About the San Francisco Employees’ Retirement System

Initially established by approval of City voters on November 2, 1920 and the California State Legislature on January 12, 1921, the San Francisco Employees’ Retirement System (“Retirement System” or “SFERS”) is deeply rooted in the history and culture of the City and County of San Francisco and is committed to serving the retirement needs of its members. Originally established as a fund to assist families and orphans of firefighters and police, today the Retirement System serves more than 74,000 active, vested, and retired employees of the City and County of San Francisco and their survivors.
Contents

Executive Summary ........................................................................................................................................ 2
Introduction to the SFERS ESG Platform ................................................................................................. 3
Introduction to the Climate Action Plan .................................................................................................. 4
Objectives & Strategy ............................................................................................................................... 5
Alignment .................................................................................................................................................. 7
Climate Action Plan ................................................................................................................................. 8
Governance ............................................................................................................................................. 9
Implementation ...................................................................................................................................... 9
Limitations ............................................................................................................................................... 10
Pillar 1 — ESG Investment Management ............................................................................................. 13
  Climate Action Plan by Asset Class ........................................................................................................ 14
  Public Equity & Fixed Income ............................................................................................................... 15
  Private Equity ...................................................................................................................................... 24
  Real Assets ......................................................................................................................................... 26
  Private Credit ....................................................................................................................................... 29
  Absolute Return ................................................................................................................................. 31
Pillar 2 — Active Ownership .................................................................................................................. 32
Pillar 3 — Collaboration & Communication for a Sustainable Economy ............................................. 35
Executive Summary

Recognizing that there are investment risks and opportunities associated with climate change:

**SFERS has the ambition to become a net zero asset owner by 2050**

To achieve this objective, SFERS implements a Climate Action Plan (CAP) which guides actions under the three pillars of the SFERS ESG Platform:

**ESG Investment Management** – SFERS integrates ESG considerations including climate change into the due diligence and ongoing monitoring of all investments across asset classes. In 2022 SFERS intends to introduce a climate-aligned evaluation framework for potential and existing investments. Several of SFERS’ external managers have themselves committed to net zero and formally joined the Net Zero Asset Managers Initiative. Across the Plan, SFERS has invested and committed over $2.7 billion to low-carbon and climate transition aligned investment opportunities. SFERS continues to exclude thermal coal investments and certain oil & gas investments from its public markets portfolio.

**Active Ownership** – SFERS engages with underlying companies in its portfolio around climate risk including active leadership within the Climate Action 100+ initiative and the Ceres Investor Network. SFERS and peers have achieved success at securing commitments from companies to set net zero by 2050 or sooner goals. SFERS implements a proxy voting policy that supports shareholder proposals addressing material climate risks and opportunities. In addition, SFERS expects boards of directors to demonstrate climate competence.

**Collaboration & Communication for a Sustainable Economy** – In addition to participation in Climate Action 100+ and the Ceres Investor Network, SFERS utilizes and supports numerous initiatives for investors around their net zero objectives including the Task Force on Climate-related Financial Disclosures (TCFD), the Paris Aligned Investment Initiative, the Investor Agenda, Initiative Climat International (ICI), GRESB, Carbon Tracker Initiative, Science Based Targets initiative, and Transition Pathway Initiative. One of SFERS’ strategic climate objectives in 2022 is to work with these organizations and others to drive improved data transparency within alternative asset classes.

A key measure of SFERS’ progress towards net zero is the carbon footprint of the portfolio. Currently, SFERS is only able to obtain data to measure the carbon footprint of the public equity and fixed income portfolios. As of June 30, 2021, the carbon footprint for our public markets portfolio is 17% less carbon intensive than the policy benchmark and has decreased about 40% since 2017\(^1\) putting the public markets portfolio on a trajectory towards net zero on or before 2050. This progress gives SFERS confidence in setting interim targets to reduce the carbon footprint of the public markets portfolio 50% by 2025 and 65% by 2030.\(^2\) An estimate of SFERS’ private equity portfolio indicates that it is 66% less carbon intensive than the public markets portfolio; over time SFERS intends to access data to better measure the carbon footprint of its private equity and other portfolios.

SFERS’ Climate Action Plan provides additional detail, insight, and analysis into how SFERS addresses climate risk across asset classes and outlines future areas for work in the journey towards net zero.

---

\(^1\) 37% reduction measured on Scope 1+2 CO2/$mm revenue basis and 45% reduction measured on a Scope 1+2 CO2/$mm enterprise value (including cash) basis.

\(^2\) Reduction targets versus a 2017 baseline measured on a Scope 1+2 tons CO2-e/$M revenue Weighted Average Carbon Intensity basis and currently covering public equity and public fixed income portfolios. Expansion to other asset classes as data becomes available.
Introduction to the SFERS ESG Platform

In 1988, SFERS began addressing Environmental, Social, and Governance (ESG) factors in its investment process when the Plan first adopted “Social Investment Policies.” These policies eventually evolved into the current ESG Policy, which guides the entire SFERS ESG Platform.

Fundamentally, SFERS believes that ESG factors can have a material impact on the value of companies and securities, as well as affect the macroeconomic environment more broadly. The consideration of these factors alongside traditional financial factors should, therefore, provide a better understanding of the risk and return characteristics of investments. SFERS acknowledges that the relevance of particular ESG issues may differ and vary in degree across companies, sectors, regions, asset classes and over time. SFERS expects the external asset managers to whom the Plan allocates capital to incorporate ESG considerations where they are deemed material and appropriate for the particular investment opportunity.

The SFERS ESG Platform is organized around three pillars:

1. **ESG Investment Management** – We seek to identify and manage ESG risks and opportunities throughout the investment process.

2. **Active Ownership** – We seek to influence ESG outcomes that can improve long-term financial performance, primarily through proxy voting and active engagement with underlying companies in our public markets portfolio.

3. **ESG Collaboration & Communication** – We seek to contribute to, and foster, a financial market focused on long-term value creation and a holistic view of risk.
Introduction to the Climate Action Plan

SFERS has made significant progress in integrating consideration of the risks and opportunities from climate change into its investment process, culminating in the March 2020 announcement of an ambition to become a net zero asset owner by 2050. At the time of this announcement, SFERS was just the second US pension system to publicly announce such an ambitious plan to address the investment implications of climate change.

