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Date: August 9, 2019

TO: MEMBERS, GOVERNANCE COMMITTEE

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 4 – Governance, Compliance and Privacy Update
II. NAME AND PROGRAM:	Governance, Compliance & Privacy
III. ACTIVITY:	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

V. EXECUTIVE SUMMARY:

The following standard Compliance reporting requested by the Governance Committee includes:

- Corporate Policy HR 4.1 Discrimination, Harassment, Sexual Harassment and Retaliation Prevention
- 2019 Mandatory Compliance Rate – Privacy 101- Why Privacy Matters
- 2019 Corporate Governance Annual Disclosure (CGAD)
- 2019 California Whistleblower Protection Act Annual Notification
- Ethics Reported Issues

VI. ANALYSIS:

Board approval is requested for the revised Corporate Policy HR 4.1 Discrimination, Harassment, Sexual Harassment and Retaliation Prevention. The new HR 4.1 corporate policy replaces two prior sections that were identical: HR 4.1 Equal Employment Opportunity and HR 4.3 Sexual Harassment Prevention.

The overall compliance rate for Privacy Training is 99.3%, goal met. The compliance rate for consultants was met (100%), goal is 100%.

The 2019 Corporate Governance Annual Disclosure (CGAD) was submitted timely to the California Department of Insurance. The annual Whistleblower communication and brochure was received from the Bureau of State Audits and will be distributed to all employees.

Ethics reported issues for the second quarter of 2019 decreased by 3% from Q1 2019. HR related issues remain the highest reported category.

VII. RECOMMENDATION: To approve the revised Corporate Policy HR 4.1 Discrimination, Harassment, Sexual Harassment and Retaliation Prevention as presented.

VIII. PRESENTATION EXHIBITS: Enclosed.

IX. APPENDIX: Enclosed.

Open Agenda Item 4 – Governance, Compliance and Privacy Update

Date: August 20, 2019



Executive Summary



1. Board Approval Requested
 1. Corporate Policy HR 4.1 Discrimination, Harassment, Sexual Harassment and Retaliation Prevention
2. 2019 Mandatory Compliance Training Compliance Rate – Privacy 101 – Why Privacy Matters
3. 2019 Corporate Governance Annual Disclosure (CGAD)
4. California Whistleblower Protection Act Annual Notification
5. Ethics Reported Issues

Clear Written Standards of Conduct, Policies & Procedures

A. Corporate Policy HR 4.1 Discrimination, Harassment, Sexual Harassment and Retaliation Prevention

- ***Requesting Board approval . The policy supports the Code of Conduct.***
 - Combined Corporate Policies HR 4.1 Equal Employment Opportunity and HR 4.3 Sexual Harassment Protection.
 - Section 2.1 Discrimination and Harassment Prohibited and Not Tolerated
 - Added: Employees and Job Applicants
 - Added: Statement regarding Unlawful behavior including but not limited to Fair Employment Housing Act (FEHA) and Title VII of the Civil Rights Act
- ***Appendix II – Copy of Corporate Policy HR 4.1***



Effective Training, Communication, and Awareness

B. 2019 Compliance Training

- Privacy Awareness Training
 - Due Date for Completion – June 30, 2019
 - Goal: 98% Workforce Compliance Rate (100% consultant, 98% employees)
 - Overall Goal Met: 99.8%
 - *Employees* – 99.6%
 - *Consultants* – 100%
- Security Awareness Training
 - Annual Proprietary System Notice and Acknowledgment Form
 - Vendor was not able to include the form as part of the training
 - Form uploaded on MyStateFundCareer for employees and consultants to complete
 - **Due Date for completion:** July 31, 2019





Consistent monitoring, evaluation & reporting

C. 2019 Corporate Governance Annual Disclosure (CGAD)

The confidential CGAD provides information about governance activities at State Fund. State Fund submitted its annual CGAD report, attested by the CEO and General Counsel/Corporate Secretary, to the California Department of Insurance on **May 15, 2019**. Reports are due annually by June 1.



Consistent monitoring, evaluation & reporting

D. California Whistleblower Protection Act Annual Notification

- Whistleblower protection under California law extends to all persons, regardless of reporting venue.
- State Fund received the annual Whistleblower communication and brochure about the State Auditor's Whistleblower Program **on July 1, 2019.**
- The communication and brochure will be sent by email to all employees on **July 22, 2019.** The 2019 whistleblower posters will also be displayed in State Fund locations where other employee notices are maintained.
- Attestation of distribution will be sent to the State Auditor on **July 31, 2019.**
- The covering communication included a statement about State Fund's continuing commitment to ethics and transparency by maintaining our own Ethics and Privacy Hotline operated by an independent third party.



