



San Francisco Employees' Retirement System (SFERS)

Environmental, Social, and Governance (ESG)

Overview of Platform & Strategic Plan

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70,000

active and retired members

established
1921

~\$27 billion
public pension plan

7
retirement board members

SFERS' Mission

The San Francisco Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefits programs, and providing promised benefits to the active and retired members of the City and County of San Francisco.

Fiduciary Allocator Diversified

SFERS ESG Platform | Overview

Environmental, social, and governance issues (ESG) relate to a variety of aspects of how SFERS invests and operates.

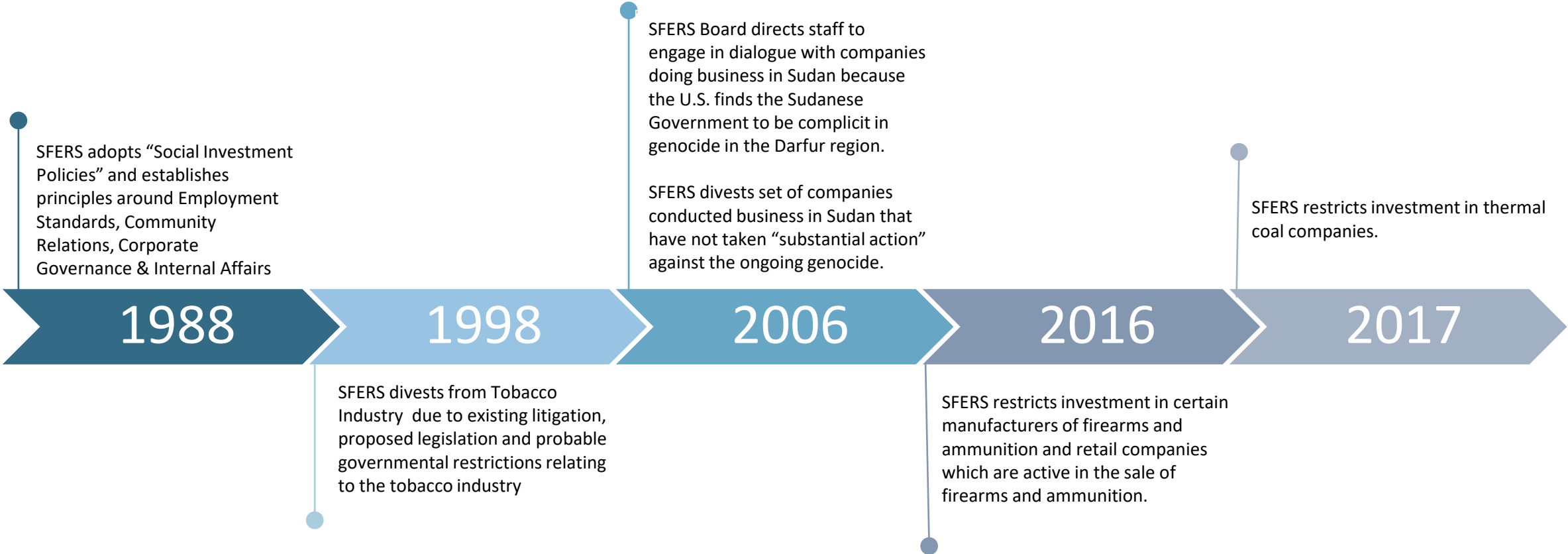
*In order to (1) **organize** and (2) **prioritize** SFERS's ESG efforts, Staff implements an ESG Platform and Strategic Plan.*

*The SFERS ESG Platform is comprised of **three core pillars**; these areas overlap and mutually support one another, with the overall objective of integrating ESG considerations into SFERS' investment decision making.*

The Strategic Plan organizes various ESG efforts within each of the three pillars by defining strategy and outlining milestones and activities.

