

2022 Annual ESG Investment Report





Vision

“Diverse and dynamic Bay Area Jewish communities, deeply engaged in Jewish life and doing good locally, in Israel, and around the world.”

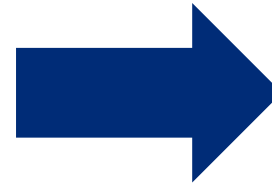
Values

Building community
(kehilla)

Taking care of the needy
(tzedakah)

Pursuing justice
(tzedek)

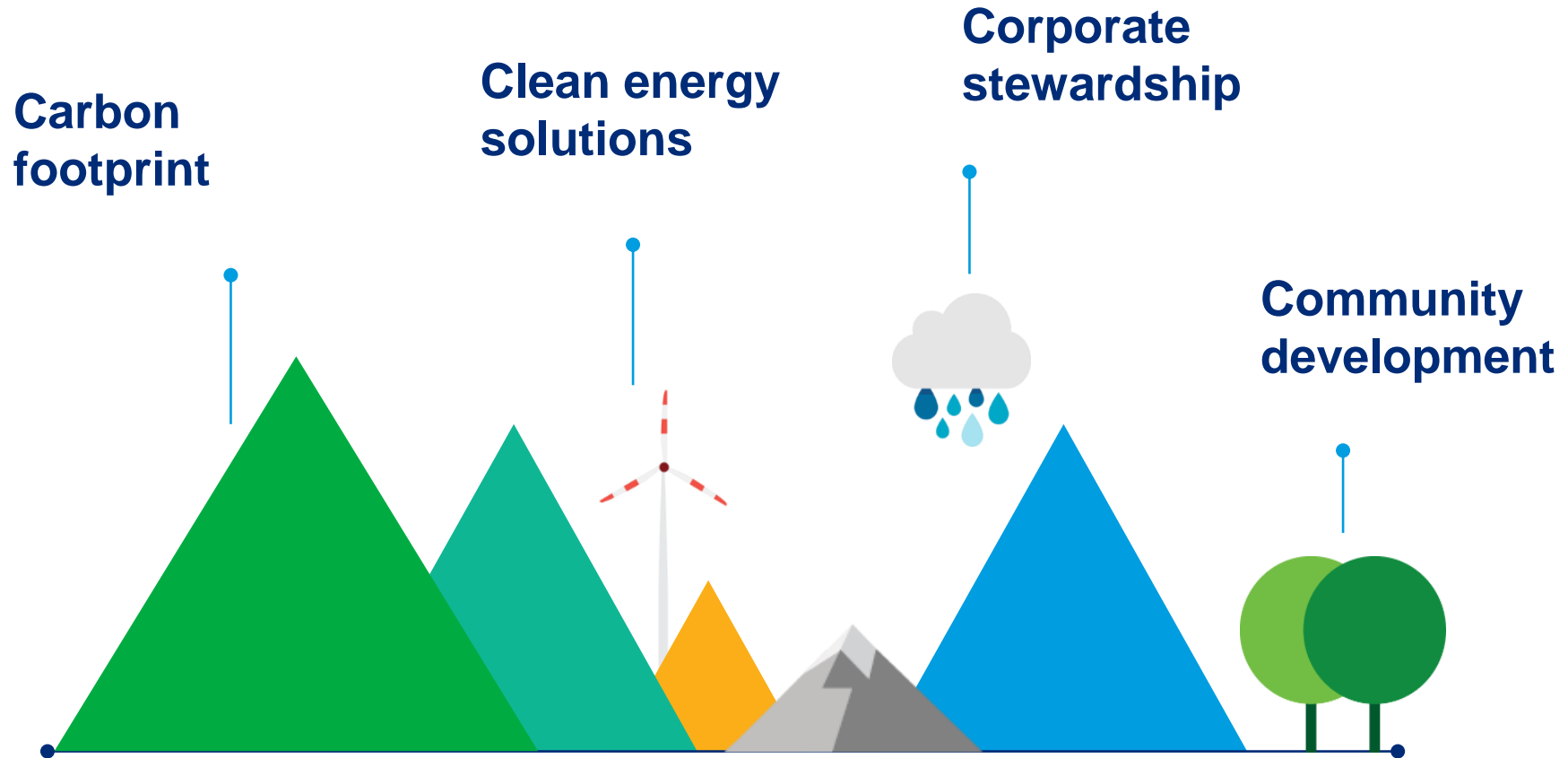
Repairing the world
(tikkun olam)



For our Donor-Advised Fund Investments:

“ESG” is our strategy for measuring and managing our donor-advised fund investments toward our values

How investments can affect our world



Overview

The JCF portfolio is constructed to align as closely as possible with donors' values.