Cumulatively, SFERS has invested and committed over $2.9 billion across its public equity, real assets, private credit, and private equity portfolios to fossil fuel free, low-carbon, and climate transition aligned investment strategies. SFERS has opportunistically gained exposure to climate opportunities such as solar energy, wind energy, battery storage, energy efficiency software. At the same time SFERS has divested from thermal coal companies and select oil and gas companies across its public equity and fixed income portfolios.

While SFERS has made meaningful progress, the threat of climate change as a systemic risk continues to increase. Therefore, SFERS acknowledges it must do more to expand the breadth and depth of its Climate Action Plan.

This report provides an update on SFERS’ progress through October 2021, and it introduces additional elements of the Climate Action Plan for 2022 and beyond, including:

- Interim targets to reduce the carbon footprint of the SFERS portfolio 50% by 2025 and 65% by 2030.3
- A climate-aligned evaluation framework for potential and existing investments.
- An engagement initiative to drive improved data transparency from alternative asset classes.

---

3 Reduction targets versus a 2017 baseline measured on a Scope 1+2 tons CO2-e/$M revenue Weighted Average Carbon Intensity basis and currently covering public equity and public fixed income portfolios. Expansion to other asset classes as data becomes available.
Objectives & Strategy

SFERS’ objective in implementing its Climate Action Plan is to fulfill its fiduciary duty by protecting and growing pension assets in an economy that is increasingly affected by the physical, regulatory, and technological risks and opportunities associated with climate change.

The overarching strategy is to ensure that investment allocations across the SFERS portfolio are consistent with a net zero by 2050 pathway. These investments include those that are resilient to and/or are positioned for superior risk-adjusted returns in a decarbonizing economy, including technologies and services that facilitate the transition.

In 2022, Staff will enhance ESG due diligence for new investments and ongoing monitoring of existing relationships to include a greater focus on climate risk and opportunity. This process will categorize investments according to their alignment with SFERS’ Net Zero Ambition, and it will be conducted in collaboration with SFERS’ Investment Teams and Asset Allocation, Risk, and Innovative Solutions Team. These categories are expected to include:

- **Climate Transition Aligned** – Investment strategies that provide significant exposure to companies, technologies, infrastructure, and/or assets that are well-positioned to benefit from the transition to a low-carbon, resilient economy. These investments may relate to renewable energy, energy storage, energy efficiency, resource efficiency, sustainable agriculture and forestry, and others. This category may also include investment strategies or approaches that take an active role in ensuring underlying companies or assets have a low-carbon and resilient climate transition strategy.

- **Climate Neutral** – Investment strategies that are well-positioned for the transition to a low-carbon, resilient economy but neither directly contribute to the transition nor have significant climate risk. These investments may relate to the healthcare, telecommunications, software & IT services, and others sectors generally excluded from “high risk” sector groups covered by the Taskforce on Climate-related Financial Disclosures (TCFD).

- **Climate Risk Exposed** – Investment strategies that provide significant exposure to companies, technologies, infrastructure, and/or assets that may see devaluation, asset stranding, and/or business challenges with the transition to a low-carbon, resilient economy. These investments may relate to the fossil fuel value chain and/or be high carbon emissions activities or otherwise face challenges due to physical climate risks.
Reducing Systemic Risk

A secondary, but complementary, element of SFERS climate strategy is to effect real world reductions in carbon emissions with the belief that this will collectively reduce market risk faced by universal owners such as SFERS and protect against systemic risks arising from climate change. This objective is achieved through active ownership activities and policy advocacy.

Large institutional investors relying on modern portfolio theory can be considered “universal owners”: their highly-diversified, long-term portfolios are sufficiently representative of global capital markets that they effectively hold a slice of the overall market, making their investment returns dependent on the continuing good health of the overall economy. They can therefore improve their long-term financial performance by acting in such a way as to encourage sustainable economies and markets, and must act – including acting collectively – to reduce the economic risk presented by sustainability challenges.

*From “The SDG Investment Case, PRI in partnership with UNEP Finance Initiative and UN Global Company, 2017”*
Alignment

In developing its Climate Action Plan, SFERS has sought to incorporate a variety of emerging resources for investors pursuing net zero alignment.

Given the nascency of many of the concepts, toolkits, methodologies, and investment implications around pathways to net zero portfolios, SFERS will continue to collaborate with investor groups developing such resources.

These groups include:

- Paris Aligned Investment Initiative (PAII) and the associated Ceres Paris Aligned Investment Working Group
- Ceres Private Equity Working Group
- UN-Convened Net-Zero Asset Owner Alliance
- Taskforce on Climate-related Financial Disclosures (TCFD)
- Initiative Climat International (iCI)
Climate Action Plan

SFERS’ Climate Action Plan (CAP) is a dynamic roadmap that outlines the strategy, governance, investment actions, targets, and analytics as SFERS pursues its ambition to be a net-zero asset owner.

The CAP involves each of the three pillars of SFERS’ broader ESG Platform:

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Key Actions</th>
</tr>
</thead>
</table>
| **1 ESG Investment Management** | **Restricting High Climate Risk Investments** – Restricting investments that have high, unmitigated investment risk due to climate change, such as in the thermal coal industry and certain oil & gas companies.  
**Investing in Climate Solutions** – Investing in climate transition opportunities.  
**Climate Integrated Due Diligence & Monitoring** – Incorporating considerations of climate risk into due diligence processes and monitoring existing investments.  
**Metrics & Target Setting** – Utilizing metrics, analytics, and targets to measure risk and opportunity with respect to climate change and progress toward net zero.  
**Analytics & Modeling** – SFERS’ Climate Transition Risk Frameworks. |
| **2 Active Ownership** | **Engagement** – Engaging with companies to incorporate considerations of climate risk into their strategy, governance, and operational management, including by setting “Net Zero by 2050” targets.  
**Proxy Voting** – Supporting relevant shareholder proposals related to climate. Supporting Boards of Directors that demonstrate competence in managing climate-related risks. |
| **3 Collaboration & Communication for a Sustainable Economy** | **Policy Advocacy** – Vocalizing support for carbon pricing schemes and other relevant legislative efforts.  
**Reporting on Progress** – Communicating publicly and transparently to stakeholders including SFERS’ beneficiaries on progress toward net zero.  
**Investor Collaboration** – Collaborating with other investors on climate action. |
Climate Action Plan – Net Zero by 2050

Governance

The SFERS Retirement Board is composed of seven members: three members elected by the active and retired members of SFERS; three members appointed by the Mayor in accordance with §12.100 the San Francisco City Charter; and one member of the Board of Supervisors appointed by the Board President. This Board has ultimate oversight of SFERS’ ESG Platform including climate-related risks and opportunities that may affect the Plan and approves all Staff related actions. Through its voting authority, the Board approves the development and implementation of the Climate Action Plan including the scope of any divestments or investment restrictions stemming from climate risk, allocations to low-carbon or climate opportunity investment strategies, and modifications to the net zero ambition.