*Guiding this Plan is the belief that all of the ESG efforts that SFERS undertakes should ultimately contribute to our mission as a long-term investor: **securing, protecting, and prudently investing the pension Trust assets, administering mandated benefit programs, and providing promised benefits.***

Staff focuses on efforts aimed to be materially value-added to that goal. Staff does not focus on efforts that are concessionary or that promote a political or social agenda.



SFERS establishes dedicated ESG department and adopted Three-Pillar ESG Platform

SFERS adopts Six Strategies to Mitigate Climate Risk, including launches Climate Transition Risk Framework, resulting in a multi-year engagement with 24 oil & gas companies and directs its managers to divest and restrict future investment in 7 other “high-risk” oil & gas companies

SFERS joins 30 Percent Coalition, Climate Action 100+, CERES Carbon Asset Risk Working Group, Principles for a Responsible Civilian Firearms Industry, and Task Force on Climate-related Financial Disclosure (TCFD)

SFERS begins integration of ESG considerations into manager due diligence, selection, and monitoring process in Public Markets, Real Assets, and select Private Equity investments.

2018

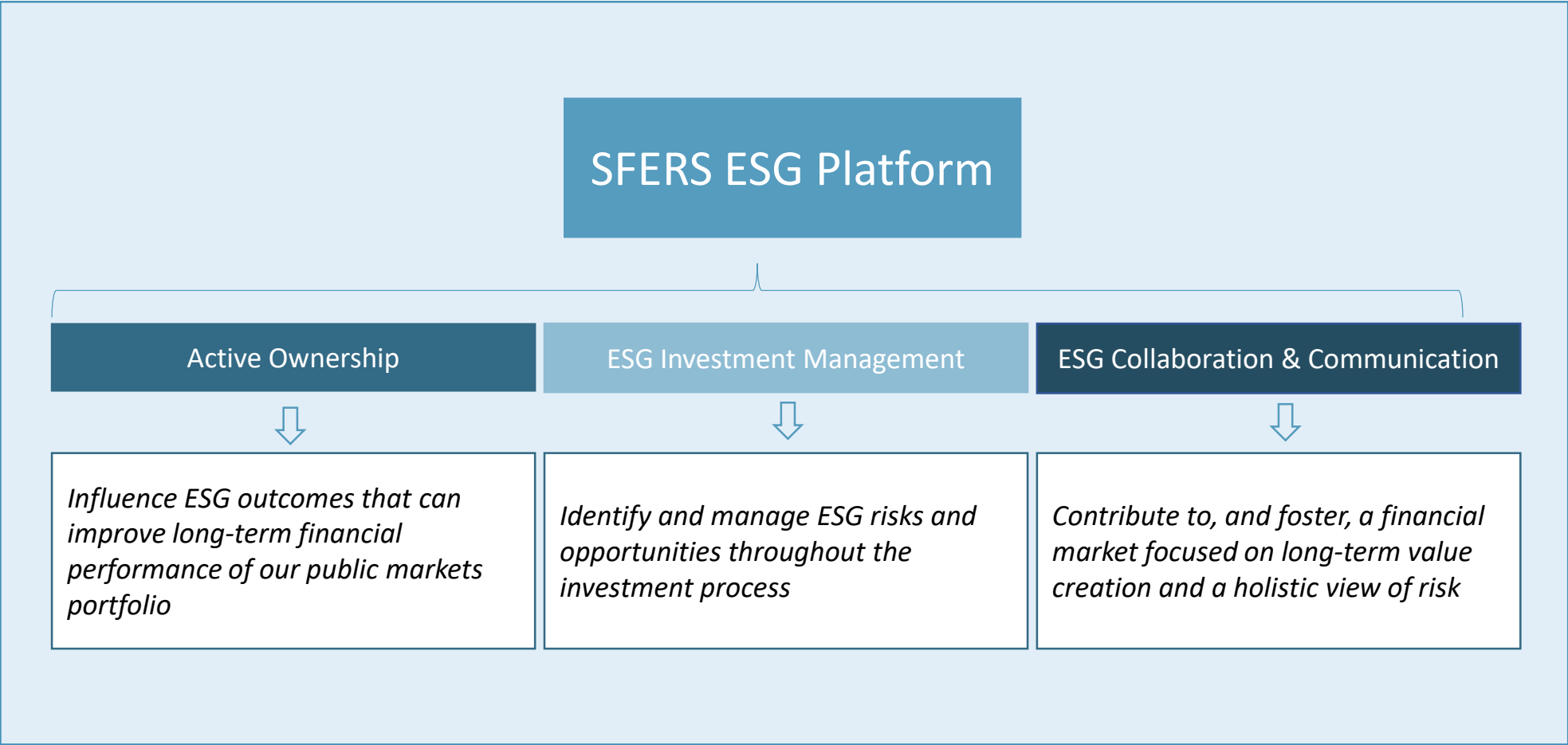
2019

SFERS completes inaugural PRI Reporting

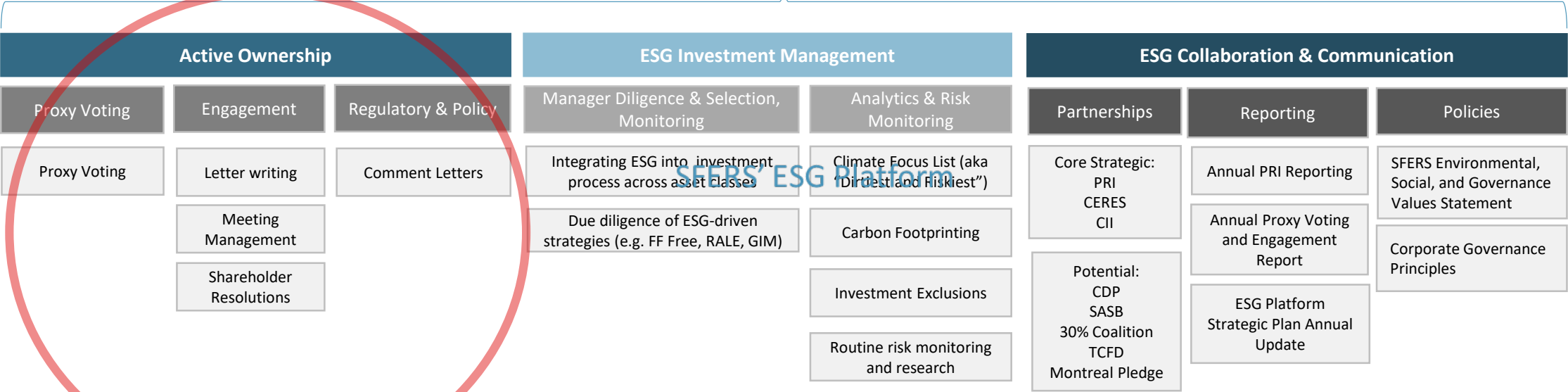
SFERS integrates ESG considerations into manager selection and due diligence processes across asset classes.

SFERS begins engagement efforts with Oil & Gas Watch List companies, co-files shareholder resolution at BP annual meeting that receives 99% support, and urges companies receiving 10-50% of revenues from thermal coal to communicate plans for exiting the sector.

SFERS “adopts” three companies as part of 30 Percent Coalition and engages around board gender diversity.



SFERS ESG Platform





Active Ownership

Proxy Voting

Executing proxy votes according to SFERS’ Corporate Governance & Proxy Voting Guidelines

- Implementing SFERS Proxy Voting Guidelines
- Focusing on Executive Compensation, Director Diversity, Social & Environmental Shareholder Proposals
- Utilizing Glass Lewis Research and Viewpoint Platform

Engagement

Engaging with underlying portfolio companies on management of material environmental, social, and governance risks and opportunities

