Seattle Retirement
Seattle City Employees' Retirement System

Environmental, Social & Governance (ESG) Semi-Annual Update

September 11, 2025

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Environmental, Social & Governance (ESG) at SCERS

SCERS benefits from an **Environment that is sustainable**, a **Society that is well-functioning** and **Governance systems that are sound**.

SCERS integrates ESG risks and opportunities into its investment process to ensure that any **financially material** impact on risk and return is considered.

SCERS has pursued an ESG positive action strategy, prioritizing **climate change** since 2015 and **diversity, equity and inclusion (DEI)** since 2022.

ESG Process Integration

Climate Positive Action Strategy	Diversity, Equity & Inclusion (DEI) Positive Action Strategy
Company Voting and Engaging	Company Voting and Engaging
Policy Advocacy	Manager Research
Sustainability Investments	

Investor Organizations and Initiatives

SCERS is an active member of several investor organizations that provide shared resources and collaboration opportunities on ESG matters

Climate-Focused

Ceres

Climate Action 100+

Climate Engagement Canada

DEI-Focused

iDAC

Invest Ahead

Investors for Board Diversity

diverse INVESTING COLLECTIVE

Allocator Collective

Governance-Focused

Council of Institutional Investors®
The voice of corporate governance

ilpa INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

ESG Integration-Focused

PRI Principles for Responsible Investment

Climate Positive Action Strategy

Background

SCERS believes that climate change poses a systemic risk to the investment portfolio due to its profound and pervasive impact on the real economy.

Climate change also introduces heightened uncertainty to the capital markets depending on how it is addressed by policymakers, companies, investors, individuals, and other stakeholders.

SCERS supports decarbonizing the real economy to safeguard its investment portfolio from the impact of climate change.

Climate Risk

Will society take the steps necessary to mitigate climate change (and at what pace will those steps be taken)?

If society does not mitigate climate change or does so slowly

If society effectively mitigates climate change

Physical Risk

Financial risk resulting from an increase in the severity and frequency of extreme weather events and sustained changes in weather patterns

Expected to damage infrastructure and other physical assets

May reduce the earnings of, for example:

- **Real estate, physical structures**
- **Agriculture, consumer goods**
- **Financials (insurance, banking)**

Transition Risk

Financial risk resulting from society effectively decarbonizing via policy-making and other climate mitigating efforts

