

FEDERAL HOME LOAN BANK OF SAN FRANCISCO
Profile for Independent Director

Federal Home Loan Bank of San Francisco Overview

The Federal Home Loan Bank of San Francisco (Bank), a federally chartered corporation, is one of 11 regional Federal Home Loan Banks (FHLBanks). The Bank covers the territory of Arizona, California, and Nevada, known as the Eleventh District.

The FHLBanks were organized under the Federal Home Loan Bank Act of 1932 and are government-sponsored enterprises. Each FHLBank operates as a separate corporation with its own board of directors, management, and employees. The FHLBanks are not government agencies and do not receive financial support from taxpayers. The Bank is privately owned and operates with a cooperative ownership structure. Its mission is to enable families and individuals of all income levels to obtain quality housing and become homeowners by providing wholesale products and services that help member financial institutions expand the availability of mortgage credit, compete more effectively in their markets, and foster strong and vibrant communities through community and economic development. More information is available at www.fhlbsf.com.

To access the Bank's products and services, a financial institution must be approved for membership and purchase capital stock in the Bank. The Bank's approximately 334 members include commercial banks, credit unions, industrial loan companies, savings institutions, insurance companies, and community development financial institutions headquartered in Arizona, California, and Nevada. Although the Bank is not publicly traded, it is registered with the SEC and publicly reports its financial results.

The FHLBanks are regulated by the Federal Housing Finance Agency (Finance Agency). To fund operations, the FHLBanks issue debt through the FHLBanks' Office of Finance, their fiscal agent for issuing and servicing consolidated obligations, which are rated Aaa/P-1 by Moody's and AA+/A-1+ by Standard & Poor's Rating Services.

As of March 31, 2024, the Bank had approximately \$88.0 billion in assets and outstanding loans (advances) of approximately \$56.9 billion.

Location

The Bank is headquartered in San Francisco and most of its board meetings are held at the Bank's headquarters.

Board Composition

The Board of Directors of the Bank (Board) is elected by its member financial institutions. There are currently 15 directors, comprised of 8 member directors and 7 independent directors (including 2 public interest directors). Member directors are officers and/or directors of the Bank's member institutions and are nominated and elected by the members located in a particular state: Arizona, California, or Nevada. Independent directors are not (and cannot be) officers or directors of the Bank's member institutions and are elected by all Bank members from among candidates nominated by the Board.

Board Functions

The Board oversees the Bank's business and affairs, including overseeing management regarding a broad range of subjects, such as the Bank's strategies and operating plans, capital structure, financial and risk management policies, compensation philosophies, and other matters.

As part of its oversight role, the Board considers some of its primary functions to include the following, which are discharged either directly by the Board or through its committees:

- Ensuring a succession of strong, vital, and meaningful management for the Bank
- Actively engaging with management and relevant stakeholders, to ensure the Bank's diversity, equity, and inclusion (DEI) objectives, are met, including through the recruitment, retention, and advancement of talent, at the management and Board levels
- Approving and monitoring a comprehensive long-term business strategy
- Overseeing management in addressing significant external and internal issues facing the Bank
- Overseeing the Bank's corporate governance policies, codes of conduct, and legal and regulatory compliance policies
- Overseeing the Bank's DEI policies, objectives, strategies, goals, functions, mission alignment, and programs, including through ensuring compliance with the Finance Agency, Office of Minority and Women Inclusion (OMWI) regulations
- Overseeing fundamental financial, business, and risk management strategies and policies and approving significant corporate actions
- Providing oversight to the Bank's financial reporting process and the adequacy of accounting, financial, and internal controls
- Reviewing the Bank's executive compensation programs, their effectiveness at both linking executive pay to performance and aligning the interests of the Bank's executives and their stockholders, and overseeing an entity-wide compensation risk assessment

The Independent Director Candidate

The Board welcomes independent director applications from individuals who will embrace the Bank's mission and bring experience and a unique perspective to the Board about how the Bank will continue to fulfil its mission and best serve the Bank's members and the individuals and communities these members support. These individuals do not need to be financial services experts, but ideally would have an aptitude for the industry and the Bank's mission and should have senior leadership experience in a large, complex, or innovative organization. The Board believes that individuals who have a broad background with a strong grounding in business management and an understanding of the macro and micro forces that can foster or derail success will add value in the boardroom. The Board values prior C-Level leadership experience as well as prior board service for a public or large private company or a large cooperative enterprise. The Board welcomes retired executives who have continued to stay actively engaged in corporate activities as well as sitting executives whose positions allow for the flexibility and time to serve and do not present a conflict under applicable regulations and the Board's policies.

