Diversity & Inclusion Report and Framework

Fiscal Year 2019-20

March 17, 2021

CalPERS

Three Focus Areas

Talent Management

Education

Communication

Talent Management

- Implemented a new employee survey tool to support self-identifying information including:

- Ethnicity — 8 new categories

- Sexual Orientation and Gender (SOGI)

- Ongoing pulse surveys, such as COVID-19 Survey, to gather data on emerging topics

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Talent Management

- Hosted 20 webinars and 12 virtual training classes
- Launched CalPERS Upward Mobility Program, designed to support team members in their goals of promoting within the organization

Education

- 520+ team members in 13 different divisions participated in diversity and inclusion training

- 1,960 team members participated in enterprise-wide Unconscious Bias training, facilitated by Dr. Tyrone A. Holmes, Ed.D.

- 117 team leaders attended Quarterly Leadership Development Workshop entitled "The Diverse Mind: Mental Health in the Workplace"

Communication

- Implemented D&I Newsletters on a variety of topics to help cultivate a high-performing, risk-intelligent, and innovative workplace

- Provided guidance and shared best practices with other state agencies for Diversity and Inclusion program development

- Helped develop the Statewide Committee on Diversity, Equity, and Inclusion

Investment Office

Made progress in improving corporate board diversity:

- 67% of companies engaged since July 2017 have added at least one diverse director to their boards (492 of 733 companies)

- Met our 3-year key performance indicator (KPI) from the Total Fund Governance & Sustainable Investments Strategic Plan adopted by the Investment Committee in August 2016 requiring that all S&P 500 companies have at least one female director on their boards (met the KPI in July 2019)

Investment Office

- Continued our partnership with CalSTRS and LACERA on the California Board Diversity Initiative to improve board diversity at California headquartered companies

Held directors accountable for lack of progress on improving corporate board diversity:

- Voted "against" 164 directors at companies where diversity engagements did not result in constructive outcomes. By comparison, we voted against 314 directors in 2019 and 468 directors in 2018

Investment Office

CalPERS' Diversity Director "Vote No" campaign targeted 23 companies with multi-year unresponsiveness:

- 14 companies either added or committed to add elements of diversity to their boards
- Ran public "vote no" campaigns with proxy solicitations at 9 companies and voted against 29 directors
- 7 directors received >20% opposition with one director failing to receive majority support
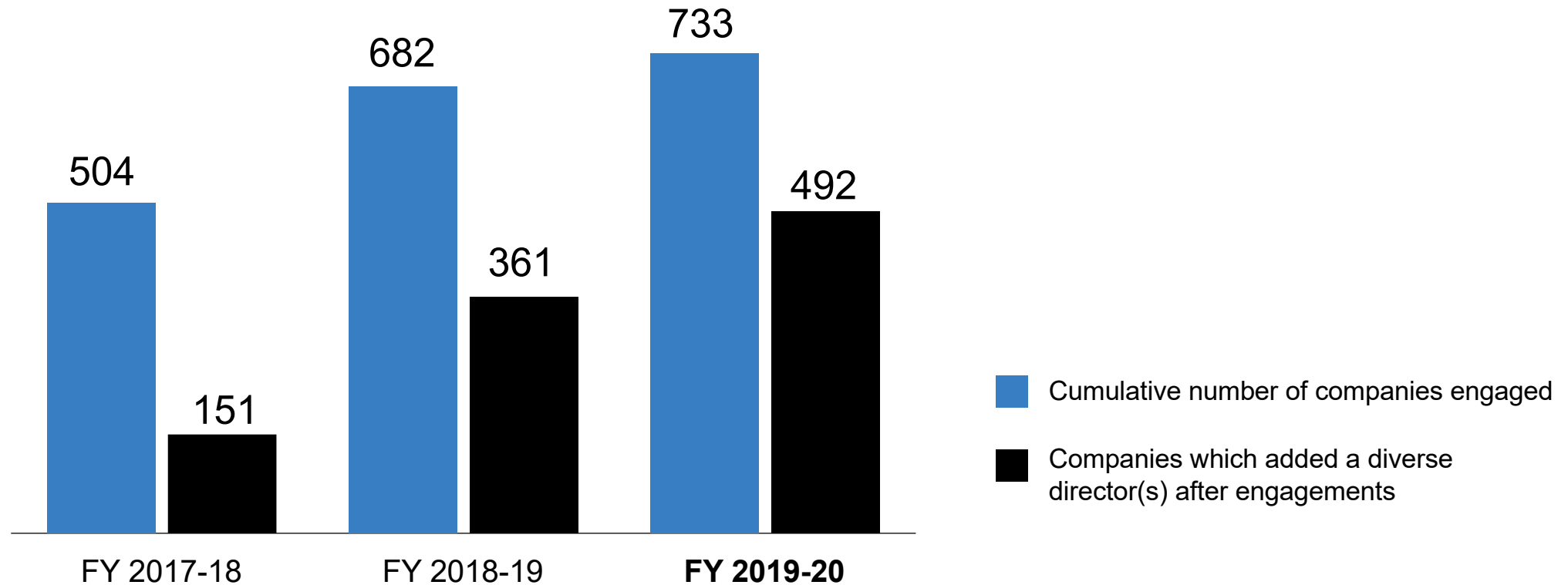
Investment Office