Environmental

- Climate Change
- Energy Efficiency
- Waste & Pollution
- Water & Resource Scarcity

Social

- Health & Safety
- Labor Practices
- Gender & Diversity
- Data privacy & security

Governance

- Audit Quality
- Board Structure
- Executive Compensation
- Shareholder Rights

Jewish Values

- Support for Israel
- Protecting workers
- Caring for environment
- Obligation to Ethical Business

Benefits of ESG investment strategies

Align investments with philanthropic goals

Align investments with Jewish values

Support positive social and environmental impacts

Invest with similar cost as non-ESG investments

Get ahead of the mainstream shift to ESG

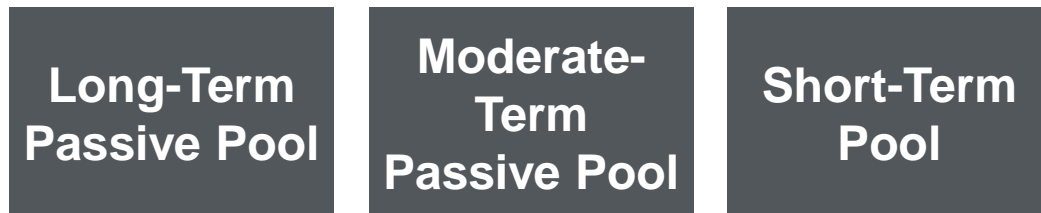
Potentially reduce risk and improve investment returns

Our Federation's DAF investment pools

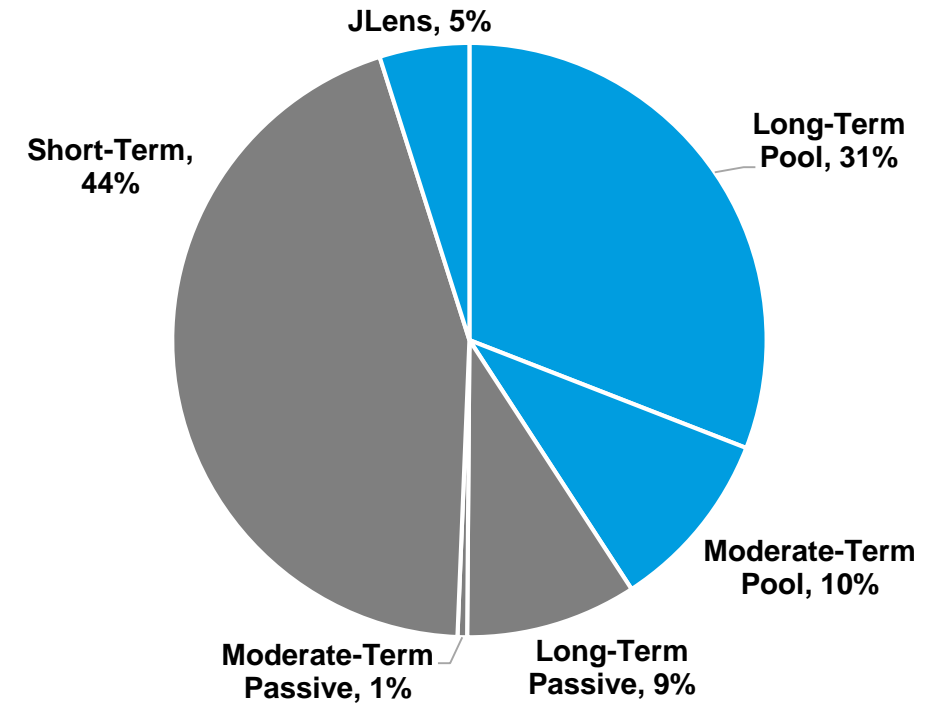
- 3 of our DAF investment pools fully use ESG, and represent nearly half our DAF investments:



- 3 of our DAF investment pools **do not** use ESG:

