

Attachment F



**CITY AND COUNTY OF SAN FRANCISCO
EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT BOARD POLICY**

SFERS ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTMENT POLICIES AND PROCEDURES

SFERS ENVIRONMENTAL, SOCIAL AND GOVERNANCE VALUES STATEMENT

As a significant institutional investor with a very long-term investment horizon and expected life, SFERS' success is linked to global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. SFERS considers environmental, social and governance (ESG) factors in its investment process because they do influence both risk and return. ESG issues impact the sustainability, value and performance of SFERS' investments. The relevance of particular ESG issues may differ and vary in degree across companies, sectors, regions, asset classes and over time. Accordingly, consistent with the Retirement Board and staff's fiduciary responsibilities to act in the best interests of the members, retirees and beneficiaries of the Retirement System and with SFERS' role as a prudent long-term investor:

- 1) Retirement Staff will incorporate relevant ESG issues in SFERS' investment analyses and decision-making processes;
- 2) Retirement Staff will vote SFERS' US shareholder proxies and will maintain an active corporate governance program for SFERS' publicly traded equity investments with due consideration to ESG issues;
- 3) Investment recommendations in all asset classes will include information on and consideration of the manager's ESG policies and practices, weighing and balancing both qualitative and quantitative risks and standards relevant to the investment under consideration;
- 4) SFERS will seek appropriate disclosure on ESG issues by the entities in which it invests; and
- 5) SFERS will promote acceptance and implementation of its ESG values within the investment industry.

SFERS ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTMENT PROCEDURES

Since it is necessary for adequate recognition to be given to the environmental, social and governance consequences of corporate actions and security and portfolio investment decisions to achieve maximum long term investment returns from Retirement System assets, and since the individual decisions of Staff, Managers, Consultants, and other System fiduciaries have to be made within a framework that reflects the particular environmental, social or governance situation and concerns of the participants and the Retirement System, the following procedures shall be followed when investing, managing, or reviewing Retirement System assets. Environmental, social and governance concerns to be addressed through investment policy shall follow the order of action as outlined in I, II, and III except where the Board has determined that action contemplated in an earlier

step has been initiated prior to the adoption of these policies and found to be ineffective or non-relevant. In no event shall these policies take precedent over the fiduciary responsibility of producing investment returns for the exclusive benefit of the members, retirees and beneficiaries of the Retirement System.

I. Shareholder Voting

The ownership of equity interests in many corporations as an investment of Retirement System assets includes the right to vote on the initiation, approval, or denial of major company policies and actions. These voting rights shall be exercised in accordance to Retirement Board proxy voting policies and in consideration of environmental, social and governance issues identified by the Retirement Board and Retirement Staff.

- A. Issues likely to come before shareholders in a proxy “season” will be reviewed by Retirement Staff and the SFERS proxy consultant prior to the “season” to ensure that the Retirement Board’s policies, including this policy, address all issues that will be considered during the proxy season.
- B. New and non-standard corporate proposals will be specifically reviewed by Retirement Staff and the SFERS proxy consultant , with Retirement Staff developing and recommending an appropriate proxy voting policy for such proposals to be approved by the Retirement Board.
- C. Determination of the environmental, social and governance concerns that should be addressed through exercise of voting rights and subsequent implementation of the balance of these procedures will be made by the Retirement Board in full consideration of its responsibilities as fiduciaries of the Retirement System and only after Retirement Staff’s review and analysis of the investment and environmental, social or governance implications. Additional information from investment managers and other outside sources will be sought when necessary.

II. Actively Promoting Environmental, Social Governance Interests – Direct Engagement

Generally, the ownership of equity interests, and to some extent of fixed income interests, in many corporations provides an opportunity to act individually or in concert with other shareholders to assure proper recognition of environmental, social and governance interests.

- A. Shareholder resolutions may be initiated upon review by Retirement Staff of previous shareholder votes, discussion with the corporation, and Retirement Board determination that the proposed resolution is a reasonable vehicle to influence corporate activities.
- B. Other interested shareholders may be actively sought to express common concerns, join in resolutions, and solicit proxy votes.
- C. Alternative investment opportunities that meet the goals and objectives of this policy and benefit the members, retirees and beneficiaries may be considered provided that expected investment returns are at least equivalent to available alternatives of similar risk.