Market-wide improvements in corporate board diversity:

- 93% of Russell 3000 companies now have at least one female director compared to 78% in Q2 2017 (Q2 2020 Equilar data)
- 23% of Russell 3000 board seats are now held by women compared to 16% in Q2 2017 (Q2 2020 Equilar data)
- 59% of new independent directors at S&P 500 companies are women and minority men (2020 U.S. Spencer Stuart Board Index)

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Corporate Boards Diversity Accomplishments
Cumulative Engagements

- 504 — FY 2017-18
- 151 — FY 2017-18
- 682 — FY 2018-19
- 361 — FY 2018-19
- 733 — FY 2019-20
- 492 — FY 2019-20

■ Cumulative number of companies engaged

■ Companies which added a diverse director(s) after engagements

FY 2017-18   FY 2018-19   **FY 2019-20**

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Diversity & Inclusion Programs

Employee Resource Groups

Employee Resource Groups Accomplishments

Increased engagement with both ERG groups, CalPERS Diversity Inclusion Group and CalPERS Disability Advisory Committee

Membership participation grew to approximately 300 members

- Increase of 200% from last year

- Average meeting attendance: 62 attendees
  - Increase of 210% from last year
  - Increase of 338% of team leaders and executives

- 2020 DAC of the Year Award
  - Awarded by Association of California State Employees with Disabilities

ERG Collaborations

- Supported Accessibility Gap Initiative

- Helped team members with disability-related issues, especially with accessibility in a COVID pandemic culture

- Curated a D&I Resources intranet web page called Read/Watch/Act

Workplace Demographics

As of January 2021

Enterprise Ethnicity Demographics
73% to total respondents

Race	% to Total	Race	% to Total
Chinese *	6.0%	Black or African American	4.0%
Filipino	3.0%	Hispanic or Latino	11.0%
Indian *	4.0%	Native American or Alaska Native	0.2%
Japanese *	1.0%	Pacific Islander, Other, or Multiple	1.0%
Korean *	0.3%	White	32.0%
Laotian *	0.3%	Other or Multiple Race	6.0%
Other Asian or Multiple *	2.0%	Unknown **	27.0%
Vietnamese *	3.0%		

Source: CalPERS Engagement Survey, as of January 2021

* New reporting categories
** Unknown category represents employees who chose not to respond

SOGI Data Expands Our Understanding

Gender Identity

79% to total respondents

Gender/Gender Identity	% to Total
Female	46%
Male	33%
Unknown *	21%

* Unknown category represents employees who chose not to respond

Sexual Orientation

72% to total respondents

Sexual Orientation	% to Total
Bisexual	1.0%
Gay	1.0%
Queer	0.4%
Straight/Heterosexual	69.0%
Unknown *	28.0%

NOTE: Categories with less than five responses are not reflected. These include Trans, Transgender, Other, Non-binary, Lesbian, and "I use another term."