To be eligible for consideration as an independent director, an individual must be a U.S. citizen and a resident of Arizona, California, or Nevada (or own or lease a residence in the district and be employed in the district). In addition, the individual must meet certain knowledge or experience qualifications, depending on the independent director position being filled:

- For an independent director position that is not designated as a public interest director position, the

individual must have knowledge of, or experience in one or more of the following areas: (1) auditing or accounting, (2) derivatives, (3) financial management, (4) organizational management, (5) project development, (6) risk management practices, and (7) the law.

- For an independent director position that is designated as a public interest director position, an individual must have more than four years' experience representing consumer or community interests in banking services, credit needs, housing, or consumer financial protections. The efforts of a public interest director applicant in the areas listed above must be undertaken on behalf of and for the direct benefit of consumers or community interests. Qualifying experience in one of the four enumerated areas may have been acquired in professional, public service, or volunteer positions, so long as the work done was **substantial** in terms of **time commitment** and **responsibility**. Moreover, the efforts of a public interest director applicant in the areas listed above must have involved **advocating for**, or otherwise **acting primarily for the direct benefit of** consumers or community interests. Finally, the experience must accrue from activities personally undertaken by the candidate, not attributed based on the activities of the organization with which the person is associated.¹ The Finance Agency will consider the applicable regulations, and subsequent Finance Agency guidance when making a non-objection determination on a public interest candidate.²

Of the two independent director positions being filled through the Bank's 2024 director election process, one will be for a public interest director position.

Personal Characteristics

Independent director candidates should be intellectually and emotionally resilient, able to participate and offer critical review of business matters, and have a good understanding of director fiduciary duties. Candidates should be skilled at encouraging open and collegial dialogue with their fellow Board members while building effective working relationships with Bank management. The Bank recognizes the value of diversity on the Board, including gender, race, and ethnicity, and endeavours to promote diversity in nominating candidates for the Board. Additionally, candidates should demonstrate the following attributes/experience:

- Highest ethical standards and integrity
- Willingness and capacity to engage actively on Board matters and to act on and be accountable for Board decisions
- Able to provide wise, thoughtful counsel on a range of issues
- A history of achievements reflecting high standards, experiences relevant to challenges currently faced by the Bank, and willingness to leverage these assets to help shape and advance the Bank's strategic goals
- Forward thinking and strategic, pragmatic and operationally savvy, with a commitment to building long-term value
- Able and willing to deliberate diligently, dedicate time and effort to consider varied and opposing viewpoints, adopt, and ultimately advocate for difficult or complex positions while simultaneously being a team player, fostering candor, and supporting a board culture of professional and collegial interaction
- Analytical and able to evaluate strategy, business plans, financial issues, and people in a constructive manner
- Proven leadership skills and credibility with a variety of constituencies

¹ *Public Interest Independent Directorship, Finance Agency Form #129 (03/2023)*

² *Finance Agency Director, Mark Calabria, Letter to Chair of Council of Federal Home Loan Banks, Patrick Bond, dated November 1, 2019.*

- Willingness and demonstrated capacity to devote sufficient time to carrying out director duties and responsibilities effectively including a stated commitment to serve on the Board for the full term and be available for in person and virtual board meetings and sessions

Board Meetings and Compensation

The Board has six scheduled in-person meetings each year in January, March, May July, September, and November/December. The meetings are mostly held in San Francisco over two to two and one-half days beginning on the evening of the fourth Wednesday of these months (with adjustments made to the schedule for holidays). The May meeting is generally held in Washington, D.C., immediately following the FHLBanks Directors Conference, and some of the other meetings may be held offsite within the Bank's district or held virtually if needed to accommodate applicable health and safety requirements. Additional meetings are held virtually, as needed, between in-person meetings. The regular Board of Directors meeting schedule is approved by the Board three years in advance.

Each year, the Board adopts a director compensation policy. Compensation is paid in two parts: a service fee and a meeting fee. The total maximum annual compensation for 2024 ranges from \$123,000 to \$150,000, depending on whether the director is the chair or vice chair of the Board or a chair or vice chair of a Board committee.

Nomination and Election Process

The independent director nomination process commences in June, and the application deadline for submission of applications is in July. The Governance Committee of the Board evaluates candidates and recommends potential nominee(s) for Board consideration in September. The Board will select the final nominee(s) for inclusion on the director election ballot. Voting is conducted online for eligible voting members and the voting will open in October and close approximately 30 days later, with results tabulated shortly thereafter. Director terms commence in January of the following year.

Terms

Independent directors are elected for four-year terms and are eligible to serve up to three sequential four-year terms.