Expected to reduce demand or increase cost for carbon-intensive activities

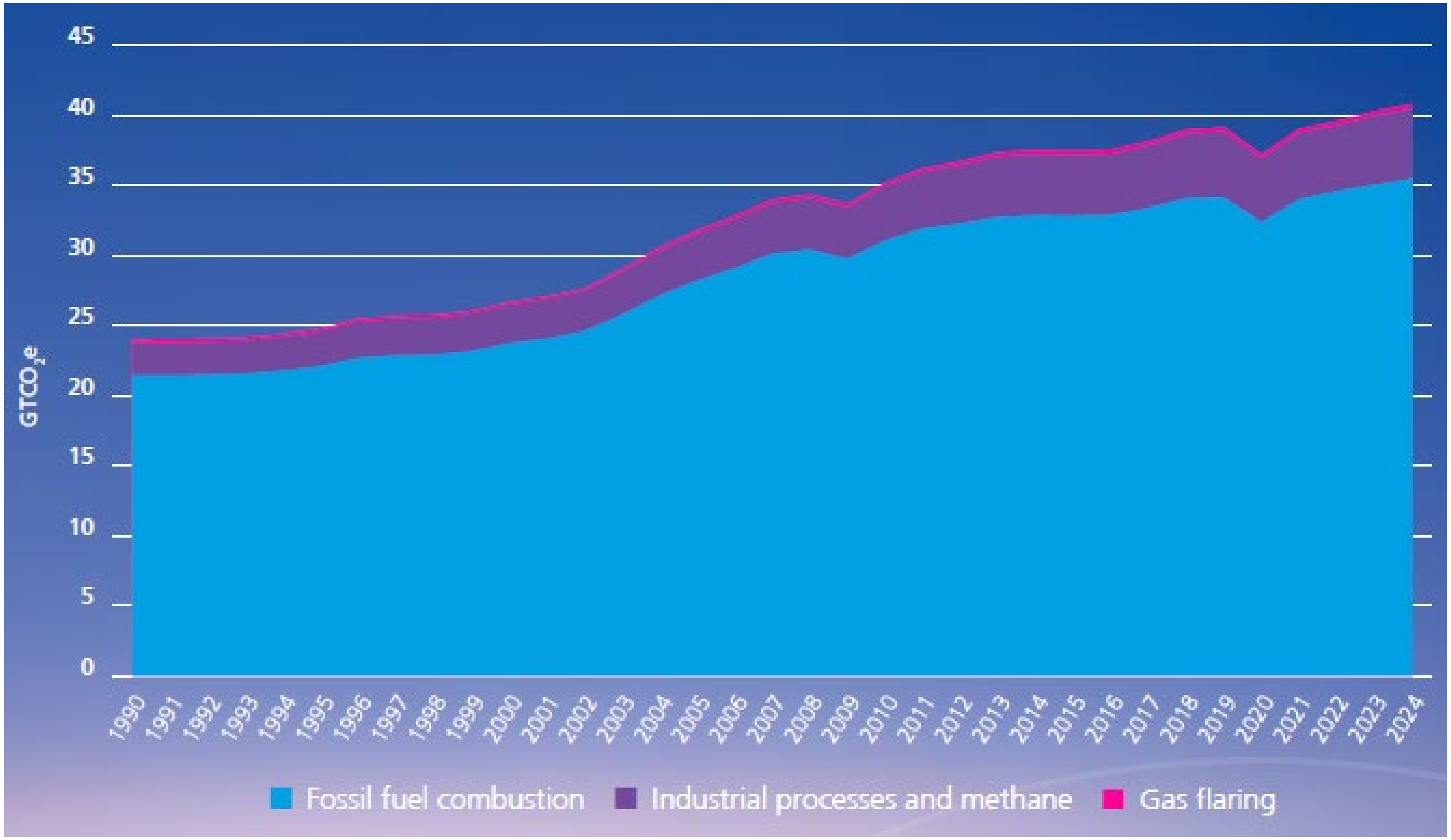
May reduce the earnings of, for example:

- **Fossil fuel producers (oil, gas)**
- **Carbon emitters (e.g. airlines, utilities, agriculture/livestock)**
- **Fossil fuel adjacent (e.g. midstream)**

Note: From April 2022 Investment Committee ESG Policy discussion

Carbon Emissions

Energy-Related Carbon Emissions



Source: Energy Institute, “2025 Statistical Review of World Energy”

Supporting Evidence

Climate change poses a systemic risk to investment portfolios due to its profound and uncertain impact on the real economy

"Climate change poses the biggest long-term threat to the global economy. If no mitigating action is taken, global temperature could risk by more than 3^{o}C and the **world economy could shrink by 18%** in the next 30 years"

- Swiss Re, The Economics of Climate Change, 2021[1]

"Climate change poses a **major risk to the stability of the U.S. financial system** and to its ability to sustain the American economy. Climate change is already impacting or is anticipated to **impact nearly every facet of the economy**, including infrastructure, agriculture, residential and commercial property, as well as human health and labor productivity."

- Commodity Futures Trading Commission, Managing Climate Risk in the U.S. Financial System, 2020[2]

"Risks to the financial system from climate change tend to be **particularly uncertain** in both their severity and the time horizon over which they might crystallize."

- Financial Stability Board, The Implications of Climate Change for Financial Stability, 2020[3]

Note: From April 2022 Investment Committee ESG Policy discussion

[1] https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html

[2] https://www.cftc.gov/PressRoom/PressReleases/8234-20

[3] https://www.fsb.org/wp-content/uploads/P231120.pdf

Climate Scenario Analysis

SCERS considers climate risk when setting the strategic asset allocation

- NEPC performs a climate scenario analysis
- Climate change is expected to have a profound and pervasive financial impact across capital markets
- SCERS's portfolio is expected to perform poorly over the long-term if climate change is unaddressed due to high realized physical risk

DYSTOPIAN	Industrialized nations reverse current policies to mitigate greenhouse gas emissions
INDIFFERENCE	Current policies remain and no future commitments to reduce greenhouse gas emissions are enacted
ASPIRATIONAL	Policy pledges of industrialized nations are implemented to lower greenhouse gas emissions (e.g., Paris Accords)
INNOVATION	Revolutionary technology changes across industries reduce greenhouse gas emissions to 20th century levels

