

TERS BOARD OF ADMINISTRATION

POLICY AND PROCEDURES REGARDING INVESTMENTS FOR ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PURPOSES

I. POLICY

The TERS Board of Administration (Board) adopts this policy regarding consideration of environmental, social, and governance (ESG) issues for TERS investments. The Board's fiduciary obligations to TERS members are its top priority. Investment actions which promote an ESG goal will be considered only if the proposed action does not adversely affect TERS investment risk and/or return and if the resulting expected return on investment and related risk for the proposed action are comparable to other available investments in the same category. While the Board will give serious consideration to ESG issues, investments will not be selected, rejected, or divested from based solely on those considerations.

II. PROCEDURES FOR CONSIDERATION OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING PROPOSALS

A proposal for consideration of an ESG investment action may take the form of a proposal that the Board make a particular investment, to refrain from doing so, or to take any other action related to the handling of TERS assets or the rights associated with those assets. Examples included recommended divestment of certain stocks, proxy voting guidelines, or targeted investments. Any and all such proposals are to be considered in the manner outlined in this procedure.

- A. To receive consideration, an ESG investment proposed action must meet the following requirements:
 1. It must be specific and presented in writing to the TERS Director, and/or at a meeting of the Board;
 2. It must include objective, reasoned analysis indicating how the proposal satisfies TERS' fiduciary obligations, and show that the return on investment (net of all costs to implement such changes) and related risk of the proposal are comparable to other available investments in the same category;
 3. It must appear to be reasonably feasible to accommodate the desired investment action within TERS' portfolio of investments or in a reasonable modification of them; and
 4. It must not, in the discretion of the Board, be considered duplicative of a recently-

considered ESG proposal.

5. Any party bringing such a proposal will pay any costs incurred by TERS to do a professional analysis.

This determination shall be made by the TERS Executive Committee unless the Board elects to address the matter.

- B. If an ESG investment proposal meets all of the requirements of Section A as determined by the Board or the Executive Committee, it shall be forwarded to the Investment Consultant for review and written analysis of whether the proposal would be expected to provide a return on investment and related risk comparable to other available investments in the same category and meet all other requirements of TERS' investment policies. The written analysis shall provide: 1) identification of the potentially available ESG investment options, if any, that meet the requirements of TERS' investment policies; 2) a survey of comparable investment funds' approaches to this type of proposal, or similar proposals; and 3) assessment of the projected impact of the proposal on the returns and risks of TERS' investment portfolio compared to other available investments in the same category.
- C. If the Investment Consultant reports that the ESG proposal meets the requirements of the System's investment policy outlined above, the Board shall consider the proposal, after receiving such additional information as it may deem necessary or appropriate from the Investment Consultant or any other professionals.

October 2019