Consistent monitoring, evaluation & reporting

D. Ethics Reported Issues

- 3% decrease in total issues reported
 - ❑ 35 – Q2 2019 vs 36 - Q1 2019
- 45% decrease in hotline reporting
 - ❑ 6 – Q2 2019 vs 11 - Q1 2019
- HR related issue remains the highest category
 - ❑ 91 % of total issues reported





Consistent monitoring, evaluation & reporting

Chart 1: Allegations by Category

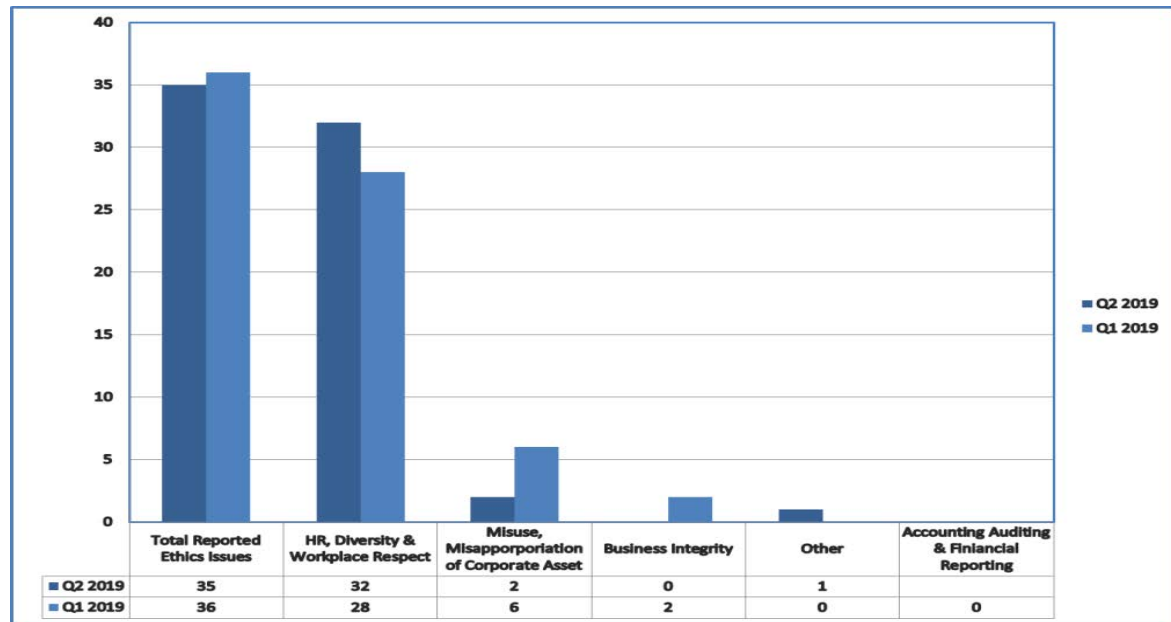


Chart 1: Allegations by Category



Appendix I: Report Allegation Categories and Definitions

- **Accounting, Auditing, and Financial Reporting:** Forgery, Accounting and Financial Control
- **Business Integrity:** Falsifying Records, Theft, Compliance and Regulatory Matters, Information Security, Vendor Relations, Claims, Policy, Legal, and Other Business Practices
- **HR, Diversity and Work Place Respect:** Attendance, Code of Conduct Violation, Conflict of Interest, Equal Employment Opportunity-Discrimination, Retaliation and Sexual Harassment, Favoritism, Inappropriate/ Offensive Behavior, Hiring Practices
- **Misuse, Misappropriation of Corporate Assets:** Fraud, Misuse/ Abuse of Time or Resources
- **Other:** Types of misconduct that fails to fall into the above categories such as Safety, Assault or Environmental Protection Compliance.

		
	<h2 style="margin: 0;">CORPORATE POLICY</h2>	Number: HR 4.1 Owner: Corporate HR Type: Human Resources
Title Discrimination, Harassment, Sexual Harassment and Retaliation Prevention		Effective Date: 8-2019 Last Revision Date: 07-2017

SECTION 1 – PURPOSE

To provide equal employment opportunities to State Fund [workforce members](#) and job applicants in all employment practices and to provide a workplace free of [discrimination](#), [harassment](#), [sexual harassment](#) and [retaliation](#) in compliance with State and Federal law.