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 consistent with SFERS’ role as a prudent, long-term investor.

Implementation

The CAP and the actions described herein are developed and implemented by SFERS’ Chief Investment Officer, ESG Team, and Investment Staff as well as external investment managers, investment consultants, and service providers.
Limitations

SFERS acknowledges that there are limitations to its Climate Action Plan, including significant challenges with achieving a net zero portfolio by 2050 or sooner. SFERS’ success depends on a variety of technological, regulatory, and societal variables beyond the direct control of an asset allocator.

Arguably the most significant factor will be the characteristics and pace of development of global climate policy. A globally harmonized and near-term climate regulation that includes a mechanism to meaningfully price carbon can play a significant role in achieving the economic transition to net zero by 2050 for SFERS and the broader economy. With delayed and fragmented climate policy, a net zero economy by 2050 is much less likely, and therefore SFERS’ portfolio is likely to reflect a similar outcome.

The planet has already warmed 1.1°C above preindustrial levels leaving less than a decade of “carbon budget” based on the current emissions trajectory before the planet exceeds 1.5°C of warming. Achieving net zero by 2050 is far from certain.

Developments in climate policy along with technological progress and social factors are essential for SFERS to monitor in order to guide the ambition of the Climate Action Plan and avoid actions that are aligned with low probability outcomes.
POSSIBLE FUTURES

The Intergovernmental Panel on Climate Change (IPCC) uses scenarios called pathways to explore possible changes in future energy use, greenhouse-gas emissions and temperature. These depend on which policies are enacted, where and when. In the upcoming IPCC Sixth Assessment Report, the new pathways (SSPs) must not be misused as previous pathways (RCPs) were. Business-as-usual emissions are unlikely to result in the worst-case scenario. More-plausible trajectories make better baselines for the huge policy push needed to keep global temperature rise below 1.5 °C.

Figure 3. Current and potential CO2 emissions trajectories overlaying IEA and IPCC scenarios

*The International Energy Agency (IEA) maps out different energy-policy and investment choices. Estimated emissions are shown for its Current Policies Scenario and for its Stated Policies Scenario (includes countries’ current policy pledges and targets). To be comparable with scenarios for the Shared Socioeconomic Pathways (SSPs), IEA scenarios were modified to include constant non-fossil-fuel emissions from industry in 2018.

†Approximate global mean temperature rise by 2100 relative to pre-industrial levels. *SSP5-8.5 replaces Representative Concentration Pathway (RCP) 8.5.

Sources: Historical data: Global Carbon Budget (2019); SSP data: ref. 15/ J. Rogelj et al. Nature Clim. Chang 8, 325–332 (2018)/SSP Database (v2); IEA data: Ref. 7

Figure 3. Current and potential CO2 emissions trajectories overlaying IEA and IPCC scenarios
Other limitations:

- Nearly all decarbonization scenarios that achieve net zero by 2050 involve meaningful contributions from carbon sequestration and removal technologies. Currently, these technologies are not commercially viable and at necessary scale. There is significant uncertainty as to whether these technologies will emerge and, should they, whether they will be investable for SFERS. Without institutional quality, carbon negative investment opportunities, it may be challenging for SFERS to “net out” any remaining carbon in the portfolio as we near 2050.

- As an allocator, much of SFERS’ ability to achieve a net zero across the SFERS Plan will ultimately be contingent on our asset managers’ ability to achieve net zero portfolios, which in turn requires underlying companies to successfully align or transition their business activities to net zero. While there has been significant progress on both fronts, the ability for companies and asset managers to make good on net-zero commitments must be monitored closely. Asset managers have come together to form the Net Zero Asset Managers Initiative, which launched in December 2020 with the objective of galvanizing the asset management industry to commit to a goal of net zero emissions. Several managers with whom SFERS invests are signatories including BlackRock, Wellington Management, Vista Equity Partners, and Generation Investment Management.

- Thousands of companies have set emissions reduction targets, a portion of which are aligned with a trajectory to net zero emissions by 2050. There is significant variability in the scope, ambition, quality, and transparency of corporate emissions reduction goals. SFERS looks to groups like the Science Based Targets initiative (SBTi) to create standards of quality around net zero targets that are informed by climate science and to provide technical support to companies setting such targets.

- This Climate Action Plan does not currently analyze the potential impacts of physical risks from climate change on the SFERS portfolio. It is believed that achieving a net zero economy by 2050 will avoid the most catastrophic physical impacts from climate change; however, a global temperature increase up to 1.5°C will result in meaningful physical impacts that should be assessed by investors.
SFERS integrates climate considerations into the investment management process through five key areas:

- **Restricting High Climate Risk Investments** – Restricting investment in companies and/or industries that have high, unmitigated investment risk due to climate change, such as the thermal coal industry and certain oil & gas companies.

- **Investing in Climate Solutions** – Investing in climate transition opportunities and incorporating considerations of climate opportunity in all investment due diligence.

- **Climate Integrated Due Diligence & Monitoring** – Integrating considerations of climate risk into the due diligence processes for new investments and monitoring existing investments for climate risk and opportunity.

- **Metrics & Target Setting** – Utilizing metrics, analytics, and targets to measure risk and opportunity with respect to climate change and progress toward net zero.

- **Analytics & Modeling** – Using SFERS’ Climate Transition Risk Frameworks and a variety of third-party data sources to understand climate risk on sectoral, asset class, and geographic bases.

Given the differences in data availability, understanding of climate risk and opportunity, and analytical frameworks, SFERS – like other asset owners – has individual climate action plan road maps for each asset class.