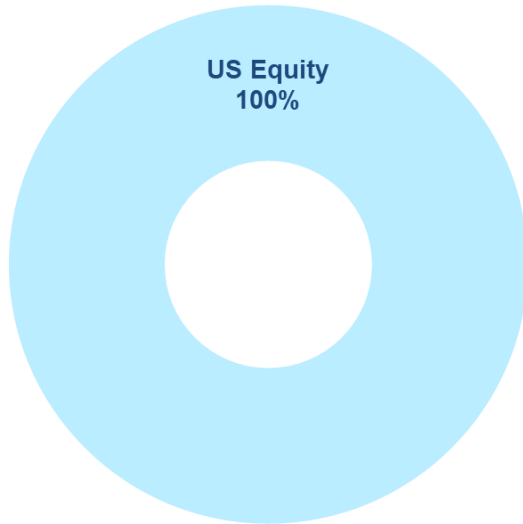


Percent of JCF's DAF Investments by Pool

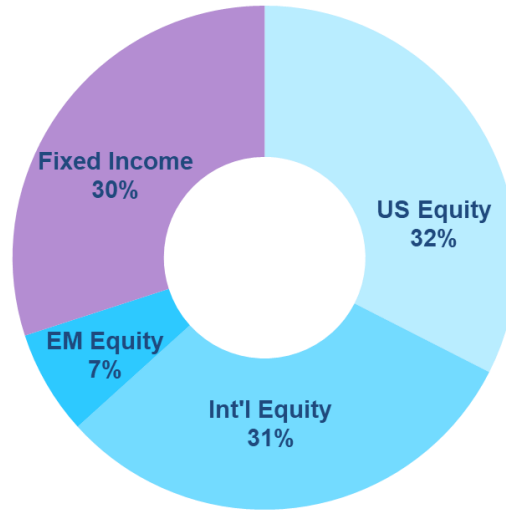


Our investment pools' values alignment strategies

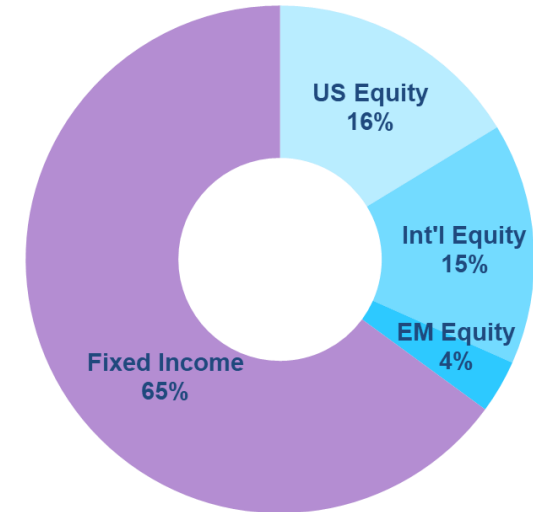
JLens Jewish Advocacy Pool



Long-term ESG Pool



Moderate-term ESG Pool



Values Alignment Strategies

Diversified strategies:
High level ESG integration aligned with Jewish Values

Long-term thematic:
Climate-related low-carbon transition

Screening:
Excludes industries misaligned with values

Active ownership:
Voting, engagement, disclosure

Advocacy:
Generates positive impact through investor advocacy on behalf of Jewish community

Support for Israel:
Encouraging companies to expand economic ties with Israel and counteracting BDS pressure