Note: Graphics from NEPC's Asset-Liability Study presentation at the August 2023 Investment Committee meeting

Climate Positive Action Strategy

SCERS established a Climate positive action strategy in 2016 that consists of company voting and engaging, policy advocacy and sustainability investments

	Company Voting and Engaging	Policy Advocacy	Sustainability Investments
Why it matters?	Companies can play a meaningful role in decarbonizing the real economy through their investment decisions, business operations, political advocacy, and other activities.	Governments are critical to decarbonizing the real economy through setting constructive regulations, developing incentives for companies and individuals to reduce emissions, and investing in promising technology and essential infrastructure.	Investments targeting energy-transition related technology, infrastructure and efficiency are needed to decarbonize the real economy. By allocating new capital to these opportunities, investors may achieve performance goals while advancing decarbonization.
What SCERS wants to achieve?	• Board Directors with climate expertise to incent and align management with decarbonization • Companies making net zero commitments and taking actions to meet those commitments • Companies investing in the emerging technologies needed for decarbonization • Companies disclosing lobbying activities related to climate policies	• Policies that incentivize decarbonization, such as carbon pricing • Policies that stop subsidizing carbon-intensive industries • Policies that support technology and infrastructure • Market regulations that promote climate-related disclosure and planning	• Investment managers who have experience and capabilities in evaluating and implementing sustainability investments • Investment products that have a broad opportunity set and the potential for a material allocation to sustainability investments

Climate Investor Organizations and Initiatives

	Primary Focus	Mission	Membership
Ceres	Company Voting and Engaging, Policy Advocacy	Ceres is a nonprofit advocacy organization working to accelerate the transition to a cleaner, more just, and resilient world.	Institutional investors and managers, corporations, small and midsized enterprises
Climate Action 100+	Company Engaging	Climate Action 100+ has established a common high-level agenda for company engagement to achieve clear commitments to cut emissions, improve governance and strengthen both climate-related financial disclosures and transition plans, in order to create long-term shareholder value.	Institutional investors, asset managers, engagement service providers
CLIMATE ENGAGEMENT CANADA	Company Engaging	Climate Engagement Canada is a finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy.	Institutional investors and managers, corporations, engagement service providers

Company Developments

Climate Action 100+ target companies continue to acknowledge climate risk and maintain their public commitments[1]

- 80% have publicly announced Net Zero by 2050 ambitions for Scope 1 and Scope 2 emissions, up from 52% in 2021
- 90% have Board-level oversight for management of climate-related risks
- 71% have publicly shared information relating to decarbonization strategies
- 100% airline and auto target companies have materially reduced emissions in the past three years

With that said, many companies have weakened their climate targets or taken action that is inconsistent with their public commitments[2]

- Examples include BP, Shell, HSBC, Walmart, Amazon and many others
- Reasons provided include economic uncertainty, the need for energy resilience and the lack of cost-efficient low carbon technologies

[1] https://www.climateaction100.org/wp-content/uploads/2025/02/CA-100-Progress-Update-2024-PDF.pdf
[2] https://www.bloomberg.com/features/2025-corporate-climate-broken-promises/

Policy Developments

Recent U.S. federal policies pursued by the Trump Administration have increased the risk of unmitigated climate change

- **Repealed material portions of Inflation Reduction Act (IRA) incentives** comprising nearly all federal tax credits for renewable energy, electric vehicles, and clean manufacturing
- **Proposed repeal of Clean Power Plant Rule** that would require coal and new gas-fired power plants to capture their carbon emissions
- **Proposed repeal of the Environmental Protection Agency's (EPA) Greenhouse Gas Endangerment Finding** that allows for the regulation of carbon emissions based on the determination that greenhouse gases endanger public health
- **Withdrawn U.S. from the Paris Climate Accord** where countries across the globe had committed to reducing carbon emissions
- **Ordered halt to several offshore wind projects and a moratorium on new projects**

Outside of the U.S., recent climate policy developments have been mixed depending on the specific country