Due to challenges around data, measurement, different investment time horizons, and other factors, there may be different timelines associated with the alignment to net zero for different asset classes.
Climate Action Plan – Net Zero by 2050

Climate Action Plan by Asset Class

### Real Assets
- **Restricting High Climate Risk Investments**
  - Portfolio is not subject to investment restriction; contains de minimis thermal coal exposure; investments in dedicated fossil fuel funds last made in 2019
- **Investing in Climate Solutions**
  - Exposure to renewable energy and climate-aligned infrastructure.
- **Climate Integrated Due Diligence & Monitoring**
  - Climate considerations are incorporated into all investment due diligence and ongoing ESG monitoring of investments
- **Metrics & Target Setting**
  - Objective to partner with GPs and other LPs towards reported carbon footprint data, including use of GRESB
- **Analytics & Modeling**
  - Monitoring development of appropriate tools

### Private Equity
- **Restricting High Climate Risk Investments**
  - Portfolio is not subject to investment restriction but contains de minimis exposure to fossil fuel assets
- **Investing in Climate Solutions**
  - Exposure to climate-aligned technologies in specialist and generalist funds
- **Climate Integrated Due Diligence & Monitoring**
  - Climate considerations incorporated into all investment due diligence and ongoing ESG monitoring of investments
- **Metrics & Target Setting**
  - 2021 carbon footprint estimated as 44 tons CO2-e/$million revenue, 66% lower than the public markets carbon intensity
  - Objective to partner with GPs and other LPs towards reported carbon footprint data
- **Analytics & Modeling**
  - Monitoring development of appropriate tools

### Public Equity
- **Restricting High Climate Risk Investments**
  - Approx. $2.4 billion in low-carbon and fossil free public equity mandates
- **Investing in Climate Solutions**
  - Climate considerations are incorporated into all investment due diligence and ongoing ESG monitoring of investments
- **Climate Integrated Due Diligence & Monitoring**
  - Utility Climate Transition Framework utilized to evaluate and engage with the sector
- **Metrics & Target Setting**
  - Goals of 50% reduction by 2025 and 65% by 2030
  - 2021 progress against 2017 baseline shows 37% reduction (Scope 1+2 CO2/$mm revenue) and 45% reduction (Scope 1+2 CO2/$mm EVIC)
- **Analytics & Modeling**
  - Utilization of the PACTA scenario analysis and MSCI portfolio carbon analytics

### Public Equity & Fixed Income
- **Restricting High Climate Risk Investments**
  - Portfolio is generally not subject to investment restriction but contains de minimis exposure to thermal coal
- **Investing in Climate Solutions**
  - Exposure to climate-aligned technologies in specialist and generalist funds.
- **Climate Integrated Due Diligence & Monitoring**
  - Climate considerations are incorporated into all investment due diligence and ongoing ESG monitoring of investments
- **Metrics & Target Setting**
  - Objective to partner with GPs and other LPs towards reported carbon footprint data
- **Analytics & Modeling**
  - Monitoring development of appropriate tools

### Private Credit
- **Restricting High Climate Risk Investments**
  - Portfolio is generally not subject to investment restriction
- **Investing in Climate Solutions**
  - Exposure to climate-aligned technologies in specialist and generalist funds.
- **Climate Integrated Due Diligence & Monitoring**
  - Climate considerations are incorporated into all investment due diligence and ongoing ESG monitoring of investments
- **Metrics & Target Setting**
  - Objective to partner with GPs and other LPs towards reported carbon footprint data
- **Analytics & Modeling**
  - Monitoring development of appropriate tools

### Absolute Return
- **Restricting High Climate Risk Investments**
  - Portfolio is not subject to investment restriction, assessment of exposure to high climate risk sectors underway
- **Investing in Climate Solutions**
  - Climate-aligned investment opportunities under evaluation
- **Climate Integrated Due Diligence & Monitoring**
  - Climate considerations are incorporated into all investment due diligence and ongoing ESG monitoring of investments
- **Metrics & Target Setting**
  - Objective to partner with other investors to develop carbon footprint methodology for absolute return strategies
- **Analytics & Modeling**
  - Monitoring development of appropriate tools
ESG Investment Management

Public Equity & Fixed Income

Within the public equity and public fixed income portfolios, which together comprise 50% of the Plan's targeted allocation, SFERS has made significant progress incorporating climate considerations into the investment management process. SFERS has allocated capital to investment strategies that are explicitly “low carbon” and take into account other ESG considerations. Many asset managers use their equity or debt ownership to take on an active engagement role with underlying companies around climate risk and the transition to net zero. Data to assess and measure the carbon footprint of public equity and fixed income portfolios exists, as do tools that provide scenario analysis for different potential future climate outcomes.

Restricting High Climate Risk Investments

Across the public equity and public fixed income portfolios, SFERS has restricted its managers from investing in certain companies and/or industries that have high, unmitigated investment risk due to climate change, including the thermal coal industry and certain oil & gas companies.4

Thermal Coal

Significant concerns exist around the thermal coal industry’s near and long-term viability. In the context of tightening climate regulations, thermal coal is targeted due to its high carbon intensity and the fact that blends of gas and renewables have significant advantages to coal in electricity generation. Thermal coal looks increasingly unfavorable as renewables are integrated with energy storage and into transmission networks that feature demand response technologies.

The thermal coal industry continues to decline in the US and Western Europe and indications are this is likely to occur around the world. As the IEA's Global Energy Review 2021 reported, global coal demand declined 4% in 2020, the biggest drop since World War II.5 While this decline was partially due to the COVID 19 crisis, coal also faced challenges including preferential dispatch for renewables and low gas prices.

In 2017, SFERS first restricted investment in “US companies that derive significant revenue from the mining of thermal coal” and began engagement with “certain companies for which thermal coal ‘does not represent

---

4 Staff notes that investment restrictions apply to investments in which SFERS has direct ownership through a separately managed account structure. As with all investment restrictions, these do not apply to investments through commingled vehicles over which SFERS does not have control to restrict investment in certain securities.

a majority of revenues." Since 2017, SFERS has expanded its analysis of the thermal coal industry and currently restricts investment in any company globally that derives more than 50% of revenues from thermal coal. Companies are also subject to investment restriction if they derive between 10% and 50% of revenues from thermal coal activities and have not announced plans to substantially reduce or cease thermal coal activities.

There are currently 46 companies on SFERS’ restricted list due to their thermal coal involvement.