Values alignment strategies common to **all** Funds

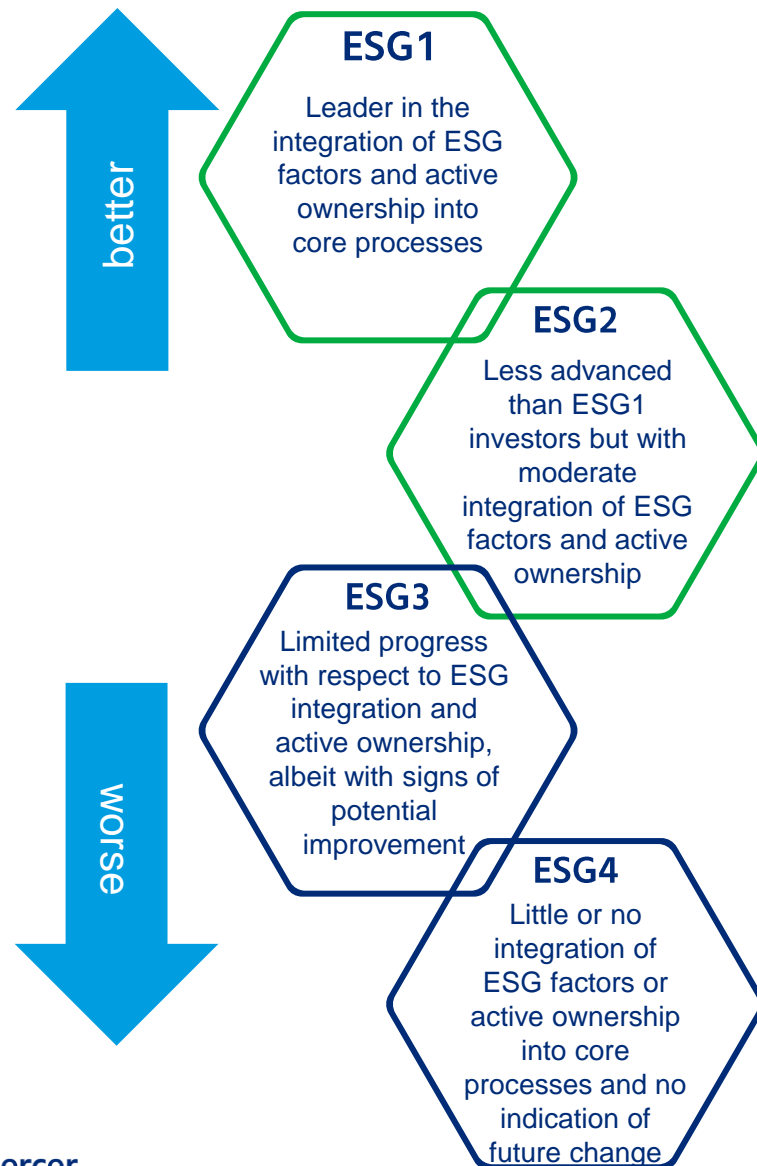
Values alignment strategies **unique to JLens** Advocacy Pool

Investment managers in the pools

Long- and Moderate-Term Active ESG Pools

Asset Class	Fund	ESG Integration & Themes
Equity - US Large Cap	Parnassus Core Equity	ESG is incorporated into investment process throughout due diligence and portfolio maintenance focusing in five key areas: environment, community, customers, workplace, and governance.
Equity - US Small/Mid Cap	Boston Trust Walden SMID Cap	Fundamental and ESG analysis conducted in parallel. Companies demonstrating superior corporate governance and employment practices relative to peers are favored.
Equity – International	Boston Common ESG Impact International	Firm engagement to encourage portfolio companies to improve sustainability of their operations on issues such as environmental compliance, labor relations, and human rights policies.
Equity – Global	Mirova Global Sustainable Equity	Investment universe is narrowed through ESG screens focused on human resources, product quality, corporate culture, business ethics, management stability, and customer satisfaction.
Equity - Emerging Markets	Ninety One Emerging Markets Equity	ESG ratings incorporated as a main factor in the investment process.
Fixed Income - US Core	TIAA-CREF Core Impact Bond	Proactive investments are made in affordable housing, community development, renewable energy/climate change, and natural resources.
Fixed Income - US Core	Neuberger Berman Core Bond	ESG ratings incorporated as a main factor in the investment process.

ESG ratings data



All of our investment managers are highly rated: **ESG 1 or ESG 2**

Our pools' rating is **1.3**, near the top

Data:

- Mercer evaluates the degree of ESG integration for each investment manager in the Long-Term and Moderate-Term pools
- **The ratings scale is 1 (best) to 4 (worst)**

Investment manager	ESG Rating
Parnassus Core Equity	ESG 1
Boston Trust SMID Cap	ESG 2
Boston Common ESG Impact Int'l.	ESG 1
Mirova Global Sustainable Equity	ESG 1
Ninety One Emerging Markets	ESG 2
TIAA-CREF Core Impact Bond	ESG 1
Neuberger Berman Core Bond	ESG 2

- The market average* for global equity (stock) and US fixed income (bond) managers is **2.9**