Policy Advocacy Activity

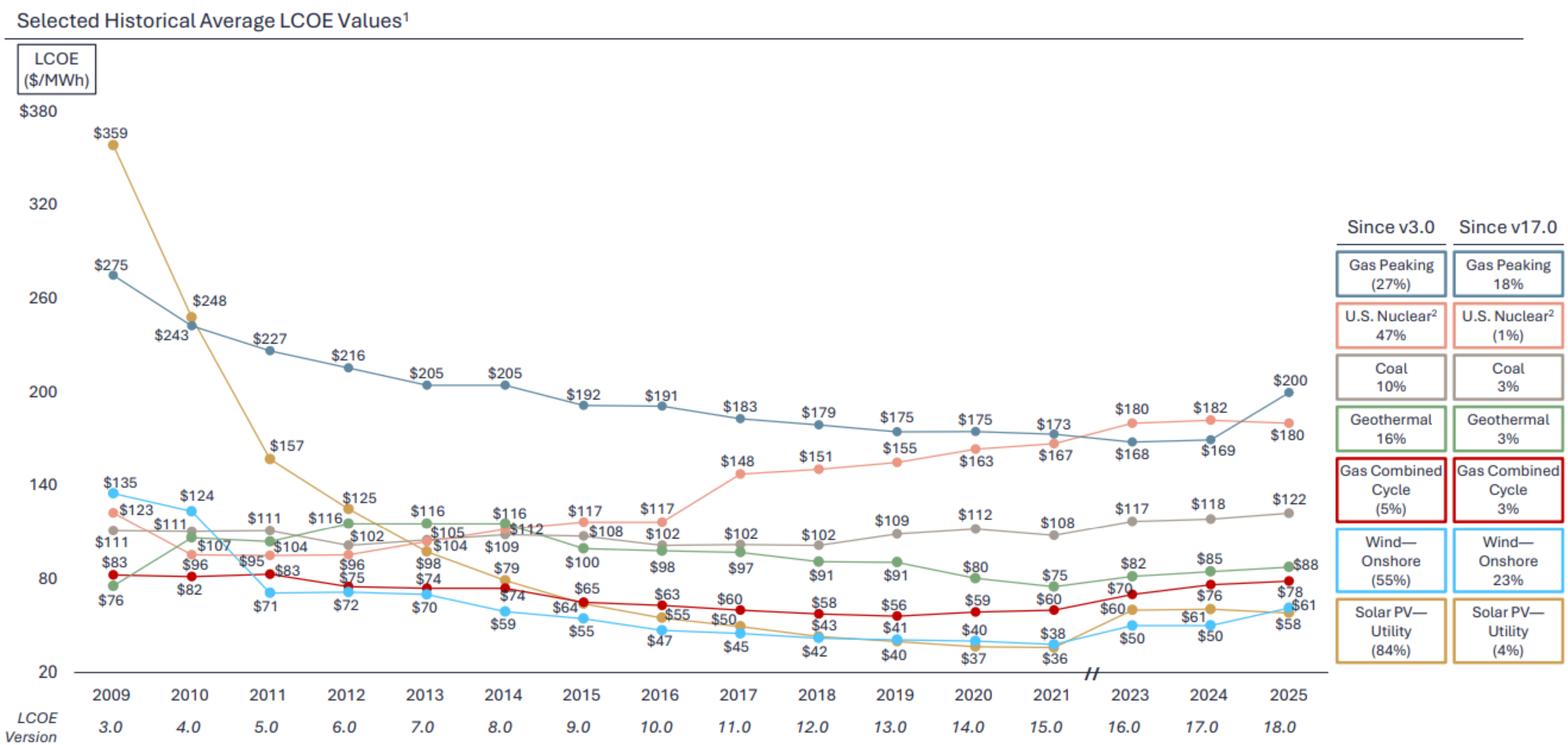
SCERS joined other financial institutions in signing the 2024 Global Investor Statement to Government on the Climate Crisis[1]

- Signed by 500 financial institutions with over $29 trillion in assets under management
- Calls on governments to: (1) enact economy-wide public policies limiting temperature rise by 1.5°C; (2) implement energy transition strategies, especially in high-emitting sectors; (3) address nature, water and biodiversity-related challenges related to climate; (4) mandate climate-related disclosures across the financial system; and (5) mobilize further private investment into climate mitigation, resilience and adaption in emerging economics

[1] https://www.unepfi.org/wordpress/wp-content/uploads/2024/09/FINAL-2024-Global-Investor-Statement_17-Sep-2024.pdf