Oil & Gas

The energy sector is responsible for almost three-quarters of the emissions that have pushed global average temperatures 1.1°C higher since the pre-industrial age, with visible impacts on weather and climate extremes. Oil and gas currently contribute over half of energy-related carbon dioxide emissions as well as meaningful methane emissions. While global decarbonization necessitates a rapid decline in oil and gas consumption, a variety economic, political, social, and technological factors influence the scale and pace of this decline. The International Energy Agency (IEA) describes the complexity of challenges in its 2021 World Energy Outlook:

In 2020, even while economies bent under the weight of Covid-19 lockdowns, renewable sources of energy such as wind and solar PV continued to grow rapidly, and electric vehicles set new sales records. The new energy economy will be more electrified, efficient, interconnected and clean. Its emergence is the product of a virtuous circle of policy action and technology innovation, and its momentum is now sustained by lower costs. In most markets, solar PV or wind now represents the cheapest available source of new electricity generation. Clean energy technology is becoming a major new area for investment and employment – and a dynamic arena for international collaboration and competition.

At the moment, however, every data point showing the speed of change in energy can be countered by another showing the stubbornness of the status quo. The rapid but uneven economic recovery from last year’s Covid-induced recession is putting major strains on parts of today’s energy system, sparking sharp price rises in natural gas, coal and electricity markets. For all the advances being made by renewables and electric mobility, 2021 is seeing a large rebound in coal and oil use. Largely for this reason, it is also seeing the second-largest annual increase in CO2 emissions in history.6

In 2018, SFERS developed the Climate Transition Risk Framework which blends best-in-class climate risk datasets with core financial ratios to provide a forward-looking, transparent, and holistic view of risks facing fossil fuel companies. The framework was developed with data from Carbon Tracker Initiative, InfluenceMap, CDP, and utilized input from leading climate finance think-tanks, asset management firms, and financial services companies.

In 2021, SFERS introduced a new category into the Climate Transition Risk Framework to evaluate the increasingly prevalent emissions reduction goals and targets made by oil & gas companies.

As of June 30, 2021, SFERS had approximately $161 million or slightly less than 0.5% of plan assets invested in public oil & gas companies. Despite this small absolute exposure, SFERS continues to implement the Board’s directive of “prudently phased divestment” using the Climate Transition Risk Framework.

---

The Framework allows SFERS to analyze its investments in publicly traded oil and gas companies and identify those companies which may have relatively higher climate transition risk and which ones are relatively lower risk from an investment perspective, consistent with SFERS’ fiduciary duty.

In turn, this allows SFERS to (1) identify companies which should be placed on a Watch List for direct engagement around their management of climate risk, and (2) identify companies which may have unmitigated climate transition risks and therefore should be subject to investment restriction.

SFERS uses this Framework to conduct an annual evaluation its public fossil fuel investments.

As of November 2021, SFERS restricts investment in nine oil & gas companies that were identified through application of the Framework as having high risk of potential stranded capex, bankruptcy risk, and high-risk use of operating cash flows.
Investing in Climate Solutions

SFERS has pursued a variety of low-carbon and renewables-related investment strategies as a way to mitigate risks as well as take advantage of opportunities created by the climate transition. All such investments were determined to meet SFERS’ investment criteria with respect to risk, return, and suitability within the overall portfolio. Collectively, these strategies account for approximately $2.4 billion across the public equity portfolio (November 1, 2021 estimate).

| Portfolio: R.A.L.E (Risk Aware Low Emission) | Climate Objective: 50% reduction versus the portfolio’s benchmark in each of the following: |
| - Current emissions (the risk-adjusted sum of downstream fossil fuel emissions, direct operational emissions, and upstream supply chain emissions) |
| - Future oil emissions (emissions embedded in oil & NGL reserves) |
| - Future gas emissions (emissions embedded in natural gas reserves) |
| **Portfolio Value:** ~$650 million |

| Portfolio: Generation Global Equity | Climate Objective: The strategy focuses on integrating sustainability research with traditional financial analysis. Holdings are 70-80% less carbon intensive than the benchmark. |
| **Portfolio Value:** ~$900 million |

| Portfolio: MSCI USA Large Cap Ex Fossil Fuels Index | Climate Objective: Excludes companies that own oil, gas, and coal reserves in order to eliminate fossil fuel reserve exposure from their investments due to concerns about the contribution of these reserves to climate change. |
| **Portfolio Value:** ~$225 million |

| Portfolio: BlackRock Advantage ESG US Equity | Climate Objective: Strategy incorporates climate-related insights including company carbon intensity and carbon reduction target setting, resulting in a portfolio that is at least 30% less carbon intensive than its benchmark. |
| **Portfolio Value:** ~$620 million |
Climate Action Plan – Net Zero by 2050

Climate Integrated Due Diligence & Monitoring

As part of SFERS’ ESG Platform, all investment due diligence includes consideration of material environmental, social, and governance (ESG) factors. In addition, after SFERS has allocated capital to an investment manager, Staff conducts ongoing monitoring of the manager’s ESG investment practices. This due diligence and monitoring of ESG practices includes a specific focus on climate risks and opportunities.

In 2020, SFERS undertook a special project to conduct outreach to all existing public equity and fixed income managers to have an in-depth conversation on how climate risks and opportunities are incorporated into the funds managed on behalf of SFERS.

Climate-specific due diligence questions

- What are the Firm’s views of the investment implications related to climate change and global need for decarbonization in line with the 2015 Paris Agreement?

- If not addressed in response to question(s) above, please describe how consideration of climate risk is integrated into the investment process (including examples where relevant).


- Does the Firm conduct climate-related scenario analysis for the strategy in which SFERS invests? If yes, please describe the results of this process.

Beginning in 2022, Staff will enhance ESG due diligence for new investments and ongoing monitoring of existing relationships to include a greater focus on climate risk. This process will categorize investments according to their alignment with SFERS Net Zero ambition. These categories are expected to include: Climate Transition Aligned, Climate Neutral, and Climate Risk Exposed.

Metrics & Target Setting

Over the last three years, SFERS has tracked the carbon footprint of the public markets portfolio (public equity and fixed income). This analysis has provided Staff with an understanding of the portfolio’s decarbonization over time along with exposure to risks related to climate change due to areas of high carbon intensity, enabling targeted engagement and outreach.