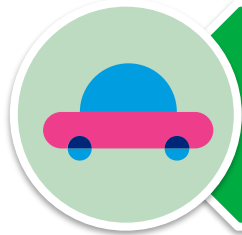
Analysis background:

- This analysis is conducted at the investment manager level and is focused on process, not outcomes

Assessment:

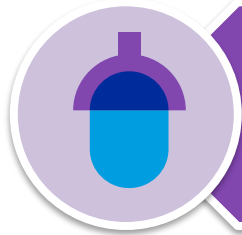
- **This score is very strong**

Examples of our pools' investments impacts



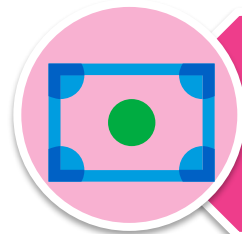
Environmental Impact

Net Zero Pathway: 67% of Boston Common's holdings have a climate commitment or target
Carbon Intensity: Boston Trust SMID Cap Fund has a weighted average carbon intensity that is 63% less than its benchmark



Social Impact

Affordable Housing: TIAA-CREF Core Impact Bond Fund's investments resulted in 94,181 housing units built or supported, including units designated for low- to moderate-income residents



Governance Impact

Diversity: Mirova's advocacy resulted in positive impact on the achievement of the UN's Sustainable Development Goals, and fostering greater gender and racial diversity across all levels of its holding companies



Jewish Values Alignment

Anti-BDS Advocacy: JLens' anti-BDS advocacy work was instrumental in Morningstar reconsidering its ESG scoring methodologies that had resulted in biases towards Israel based companies/companies deriving revenue from business involvement in Israel

Carbon intensity and diversity highlights

Long-Term and Moderate-Term ESG Investment Pools



100.4
Carbon Intensity*

versus 169.6 for the MSCI ACWI Index, indicating greater alignment with environmental issues.



13.9%
of portfolio companies

derive at least 10% revenue from environmental solutions, versus 13.5% for the MSCI ACWI Index.



53%
of portfolio companies

with 30% or more female directors on the board, a positive step in gender equality at the executive leadership level.

*Carbon intensity is measured as tons of CO₂ emitted per \$1M of sales and is a weighted average of all underlying companies

Corporate engagement examples

JCF DAF Pools' investments are effecting change at the company level



Environmental Engagement

Boston Common – Carrier/Daikin

Advocate for adoption of alternatives to hydrofluorocarbon refrigerants, increased refrigerant efficiency and proper end of life disposal.

Ninety One – Kia Motors

Encouraging Kia to complete a carbon footprint assessment; carbon reduction plan for raw materials, transport, logistic and distribution centers.



Social Engagement

Parnassus – Waste Management

Requested Waste Management executives for **detailed disclosure of, and action around environmental impact.**

Mirova – Thermo Fisher

Raised awareness of risks associated with selling DNA equipment to China due to potential nefarious misuse of data organized by local authorities.

Boston Trust – SEI Investments

Provoked commitment to produce **workforce composition data across job categories by gender, race, and ethnicity.**

Impact through company engagement

Company	Investment Manager	Proposal Description	Company Management Recommendation	Investment Manager Vote	Results (For/Against/Abstain)
NextEra Energy	Mirova	Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics	Against	For	Withdrawn
Comcast	Parnassus	Oversee and Report a Racial Equity Audit	Against	For	Withdrawn
Chemed Corp	Boston Trust	Report on Political Contributions	Against	For	Passed (79%/20%/1%)
Microsoft	Ninety One	Report on Gender/Racial	Against	For	Withdrawn

Investment managers seek to generate positive impact and promote sustainable development for the benefit of all stakeholders, through leveraging their influence and active engagement

Company engagement highlights

Boston Trust Walden

- In 2021, led or participated in 14 shareholder resolutions, addressing climate action and lobbying, equality, and corporate governance.
- More than 50% of shareholder resolutions were withdrawn after reaching an agreement with the company.
- Average support for resolutions that went to a vote was 33% (vs. 27% in 2020).

Parnassus

- Filed 2 shareholder resolutions so far in 2022.
- 1 (Cerner) was withdrawn based on a successful negotiation with the company, 1 (Republic Services) went to vote and received 36% approval.

Exploring ways to further align pools with Jewish values





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