SECTION 2 – POLICY STATEMENTS

State Fund is committed to promoting a culture that values equality, diversity, inclusion and providing a workplace free of discrimination, harassment, sexual harassment and retaliation based on membership, or perceived membership, in a protected category.

2.1 Discrimination and Harassment Prohibited and Not Tolerated

State Fund prohibits: (1) discrimination and harassment based on a person’s membership, or perceived membership, in a protected category, and (2) sexual harassment, of our workforce members and others whom they may interact with in any workplace setting, including people who are:

- Employees
- Job Applicants
- Coworkers
- Supervisors
- Vendors
- General public

Conduct of this nature can decrease work productivity, undermine the integrity of employment relationships, and decrease morale. Such conduct may violate this policy even if it is not unlawful. Unlawful behavior of this nature is prohibited under laws including but not limited to the Fair Employment Housing Act (FEHA) and Title VII of the Civil Rights Act.

2.2 Retaliation Prohibited and Not Tolerated

State Fund also prohibits retaliation against persons who take part in protected activities, including:

- Reporting a discrimination, harassment or sexual harassment complaint,
- Assisting in filing a complaint,
- Taking part in complaint investigations, or
- Asking for Reasonable Accommodation for medical or religious reasons.

Policy HR 4.1	Title Equal Employment Opportunity	Effective 08-2019
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2.3 Policy Dissemination and Training

State Fund shall provide this policy and the complaint procedure to its workforce members as part of the annual Code of Conduct training. State Fund provides training to all workforce members on recognizing and preventing workplace harassment, discrimination, and retaliation on an ongoing basis.

2.4 Reporting Complaints

State Fund employees may report complaints under State Fund's internal complaint process or file an external complaint as provided by law.

Employees may report complaints to:

- Their supervisor,
- Another supervisor or manager of their choosing, or
- Directly to State Fund's Internal Investigations Unit.

An employee may report a complaint of discrimination or harassment even if the discrimination or harassment was not directed toward them.

Supervisors are required to report all discrimination, harassment, sexual harassment, and retaliation complaints brought to their attention, and any inappropriate conduct which may constitute, or be reasonably perceived to constitute, discrimination, harassment, sexual harassment, or retaliation to the Internal Investigations Unit.

2.5 Investigation of Complaints

State Fund investigates discrimination, harassment, sexual harassment, and retaliation complaints fairly, completely and timely. State Fund will maintain the confidential nature of its investigations to the extent possible under the law.

2.6 Appeals and External Complaints

Complainants not satisfied with State Fund's EEO determination may appeal under State Fund's internal complaint process and/or file an external complaint as provided by law.

2.7 Disciplinary Action

State Fund employees found to have engaged in conduct which violates our Discrimination, Harassment, Sexual Harassment and Retaliation Prevention Policy, will be subject to discipline, up to and including termination.

SECTION 3 – APPLICABILITY, SCOPE, & BASIS

This policy applies to workforce members and job applicants.

3.1 Related Laws and Regulations

- [42 U.S.C. § 2000e et seq.](#) (Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991) and related statutes
- [42 U.S.C. §§ 12101-12213](#) (Americans with Disabilities Act of 1990, as amended by the Americans with Disabilities Amendment Act of 2008) and related statutes

Policy HR 4.1	Title Equal Employment Opportunity	Effective 08-2019
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- [Cal Government Code §12900 et seq.](#) (Fair Employment and Housing Act) and related statutes
- [Cal Code of Regulations, Title 2, 11000 et seq.](#)

Related Laws and Regulations can be found at:

<https://www.eeoc.gov/laws/statutes/titlevii.cfm>

<https://www.ada.gov/>

<https://www.dfeh.ca.gov/>

SECTION 4 – AUTHORITY

The Executive Vice President & Chief Administrative Officer has the duty of policy assurance and oversight. Vice President of Corporate HR, as policy owner, has the duty for policy compliance, updates, and monitoring.

SECTION 5 – RELATED CORPORATE POLICIES

HR 4.2 Reasonable Accommodation for Disability and Medical Condition

HR 4.4 Reasonable Accommodation for Religion

EC&F 2.1 Complaint Reporting and Anti-Retaliation

Related Corporate Policies can be found: [Corporate Policy Library](#)

SECTION 6 – DEFINITIONS

Discrimination – Act with an adverse effect on job opportunities against one or more persons due to his/her membership in a protected category. The adverse act materially affects the terms or conditions of employment and may include such actions as termination, constructive discharge, demotion, transfer or unfavorable assignments, reduction in pay, failure to interview or hire, or denial of advancement or promotion.