In 2020, SFERS set a long-term ambition that the carbon footprint of the SFERS Plan reach net zero by 2050 in alignment with the objectives of the 2015 Paris Agreement. This ambition is a core component of the SFERS Climate Action Plan, and building on this ambition, SFERS is now setting interim targets for the carbon footprint of the portfolio. While the ambition to be a net zero asset owner applies to the entire SFERS Plan, given current data limitations, the interim targets will be limited to SFERS’ public equity and corporate fixed income holdings, accounting for nearly 40% of SFERS’ overall assets as of June 30, 2021. As data becomes available, SFERS intends to expand the scope of interim targets to include other asset classes.
SFERS currently measures the carbon footprint on an intensity rather than absolute basis and covers Scope 1 (direct) and Scope 2 (indirect) emissions using the metric “weighted average carbon intensity” or WACI. The WACI represents a portfolio’s exposure to carbon-intensive companies.

SFERS calculates two WACI figures.

One, WACI – Revenues, is calculated by aggregating the greenhouse emissions (measured as tons carbon dioxide equivalents) per dollar of revenues for the underlying companies in the SFERS portfolio. The portfolio-level WACI is the sum product of the security weights and carbon intensities.

The other, WACI – EVIC, is calculated by aggregating the greenhouse emissions (measured as tons carbon dioxide equivalents) per dollar of enterprise value (including cash) for the underlying companies in the SFERS portfolio. This metric is valuable to track as it accounts for both debt and equity at a company and provides a forward-looking indicator that reflects investor sentiment on a company’s future earnings potential (via its market capitalization).

In setting interim targets for WACI – Revenues and EVIC, SFERS has selected 2017 as a baseline year. The baseline of 2017 was selected given that 2018 was the first year in which SFERS embarked upon a comprehensive ESG strategy that included a focus on the carbon risk within the portfolio and established a formal ESG function at SFERS.

Figure 5 below presents the WACI’s for the baseline year of 2017 and the current year (2021) for the aggregate public markets portfolio. The WACI-Revenues has decreased by 37% since 2017 and by 45% as measured by WACI-EVIC.

---

Figure 5. Weighted average carbon intensity (WACI) 2017-2021, Sources: MSCI and Caissa

---

7 Enterprise value is calculated as total company value (market capitalization of the company, preferred equity, minority interest, total debt) minus cash and cash equivalents, i.e. EVIC = Market capitalization at fiscal year-end date + preferred stock + minority interest + total debt.

8 Includes public equity securities and the corporate debt portion of the fixed income portfolio, excluding treasuries, asset backed securities, sovereign debt, and municipal bonds. Holdings data is as-of SFERS’ fiscal year-end data of 6/30/17 and 6/30/21 for the baseline and current year.
Interim Targets

SFERS has made significant progress to date in decarbonizing the public markets portfolio and is setting ambitious interim targets of a 50% reduction by 2025 and a 65% reduction by 2030 for both WACI-Revenues and WACI-EVIC. Successfully achieving these interim goals would set SFERS on a trajectory to achieve a net zero portfolio by 2050. The below graph displays SFERS’ targets for 2025 and 2030 and shows the trend to date in WACI-Revenues for the public markets portfolio as well as the MSCI ACWI IMI benchmark.

Staff will continue to identify and evaluate science-based targets aligned metrics along with other measurements of transition alignment as the field develops over time. These metrics, along with better data, will complement the current metrics and support SFERS’ ability to understand risks and opportunities in its portfolio.

Figure 6. 2025 and 2030 SFERS Public Markets Carbon Footprint Targets and 2017/2021 WACIs, Sources: MSCI and Caissa
Analytics & Modeling

In order to form a high-level view of how climate risk may affect investment outcomes, SFERS uses its Climate Transition Risk Frameworks and a variety of third-party data sources to understand climate risk on sectoral, asset class, and geographic bases.

SFERS has utilized the Paris Agreement Capital Transition Assessment (PACTA) tool, a free software developed by the 2° Investing Initiative (2DII), to calculate the extent to which corporate capital expenditures and industrial assets behind a given equity, bond, or lending portfolio are aligned with various climate scenarios.

One output from the PACTA tool shows that SFERS’ equity portfolio (indicated as “This portfolio” in the chart below) is less exposed to high climate transition risk sector as compared to the MSCI ACWI benchmark.

Figure 7. Exposure of SFERS’ public equity portfolio to high climate risk sectors vs. MSCI ACWI IMI, Source: PACTA
SFERS also utilizes MSCI’s carbon footprint tool to model SFERS’ public equity portfolio as compared to the portfolio benchmark (MSCI ACWI IMI) for the high emitting industries (materials, industrials, energy, and utilities). The portfolio’s positioning relative to the benchmark is influenced by two factors:

- First, stock selection within an industry can influence the carbon intensity of the public equity portfolio compared to the benchmark.
- Second, the sector allocation, or the percentage of the portfolio invested in a high emitting sector.

The below analyzes these two metrics, along with their interaction, for the public equity portfolio relative to the portfolio benchmark, showing that SFERS is under allocated to the highest emitting sectors, yet these high emitting sectors still represent about 80% of SFERS portfolio emissions at only about 19% of assets.

Figure 8. Public Equity Portfolio Exposures Relative to MSCI ACWI IMI, as of June 30, 2021, Source: MSCI
ESG Investment Management

Private Equity

The Private Equity portfolio makes up the second largest allocation across SFERS, targeted at 23%. SFERS’ overweight to IT & Telecom and underweight to Industrial, Materials, Utilities and Energy has resulted in a portfolio that has inherently less exposed to “high impact” climate sectors as defined by the Taskforce on Climate Related Financial Disclosures (TFCD). At the same time, there are opportunities within the asset class to invest in climate technology solutions. Carbon emissions and climate risk reporting is at a nascent stage across the private equity industry.

Restricting High Climate Risk Investments

Due to general partnership structures, SFERS cannot restrict private equity managers from investing in specific sectors or companies. SFERS, however, generally has not allocated to managers with direct exposure to companies involved in exploration & production of hydrocarbons. Currently, the private equity portfolio has de minimis exposure to such companies.

Investing in Climate Solutions

Within the private equity portfolio, SFERS currently has some exposure to climate opportunities through both specialist strategies as well as generalist strategies.

Climate Integrated Due Diligence & Monitoring

- SFERS continues to integrate considerations of ESG risks and opportunities, including climate risk into due diligence processes for new investments and monitoring of existing investments.
- The evaluation of climate risk is increasingly a priority for private equity managers.
- Beginning in 2022, Staff will enhance ESG due diligence for new investments and ongoing monitoring of existing relationships to include a greater focus on climate risk. As with the public markets portfolios, this process will categorize investments according to their alignment with SFERS Net Zero ambition.

