



SFERS 2020 Annual ESG Update

During the October 14, 2020 Retirement Board meeting, SFERS staff provided their annual Environmental, Social, and Governance (ESG) update. SFERS is committed to incorporating ESG factors into its management of the Plan in a manner that is 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. SFERS incorporates a three-pillar approach to its ESG strategy which includes Active Management, ESG Investment Management, and ESG Collaboration and Communications.

Diversity and Pay Disparity

SFERS reaffirmed a commitment to diversity and fair compensation through its active engagement and partnership practices. In 2020 SFERS voted against 130 Directors where the corporate Board's gender diversity was less than 20%. SFERS also continued its support of the 30 Percent Coalition which advocates for diversity on corporate boards, promoting women and people of color. Additionally, Staff announced they have joined a partnership with CalSTRS, CalPERS, and LACERA to engage with companies in the S&P 500 that lack racial or ethnic board diversity. SFERS also continued to vote for executive compensation where pay is tied to performance. Read the full [2020 ESG update](#).

Climate Action Plan update

Protecting against the investment risks of climate change is a key tenet of the SFERS ESG platform. SFERS efforts in climate action have continued in 2020, most notably with the announcement of an [ambition to reach net zero carbon emissions for the portfolio by 2050](#). SFERS's annual carbon footprinting exercise found that the SFERS public equity portfolio has an overall weighted average carbon intensity that is 36% less than its benchmark and has declined 55% over the past 10 years. SFERS also saw strong investment returns as part of its commitment to invest \$1 billion of its public equity portfolio in low-carbon strategies.

Looking ahead SFERS plans for the following:

- Researching and outlining additional climate transition risk frameworks for carbon intensive sectors and establishing sectoral decarbonization expectations
- Building on progress made in 2020 engaging with its public equity and fixed income managers around how they incorporate climate risks into their investment processes
- Continuing to engage with oil & gas, utility, and other companies around climate risk management, often through collaborations like the Climate Action 100+ initiative and Ceres Carbon Asset Risk Working Group
- Identifying and evaluating data and analytical tools that may provide deeper insight into climate risk exposure for the Plan, such as Science Based Targets initiative (SBTi) Finance Tool for Temperature Scoring & Portfolio Coverage and the newly launched Climate Action 100+ Net Zero Company Benchmark
- Establishing a suitable interim target (or targets) for 2030 based on a trajectory towards net zero emissions by 2050.

Read the full [Climate Action Plan update](#).