



SFERS Proxy Voting 2020 Review and Updated 2021 Guidelines

During the February 10, 2021 Retirement Board meeting, SFERS staff provided its annual update on SFERS proxy voting program. This update included a report on shareholder votes cast during 2020, and seven recommended updates to the SFERS Proxy Voting Guidelines for 2021, which the Board approved. The revised Proxy Voting Guidelines reflect increased expectations that Boards of Directors consider gender, racial, and ethnic diversity in their composition, as well as focus on oversight of environmental, social, and governance risks and opportunities.

Active Ownership, which includes proxy voting, is one of the three pillars to SFERS's Environmental Social and Governance (ESG) Platform. 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 responsibility 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.

Proxy Voting 2020 Review

Over the course of 2020, SFERS voted on 16,696 issues and proposals at over 1,400 shareholder meetings. At these shareholder meetings, SFERS's Proxy Voting service provider, Glass Lewis, cast 2,511 individual ballots for various accounts on behalf of SFERS. These votes were cast for both management and shareholder proposals, spanning issues of governance and compensation along with environmental and social issues. A significant number of votes cast against management proposals were due to concerns around over-boarding, lack of board diversity, lack of board member independence on key committees, borrowing where guarantees exceed net assets, and pay and performance disconnect.

There were 20 votes where a majority of shareholders joined SFERS in opposing the management recommendation, meaning the vote failed. Of those votes, 15 focused on executive compensation, three on golden parachute approval, and one each on remuneration report and authority to issue repurchased shares. In all other instances, despite SFERS's opposition, the votes passed with majority shareholder approval.

Read the full [2020 Proxy Voting Report](#)

Proxy Voting Guide 2021 Updates

The Retirement Board approved seven updates to the SFERS Proxy Voting Guidelines for 2021. The updated Guidelines allow SFERS to vote against Directors to corporate boards and Governance committees on a case-by-case basis if the following conditions apply:

- Vote against chairs of Nominating/Governance committees at companies with less than 20% gender diversity and entire boards without any gender diversity from Russell 3000 and S&P 500 universe to a universe of all U.S. companies.
- Vote against chairs of Nominating/Governance committees at S&P 500 companies that do not appropriately address racial and ethnic diversity, by explicitly including gender and race/ethnicity in its definition of diversity, full disclosure of, and a commitment to the implementation of the "Rooney Rule".
- Require at least two-thirds board independence to align with best practice of Glass Lewis, the Council of Institutional Investors, the Business Roundtable, the Conference Board, and public pension peers.

- Vote against chairs of Nominating/Governance committees at companies where, in the absence of having an independent board chair, the board has not appointed a designated independent lead director or independent presiding director.
- Vote against chairs of Nominating/Governance committees at companies that fail to provide adequate disclosure of related party transactions for two consecutive years.
- Vote against chairs of Nominating/Governance committees at companies where there is not clear board oversight of environmental and social risks (limited to S&P 500 companies) and vote against directors charged with ESG oversight if there are material failures on management of E&S risks, and or a deficient disclosure on E&S risks and opportunities.
- Vote against directors where a conflict of interest may exist, including a CFO who is on the board, a director who directly or has family that provides material consulting to the company, a director who directly or has family that provides airplane, real estate or other benefit to the company, a director who is an interlocking director, and or a director who served during poison pill.

Read the full updated [Proxy Voting Guidelines for 2021](#)