---

9 TCFD high impact sectors include Energy, Transportation, Materials & Buildings, along with Agriculture, Food, and Forest Products.
Climate Action Plan – Net Zero by 2050

**Metrics & Target Setting**

Given the nascency of carbon emission reporting by private companies and private equity general partners (GPs), SFERS has set the objective to collaborate with private equity GPs and other asset owners to address data challenges in the asset class.

There are a variety of industry initiatives underway to support better carbon and ESG data collection:

- CalPERS/Carlyle ESG Data Convergence Project – A GP/LP project, staffed by Boston Consulting Group, to begin collecting select ESG data points including Scopes 1 and 2 greenhouse gas emissions, now has 200+ GPs/LPs who have expressed interest in participating.
- iCi/PRI/ILPA – iCi or the Initiative Climat International is a GP led initiative to set standards around private portfolio climate reporting. This group is supported by PRI and ILPA is an active participant. The goal of this effort is to create standards for information flow between GPs and LPs and harmonize with the ILPA DDQ.
- Several private company initiatives to support data collection, reporting, and access for investors.

Over time, it is SFERS’ goal to obtain carbon emissions data for material private equity investments, which will allow for baselining and incorporation into target setting.

Utilizing sub-industry average carbon intensities from MSCI SFERS has estimated the weighted average carbon intensity (WACI) of the private equity portfolio to be 44 tons CO2-e/$million revenue. This estimate is 66% lower than the public markets portfolio WACI and is below the 2030 interim target for that portfolio. This low estimated carbon footprint is logical given the portfolio’s concentration in the carbon light sectors of Information Technology, Healthcare, and Consumer Discretionary.

![Figure 9. SFERS Private Equity Sector Exposures as of 12/31/20, Source: Burgiss](image)
ESG Investment Management

Real Assets

The real assets portfolio consists of two sub-portfolios, real estate and natural resources. Real Estate investments constitute 63% of the portfolio and features underweight to retail and hospitality along with overweight to industrial and specialty sectors. Globally, buildings are linked to significant greenhouse gas emissions through their operations and their construction. At the same time, these physical assets may be at risk from the physical impacts of climate change.

Natural Resources constitutes 37% of the portfolio and is underweight to upstream oil & gas and electric power, and overweight to metals & mining and renewable energy. While metals & mining investments bear a meaningful carbon footprint, many commodities play an essential role in enabling the transition to a low carbon economy – including the manufacture of wind turbines, solar arrays, battery storage systems, and electric vehicle manufacturing.

Restricting High Climate Risk Investments

Due to general partnership structures, SFERS cannot restrict real assets managers from investing in specific sectors or companies. SFERS has de minimis exposure to thermal coal in the real assets portfolio. SFERS last allocated capital to dedicated fossil fuel funds in 2019.
Investing in Climate Solutions

Within the Real Assets portfolio, SFERS has exposure to climate opportunities through both specialist strategies as well as generalist strategies.

**Fund: Vision Ridge Sustainable Asset Fund II and III**
**Climate Objective:**
Invests in a range of sustainable real assets that use renewable inputs or are fundamentally more efficient than conventional alternatives. Investments include renewable energy storage, electric car charging infrastructure, and sustainable agriculture and protein.
**Investment Commitment:**
$50 million (Fund II), $60 million (Fund III)

**Fund: Denham International Power Fund**
**Climate Objective:**
Investing in low-cost, affordable power in high-growth economies (Asia, Africa, Latin America) resulting in a number of positive social and environmental benefits including CO₂ savings, employment generation, and local impacts through community related projects.
**Investment Commitment:**
$50 million

**Fund: Equilibrium Controlled Environment Foods Fund II**
**Climate Objective:**
Invests in advanced greenhouses that provide controlled-environment agriculture, which allows for increased water and fertilizer efficiency and reduced energy impacts from food transportation. Projects deliver positive social impacts through job creation and improved food access and stability.
**Investment Commitment:**
$40 million

**Fund: GSSG Solar III**
**Climate Objective:**
Pursues value-add investments in renewable energy projects, primarily in solar in Japan and Taiwan.
**Investment Commitment:**
$25 million
Climate Integrated Due Diligence & Monitoring

- SFERS continues to integrate considerations of ESG risks and opportunities, including climate risk into due diligence processes for new investments and monitoring existing investments.
- Physical climate risk is a priority for many real estate managers, many of which are undertaking their own initiatives. SFERS has joined GRESB to further understand evaluate climate and other ESG risks in the real estate portfolio.
- Beginning in 2022, Staff will enhance ESG due diligence for new investments and ongoing monitoring of existing relationships to include a greater focus on climate risk. This process will categorize investments according to their alignment with SFERS’ Net Zero ambition.

Metrics & Target Setting

- Staff remains in the process of data collection and measurement in order to determine appropriate metrics for this asset class.
ESG Investment Management

Private Credit

SFERS’ private credit portfolio was established in September 2017 and is targeted to be a 10% allocation within the SFERS Plan. The portfolio is focused on broad allocation ranges to three main strategies: Capital Preservation, Opportunistic, and Return Maximization. Though a relatively new asset class, many private credit investment managers have robust structures to take into account ESG risks, including climate change. As with the private equity industry, carbon emissions and climate risk reporting is at a nascent stage for private credit investments.

Restricting High Climate Risk Investments

SFERS’ private credit portfolio is primarily invested in commingled account structures where SFERS cannot restrict managers from investing in specific sectors or companies. Overall, however, the portfolio has minimal exposure to the energy sector at 3% and no exposure to thermal coal.

Investing in Climate Solutions

SFERS has exposure to climate opportunities through both specialist strategies as well as generalist strategies.

Fund: New Energy Capital Infrastructure Credit Fund II, L.P.
Climate Objective: Provides late-development or pre-construction stage collateralized debt financing to developers of small to mid-sized clean energy or clean infrastructure projects including, solar, wind, energy storage, and energy efficiency among other renewables.
Investment Commitment: $50 million

Fund: Crayhill Principal Strategies Fund II
Climate Objective: Provides balance sheet capital to growing specialty finance platforms which may include those that originate, service and develop assets, including renewable energy.
Investment Commitment: $70 million
Climate Integrated Due Diligence & Monitoring

- SFERS continues to integrate considerations of ESG risks and opportunities, including climate risk into due diligence processes for new investments and monitoring existing investments.
- Beginning in 2022, Staff will enhance ESG due diligence for new investments and ongoing monitoring of existing relationships to include a greater focus on climate risk. This process will categorize investments according to their alignment with SFERS Net Zero ambition.