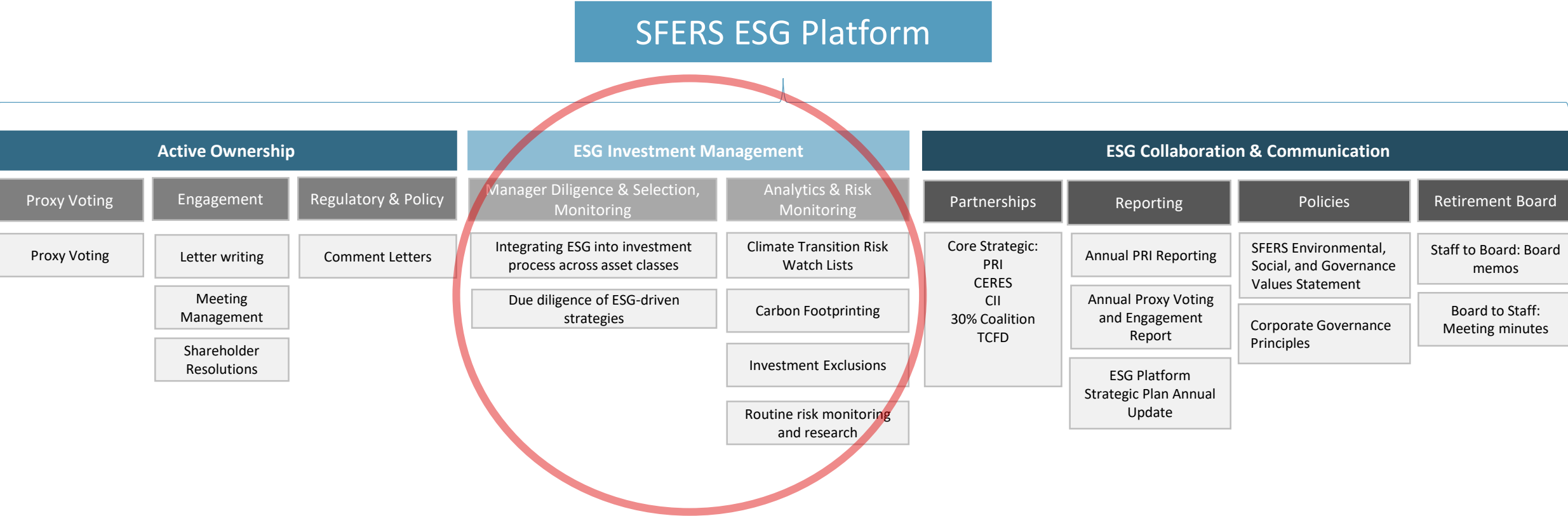
- Focusing on Climate Risk, Board Diversity, Responsible Firearms Retail Practices
- Leveraging collaborations with other investors through Ceres Investor Network, Climate Action 100+, and PRI Collaborative Platform

Regulatory & Policy

Supporting prudent regulatory and policy efforts that promote interest of long-term investors and integrate ESG considerations into the financial system

- Joining investor statements to US Securities & Exchange Commission and G7 Leadership.
- Supporting disclosure initiatives like the Taskforce on Climate-related Financial Disclosure





ESG Investment Management

Manager Diligence & Selection, Monitoring

Incorporating ESG considerations into external manager selection by asking two key questions: (1) How does the manager integrate ESG factors into its investment process? and (2) How does the manager consider ESG issues in its firm operations?