Sustainability Investments Developments

Renewable power generation Levelized Cost of Energy (LCOE) has dropped over time, while fossil fuel generation has remained steady



Source: Lazard, https://www.lazard.com/media/uounhon4/lazards-lcoeplus-june-2025.pdf

Sustainability Investments Activity

SCERS's investment managers continued to make new investments in energy-transition related technology, infrastructure and efficiency:

- **NOVA Infrastructure** completed the purchase of UGE International Ltd., a community solar and battery storage business that had been publicly listed. UGE develops, builds, finances, owns and operates solar and battery storage projects in multiple states.[1]
- **Global Infrastructure Partners** acquired an interest in Eni CCUS, a platform in the carbon capture, utilization and storage sector. Eni CCUS currently operates assets in the United Kingdom and Netherlands that are aimed at decarbonizing industrial clusters.[2]
- **Brookfield** announced an agreement with Google to deliver up to 3,000 megawatts of hydroelectric capacity generated by two facilities in Pennsylvania.[3]
- **Tiger Infrastructure Partners** invested in Bolder Industries, a circular-economy company that transforms end-of-life tires into sustainable forms of carbon black (an essential raw material for tires, rubber and plastics) and pyrolysis oil (used for renewable fuels and other industrial applications). Bolder Industries has a current facility in Missouri and is constructing new facilities in Indiana and Belgium.[3]

[1] https://www.novainfrastructure.com/nova-completes-purchase-of-uge-international

[2] https://www.global-infra.com/news/global-infrastructure-partners-enters-agreement-to-acquire-co-control-stake-of-49-99-in-eni-ccus-holding/

[3] https://bep.brookfield.com/press-releases/bep/brookfield-and-google-sign-hydro-framework-agreement-deliver-3000-mw-homegrown

[4] https://www.prnewswire.com/news-releases/tiger-infrastructure-partners-completes-transformational-growth-investment-in-bolder-industries-a-circular-economy-infrastructure-platform-converting-end-of-life-tires-into-sustainable-materials

SCERS Activity & Industry Developments

SCERS Activity

Industry Conferences

- Leola Ross attended The Investment Diversity Exchange (TIDE) in July 2025
- Leola Ross attended the Council of Institutional Investors spring conference in September 2025
- Jason Malinowski spoke to the PIMCO Future Leaders Scholars in May 2025

Investor Organizations & Initiatives

- Leola Ross joined the Council of Institutional Investors Proxy Voter Group and became co-Chair of Shareholder Advocacy Committee
- Leola Ross continues engaging on climate-related topics with multiple corporations, including Southern Company, Exxon, Boeing, and Paccar
- Jason Malinowski participated in the kick-off session of the Allocator Collective Pension Initiative
- Jason Malinowski completed the Allocator Collective fellowship program by presenting a group project about sourcing diverse talent

Internal Projects

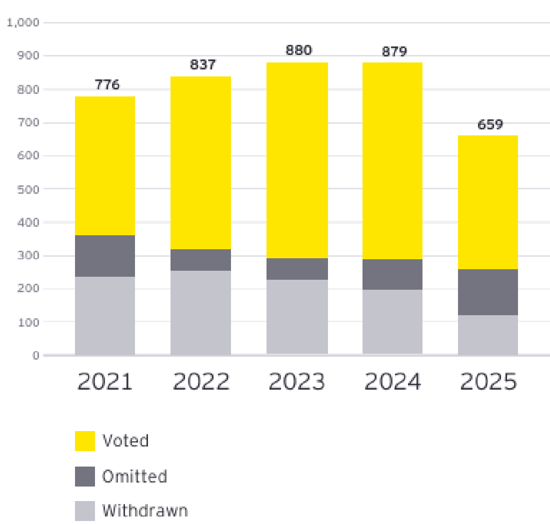
- Staff sent a letter to proxy service advisor, ISS, requesting that it reverse the February 2025 decision to remove DEI considerations from Board voting decisions
- Staff conducted a detailed analysis of proxy voting and continues to monitor government actions and service provider reactions
- Staff responded to the Principles for Responsible Investing 2025 Survey (bi-annual)