III. Investment Restrictions

When environmental, social and governance concerns have not been or cannot be addressed adequately through exercise of shareholder voting rights, direct engagement of the investment manager, promotion of shareholder initiatives, or investment in alternative opportunities, it may be necessary to restrict Retirement System investment activities in specific areas to promote the interests of the members, retirees and beneficiaries. In general, investment restrictions will be adopted in accordance with the following considerations:

- A. Investment restrictions will be consistent with the Retirement Board's fiduciary duties and responsibilities, including the Department of Labor's requirements with respect to consideration of ESG factors when making investment decisions.
- B. Recognizing that substantial investment flexibility is necessary to maximize returns at an acceptable level of risk, investment restrictions will be adopted only when Retirement Board actions detailed in Levels I and II above have not been or, as determined by the Retirement Board, would not be successful and alternatives to the restricted securities that address the environmental, social and governance issues detailed in this policy are available which do not compromise potential long-term investment return.
- C. Investment restrictions will be applied at the lowest possible investment level, either specific issuers or securities, to protect against adverse investment effects, implementation risks and facilitate amendment in response to corporate action or changes in investment, environmental, social or governance climate.
- D. Investment restrictions will be analyzed periodically for environmental, social, governance and financial consequences and amended or repealed as appropriate.
- E. Investment restrictions will be applied only upon specific decision of the Retirement Board based on available information as evaluated by Retirement Staff and consultants, and after full consideration of its fiduciary duty, as well as the investment risks and ramifications.

RETIREMENT BOARD ACTIONS TAKEN UNDER THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTMENT POLICIES

Since its adoption by the Retirement Board on September 27, 1988, the Retirement Board has taken the following actions under its Environmental, Social and Governance Investment Policies (previously known as Social Investment Policies):

Engagement	Level	Dated adopted by Retirement Board
<p>1. Corporate activities of companies whose securities are owned by the System shall be conducted in compliance with all applicable laws and regulations.</p>	Level I - Shareholder Voting	September 27, 1988
<p>2. <u>Employment Standards</u> Active measures shall be taken to assure that the corporation meets fair employment standards including non-discrimination in hiring, transfer, pay and promotion, decent working facilities and conditions, and the recognition of all legal employee rights of organization and political expression.</p>	Level I - Shareholder Voting	September 27, 1988
<p>3. <u>Community Relations</u> The relationship of the corporation to the communities in which it operates shall be maintained as a good corporate citizen through observing proper environmental standards, supporting the local economic, social and cultural climate, conducting acquisitions and reorganizations to minimize adverse effects and not discriminate in making loans or writing insurance.</p>	Level I - Shareholder Voting	September 27, 1988
<p>4. <u>Corporate Governance and Internal Affairs</u> The Bylaws of the corporation shall be maintained to permit full expression of shareholder voting rights in corporate affairs and to prevent entrenchment of management. Executive compensation shall be fair and reasonable. Reports and data shall be made available to shareholders concerning social issues to the extent possible without jeopardizing business interests.</p>	Level I - Shareholder Voting	September 27, 1988

Engagement	Level	Dated adopted by Retirement Board
<p>5. <u>MacBride Principles</u></p> <p>The corporation shall affirm and adhere to the MacBride Principles concerning operations in Northern Ireland.</p>	Level I - Shareholder Voting	February 25, 1992
<p>6. <u>Tobacco Divestment</u></p> <p>Due to the existing litigation, proposed legislation and probable governmental restrictions relating to the tobacco industry, the System will not invest in the equity and fixed income securities of companies manufacturing tobacco products.</p>	Level III – Investment Restrictions	October 3, 1998
<p>7. <u>Sudan Investments</u></p> <p>The Retirement Board directed staff to engage in constructive dialogue with companies doing business in Sudan because the U.S. Congress and the State Department have found the Sudanese Government to be complicit in genocide in the Darfur region.</p>	Level II – Direct Engagement	June 13, 2006
<p>8. <u>Carbon Tracker 200 Companies</u></p> <p>The Retirement Board directed staff to engage the SFERS public portfolio companies which are listed on the Carbon Tracker 200 list at Level I due to their role in climate risk activities.</p>	Level II – Direct Engagement	March 11, 2015
<p>9. <u>Firearms and Ammunition Manufacturers and Retailers</u></p> <p>The Retirement Board directed staff to restrict investment in certain manufacturers of firearms and ammunition and retail companies which are active in the sale of firearms and ammunition.</p>	Level III – Investment Restrictions	October 12, 2016

10. Thermal Coal Companies

The Retirement Board directed staff to restrict investment in 9 thermal coal companies

Level III – Investment
Restrictions

May 17, 2017