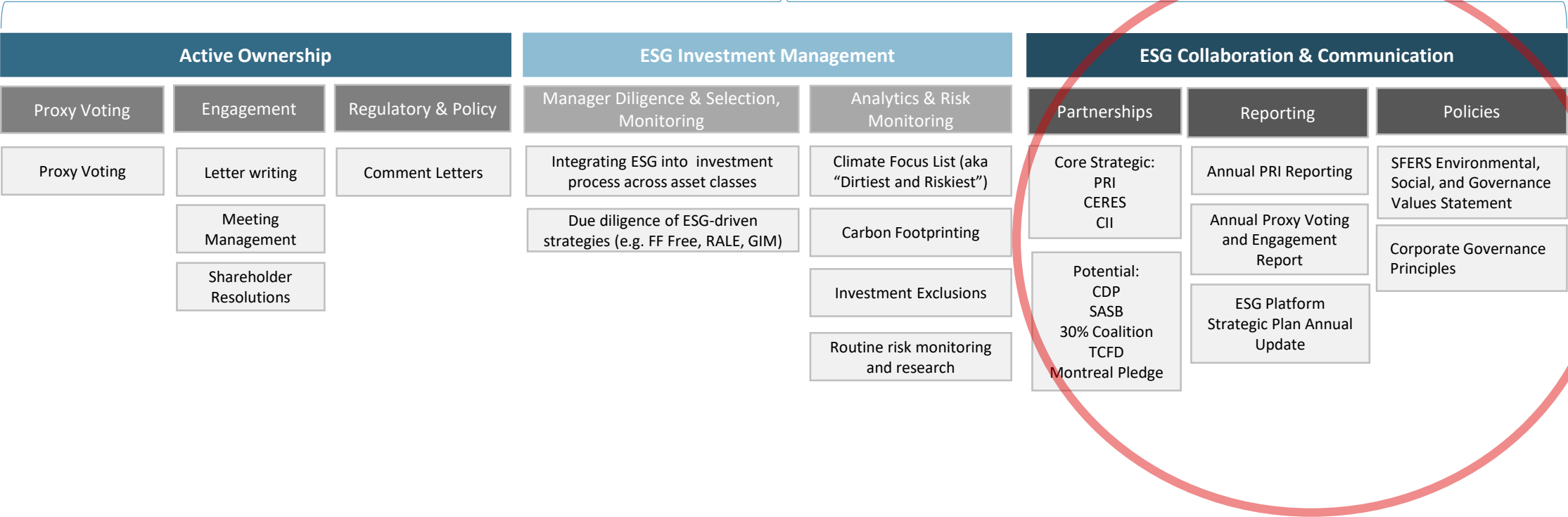
- Using Requests for Proposal (RFP) and Request for Information (RFI) to understanding ESG investing process at managers
- Developing asset-class specific Due Diligence Questionnaires (DDQ)
- Where relevant, conducting in-person meetings and onsite due diligence on ESG
- Including assessment of ESG practices in underwriting memos provided to the SFERS Board

Analytics & Risk Monitoring

Utilizing data and analytics to measure ESG performance of investments and understand how ESG factors influence risk and return across the entire portfolio

- Using MSCI ESG data and ratings, specialized climate risk data, and other sources to measure carbon footprint, risk from oil & gas investments, and ESG performance of individual strategies
- Implementing customized ESG benchmarks to measure financial impact of excluding thermal coal, firearms, tobacco, and Sudan-related companies
- Integrating ESG data into conventional portfolio monitoring and risk analytics tools such as Caissa

SFERS ESG Platform



ESG Collaboration & Communication

Partnerships

Partnering with investor networks to strengthen and amplify SFERS’s voice on ESG issues and utilize shared resources and research

- Partnering with key organizations such as UN-supported Principles for Responsible Investment (PRI), CERES, Climate Action 100+, Thirty Percent Coalition, Council of Institutional Investors (CII), and Principles for a Responsible Civilian Firearms Industry

Reporting

Communicating with relevant stakeholder on SFERS’ ESG investing efforts

- Completed inaugural PRI Transparency Report; began process to implement strategic improvements based on results.
- Reporting on Proxy Voting Activities in February for prior calendar year’s meetings
- Annual update to SFERS Board via public session on ESG Platform

Policies

Maintaining suitable ESG policies of the Plan

- Conducting periodic review of SFERS Environmental, Social and Governance Investment Policies and Procedures and SFERS Environmental, Social and Governance Values Statement.
- Annual updates to SFER Proxy Voting Guidelines and Governance Principles.

Thank You