Shareholder Resolution Trends

Shareholders filed fewer resolutions in 2025

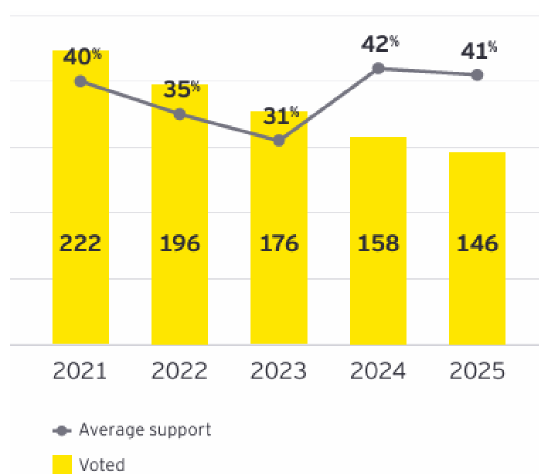
- Support for environmental and social proposals has fallen materially over the last 5 years
- Support for governance and artificial intelligence proposals has increased recently

Shareholder proposal status 2021-2025, S&P 1500



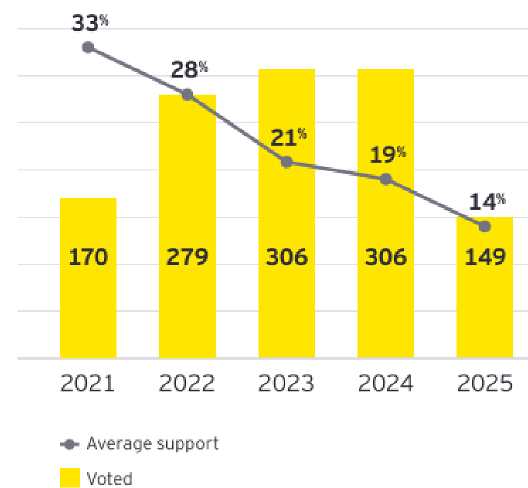
Source: Analysis by EY Center for Board Matters.

Governance proposals, S&P 1500



Source: Analysis by EY Center for Board Matters.

Environmental and social proposals, S&P 1500*



*Excludes anti-ESG proposals on these topics.
Source: Analysis by EY Center for Board Matters.

Source: EY, https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/campaigns/board-matters/documents/ey-cbm-2025-proxy-review-final-us-score-us.pdf

Industry Developments

Texas and 12 other Republican-led states sued BlackRock, Vanguard and State Street claiming that they violated antitrust law through their “climate activism” when engaging with public companies. The lawsuit argues that this reduced coal production and boosted energy prices. The investment managers sought to dismiss the lawsuit, which was rejected by a U.S. federal district judge in August 2025 with the case being allowed to proceed.[1]

[1] https://www.reuters.com/sustainability/boards-policy-regulation/blackrock-other-fund-managers-lose-bid-dismiss-texas-climate-collusion-lawsuit-2025-08-01/

Appendix

DEI Positive Action Strategy

SCERS established a DEI positive action strategy in 2022 that consists of company voting and engaging, and manager research. Diversity, equity, and inclusion may lead to better decision-making and contribute to improved company and investment manager performance.

	Company Voting and Engaging	Manager Research
Why it matters?	Companies are both primary beneficiaries of a diverse workforce and gatekeepers for hiring, training, enriching, and promoting that workforce.	SCERS manages its portfolio through investment managers that are responsible for investing a portion of SCERS's assets on its behalf. Greater diversity within SCERS-invested managers is expected to improve decision-making and therefore investment performance.
What SCERS wants to achieve?	• Board Directors with diverse backgrounds and skills to provide improved oversight • Companies hiring and promoting with gender and racial diversity in mind • Companies disclosing gender and racial diversity annually	• Managers who are transparent and take action to improve the diversity of their workforce, particularly of their investment professionals • An investment consultant who identifies high-quality managers with diverse teams • An investment industry that is more representative of society

Fossil Fuel Company Allocation

SCERS Public Equity Allocation to Fossil Fuel Companies
As of December 31, 2024

SCERS Ownership	Account Type	Exposure ($ million)	% of SCERS Total Portfolio
Direct	Separate Account	$25.5	0.6%
Indirect	Commingled Fund	$25.8	0.6%
Total		$51.2	1.2%

Source: MSCI Total Plan Manager; excludes overlay program

Note: Companies with sub-industry of Oil & Gas Exploration & Production, Integrated Oil & Gas, Coal & Consumable Fuels