Metrics & Target Setting

- Staff remains in the process of data collection and measurement in order to determine appropriate metrics for this asset class.
Absolute Return

The Absolute Return portfolio comprises 10% of plan assets and consists of a range of investment strategies including credit, equity, macro, quantitative, multi-strategy, special situations, and commodities that aim to be uncorrelated to the broader market. Currently there is not consensus around how to measure climate risk and obtain carbon data from the majority of these strategies. SFERS is the process of investigating an appropriate approach to climate risk for this portfolio.
Active Ownership

SFERS believes that acting as an active shareholder is consistent with the fiduciary duties of long-term, diversified investors. Engagement by SFERS and our external asset managers with underlying companies in our portfolio can result in valuable information exchange on a variety of topics including environmental, social, and governance issues.

Climate risk continues to be a key focus area of SFERS’ engagement efforts. SFERS believes that if companies can better manage climate risks and opportunities they can produce better investment outcomes for SFERS and reduce climate risk in the real economy.

SFERS has a variety of tools at our disposal to be an active owner, including letter writing, dialogue with company boards and management, shareholder proposals, and voting actions against Boards of Directors.

SFERS pursues engagements individually but finds great value in collaborative engagements on climate risk, working through the Climate Action 100+ initiative and the CERES Investor Network.

About Climate Action 100+

Climate Action 100+ is a voluntary initiative that brings together – and builds on – a number of pre-existing, investor-led, engagement initiatives that had been operating in different regions of the world. In signing up to Climate Action 100+, investors commit to engaging with at least one of 167 focus companies that are strategically important to the net-zero emissions transition and to seek commitments on the initiative’s key asks:

- Implement a strong governance framework on climate change;
- Take action to reduce greenhouse gas emissions across the value chain; and
- Provide enhanced corporate disclosure.

More than 615 investors, responsible for over $60 trillion in assets under management, are engaging companies on improving climate change governance, cutting emissions, and strengthening climate-related financial disclosures through Climate Action 100+.
About the Ceres Investor Network

The Ceres Investor Network includes more than 200 institutional investors, managing more than $47 trillion in assets. The Investor Network works with Ceres members to advance sustainable investment practices, engage with corporate leaders, and advocate for key policy and regulatory solutions to accelerate the transition to a net zero emissions economy. Global collaborations include Climate Action 100+, The Investor Agenda, the Paris Aligned Investment Initiative, and the Net Zero Asset Managers Initiative.

Engagement

Many companies have been responsive to engagement efforts and have incorporated considerations of climate risk into their strategy, governance, and operational management, including by setting “Net Zero by 2050” targets.

Across the Climate Action 100+ focus list:10

- 43% of companies now have goals or commitments for net-zero emissions by 2050 or sooner in some form.
- 51% also have short-term emissions reduction targets (to 2025) and 38% have medium-term targets (2026-2035).
- 26% of electricity utility companies on the initiative’s focus list have coal phaseout plans that are consistent with the Paris Agreement goals (up from 13% in 2019).

Figure 10. 2020 progress by Climate Action 100+ oil & gas focus companies

---

Continued engagement, however, is essential:

- Just 10% of Climate Action 100+ focus companies have net-zero targets that include coverage of their most material Scope 3 emissions.
- 194 new oil & gas projects sanctioned by focus companies this year are misaligned with the Paris Agreement goals and 68% of planned oil & gas capital expenditure was also inconsistent with these goals.
- Automotive focus companies are still largely falling short of the investment required to switch technologies at an appropriate pace from internal combustion engines to hybrid and electric vehicles.

**Proxy Voting**

SFERS supports relevant shareholder proposals related to climate and carbon risk management, disclosure, governance, goal setting, and strategy. SFERS supports Boards of Directors that demonstrate competence in managing climate-related risks and may vote against Directors if there has been a failure to manage material climate risks at the company.

During the 2020-2021 proxy season, SFERS supported a variety of shareholder-led actions on climate change:

- At Exxon Mobil, SFERS supported the proxy contest at Exxon Mobil Corporation initiated by hedge fund Engine No. 1, which saw the election of three Directors with expertise in innovation, climate risk, and business model transition.
- At General Electric and Caterpillar, SFERS voted in favor of shareholder proposals requesting the Board of Directors to evaluate and disclose if and how the company has met the criteria of the Climate Action 100+ Net Zero Benchmark, or whether it intends to revise its policies to be fully responsive to such indicators.
- At Chevron, SFERS voted in favor of a shareholder proposal that Chevron’s Board of Directors issue an audited report to shareholders on whether and how a significant reduction in fossil fuel demand, envisioned in the IEA Net Zero 2050 scenario, would affect its financial position and underlying assumptions.
- At United Airlines, SFERS supported a shareholder proposal that the Board of Directors conduct an evaluation and issue a report describing if, and how, United Airlines’ lobbying activities (both direct and through trade associations) align with the Paris Climate Agreement’s goal of limiting average global warming to well below 2 degrees Celsius, and how the company plans to mitigate risks presented by any misalignment.
Collaboration & Communication for a Sustainable Economy

Where suitable, SFERS engages to support climate-related public policy efforts, particularly those aimed at carbon pricing schemes, enhanced climate-related regulation by financial oversight bodies, and other relevant legislative efforts. SFERS is a signatory to the Global Investor Statement to Governments on the Climate Crisis, the US Federal Methane Investor Statement, a letter to Congress in support of “Ambitious Climate Investments in the Bipartisan Infrastructure and Build Back Better Budget Reconciliation Packages,” and has commented to the SEC’s “Statement Welcoming Public Input on Climate Change Disclosures.”

Figure 11. Excerpt from Global Investor Statement to Governments on the Climate Crisis
Climate Action Plan – Net Zero by 2050

SFERS remains committed to communicating publicly and transparently to stakeholders including SFERS’ beneficiaries on progress towards net zero. SFERS will report annually through updates to this CAP and will periodically reassess interim targets and the net zero ambition as new data, tools, and analytics emerge and as the climate transition presents new regulatory, technological, and environmental realities.

Recognizing that many elements required to achieve a net zero economy are beyond SFERS’ direct control, SFERS will continue to collaborate with other investors, organizations, data and service providers, among others on climate action.