Harassment – Unwelcome or unwanted comments, intimidation, ridicule, insult or physical conduct based on a perceived characteristic of a member of a protected category, where the action is severe or pervasive so as to materially alter the employee’s employment or creates an abusive or hostile work environment.

Equal Employment Opportunity – A workplace free of discrimination or harassment based on protected category status in recruiting, hiring, compensation, promotion, training, disciplinary action and/or other terms and conditions of employment.

Explicit – Precisely and clearly expressed or readily observable; leaving nothing to be implied.

Implicit – Implied or understood though not directly expressed; contained in the nature of something though not readily apparent.

Protected Category – A group or class of persons named in state or federal civil rights laws, including but not limited to, race, color, religion or religious creed (including religious dress and grooming practices) national origin (including language use restrictions), ancestry, physical disability (including HIV and AIDS), mental disability, medical condition (including cancer and genetic characteristics), denial of Family and Medical Care leave, genetic characteristics or

Policy HR 4.1	Title Equal Employment Opportunity	Effective 08-2019
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information, marital status, sex, gender (including pregnancy, childbirth, breastfeeding and related medical conditions), gender identity and expression, age (over 40), political affiliation, sexual orientation, transgender status, and military or veteran status.

Retaliation – An adverse employment action taken against an employee or applicant because he/she engaged in a protected activity, including filing or taking part in an EEO investigation.

Sexual Harassment – Is generally defined as a form of harassment which includes unsolicited and/or unwanted romantic or sexual advances, requests for sexual favors, or visual, verbal, written, or physical conduct of a sexual or gender based nature directed to a person of the same or of the opposite sex when:

- submission to such conduct is made either [explicitly](#) or [implicitly](#) a term or condition of an individual's employment,
- submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individuals, or
- such conduct is severe or pervasive enough that it has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment

The conduct need not be motivated by sexual desire to constitute sexual harassment.

Federal and State laws recognize two forms of Sexual harassment: Quid Pro Quo sexual harassment or Hostile Work Environment harassment.

Quid Pro Quo Sexual Harassment – making of a request or demand for sexual conduct in exchange for a benefit such as a raise, a promotion, hiring or contracting. Or, making a threat or requiring sexual favors as a condition of employment, such as to avoid termination, demotion, or reduction in pay.

Hostile Work Environment Harassment – unwelcome or unwanted sexual advances or other gender based conduct that is sufficiently severe or pervasive enough to interfere with the individual's work performance or creates an intimidating, offensive or hostile work environment.

Examples of conduct that may violate this policy include:

- Unwelcome sexual advances, flirtations, leering, whistling, touching, pinching, assault, blocking normal movement;
- Requests for sexual favors or demands for sexual favors in exchange for favorable treatment;
- Obscene or vulgar gestures or comments based on any protected characteristic;
- Written conduct such as sexually oriented emails, letters, or literature;
- Sexually oriented cartoons, posters, or drawings based on any protected characteristic;
- Uninvited touching of a sexual nature;
- Conduct or comments consistently targeted at only one gender, even if the content is not sexual; and
- Teasing or other similar conduct directed toward a person because of any protected characteristic.

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Workforce Members – A collective group of people who work for State Fund, including officers, employees, supervisors, and non-employees. State Fund intends and creates no employer-employee or agency relationship by this term. This term has no impact on State Fund’s relationship with consultants or independent contractors.

SECTION 7 – HELP & ADVICE

For questions on Corporate Policy, contact the EEO Officer at eeo@scif.com.

SECTION 8 – REVIEW HISTORY

Review Date	Action Date	Action	Section(s) Revised	Effective Date
04/17/2017	04/17/2017	Biennial Review & Update to align with current law and best practices	Comprehensive	
04/18/2017	04/18/2017	PM Review and Approval	Comprehensive	
05/18/2017	05/18/2017	Board Approval		07/2017
08/04/2017	08/04/2017	Link Refresh	2, 3.1, 5	07/2017
04/18/2019	05/16/2019	PAG Review and Approval	Combined HR 4.1 and HR 4.3	08/2019
07/02/2019	07/02/2019	Executive Review and Approval	Combined HR 4.1 and HR 4.3	08/2019
08/2019		Board Approval	Combined HR 4.1 and HR 4.3	08/2019