to gun and ammunition manufacturers, distributors and retailers, with an exception for the production and sale of guns or ammunition to local, state and federal law enforcement agencies and all U.S. military forces for use in conducting their official duties. Local and state governments, colleges and universities, hedge funds, pension funds, venture capital funds and all other organizations that have a financial relationship with private corporations may request that companies affiliated with the gun industry review and adopt the Sandy Hook Principles. In the event an affiliated company does not adopt the Principles, organizations may choose to reexamine that financial relationship.

THE PRINCIPLES

As a company which endorses the Sandy Hook Principles we will respect the law, and as a responsible corporate member of society we will apply these Principles with integrity consistent with the legitimate role of business. We will develop and implement company policies,

procedures, training and internal reporting structures to ensure commitment to these Principles throughout our organization. We believe the application of these Principles will improve the health, safety and well-being of communities across America.

Accordingly, we will:

- Support and promote restrictions on firearm and ammunition sales, transfers and possession to keep guns out of the hands of children (unless authorized), persons with mental illness or mental health challenges (unless authorized), criminals, domestic or international terrorists and anyone else prohibited from possessing them under federal law.
- Conduct background checks on all gun and ammunition sales or transfers and support the establishment of a federal universal background check system for every such transaction.
- Reevaluate policies regarding the sale, production, design or conversion of military style assault weapons for use by civilians, including the distribution of any materials/information that may be used to assist in such conversion.
- Ensure that all business clients, including gun show operators or gun dealers, conduct background checks for every sale or transfer of guns or ammunition.
- Make a commitment to develop, share and implement technology-enhanced safety measures for guns and ammunition.
- Support and promote the creation of a federal gun trafficking statute to ensure strict punishment for individuals engaging in the trade of selling firearms to anyone prohibited from possessing them under federal law.
- Support and promote sharing of background check and gun sale data for law enforcement purposes.
- Support and promote gun safety education at the point of sale and in the communities in which we conduct business operations.

We will be transparent in our implementation of these principles and provide information which demonstrates publicly our commitment to them.

The Sandy Hook Principles are modeled after the Global Sullivan Principles - a human rights and equal opportunity code of conduct for companies which was originally developed by the legendary Reverend Dr. Leon H. Sullivan of Philadelphia's Opportunities Industrialization Centers (OIC) of America, in order to promote desegregation and equal rights during the apartheid regime in South Africa.