Strategic Measure: Workforce Diversity & Inclusion

Year	Response to Question 1: "My team leverages individual experiences, perspectives, and talents to ensure quality outcomes."	Response to Question 2: "CalPERS fosters a work environment that values individual differences and contributions."	Response to Question 3: "CalPERS consciously publicizes and educates team members that our differences are our strengths."	Average %
2016 OHI	61%	62%	64%	62.3%
2017	68%	66%	64%	66.0%
2018	71%	67%	65%	67.7%
2019	71%	68%	67%	68.7%

Year	Response to New Question 1: "I am treated with respect and dignity at work."	Response to New Question 2: "I feel like a really belong at CalPERS."	Response to New Question 3: "All team members, regardless of differences, are treated fairly."	Average %
2020	86%	79%	75%	80.2%

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2021
Diversity, Equity, and Inclusion Framework

Introduction to CalPERS DEI Framework

Philosophy

- Foundational

- Iterative process

- Aggressively inclusive

Considerations for CalPERS DEI Framework

- Data Driven Research
- Health Beliefs
- Sustainable Investment Principles
- Investment Beliefs
- Retirement Beliefs

Framework Categories

- Culture
- Talent Management
- Health Equity
- Supplier Diversity
- Investments

Culture

Goal: Bring Diversity, Equity, and Inclusion best practices into CalPERS' culture

Objective: Increase awareness, build mutually rewarding relationships and foster collaboration

- Use assessment tools to evaluate employees' views of CalPERS culture (Engagement and Pulse surveys, DEI Report, Yammer Participation levels, Division level workforce management reporting)
- Develop and support Employee Resource Groups with several initiatives that promote the creation and support the participation of team members

Culture

Initiatives:

- Understand and continuously strengthen team member experiences regarding respect, equality, trust and inclusiveness
- Provide broad organizational education and communication opportunities to team members
- Create team member collaboration zones to facilitate innovation and sustain strong relationships
- Curate team member/leader resources and develop delivery systems that continuously bring Diversity, Equity, and Inclusion topics to the organization

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Talent Management

Goal: A high performing, equitable, and diverse workforce

Objective: Ensure Human Resource processes are in place to strengthen diversity in recruitment, retention, equity, and succession

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Talent Management

Initiatives:

- Deliver ongoing education on unconscious bias and other curriculum necessary to support a healthy and thriving culture
- Team leader training in support of diversity, equity, and inclusion principles and its impact on engagement and morale
- Implement a diversity, equity, and inclusion certificated education series for all team members designed to increase their ability to communicate, resolve conflict, solve problems, reduce bias, and perform at the highest levels in culturally diverse settings

Talent Management

Initiatives *(continued)*:

- Assess policies, processes and systems for potential bias in recruitment and selection

- Anonymous review of application materials
  - Redaction of demographically identifying information from application materials

- Ensure language used in all CalPERS recruitment materials are free from bias

- Assess performance appraisal/evaluation processes to ensure evaluation of team members on demonstrated support of diversity, equity, and inclusion principles and ensure that the evaluation process is free from bias

Health Equity

Goal: Equitable health outcomes for members and their families

Objective: Ensure all health members have the opportunity to attain the highest level of health possible

Health Equity

Initiatives:

- Collect self-reported health demographic information of CalPERS members through myCalPERS, including race, ethnicity, language, sexual orientation, and gender identity (REAL SOGI)

- Launch communication campaign to inform CalPERS members of the opportunity to self-identify their REAL SOGI information through myCalPERS

- Create health equity metrics based on national health care quality metrics to evaluate CalPERS' progress in achieving equitable health outcomes

Health Equity

Initiatives *(continued):*

- Use data analytics to assess and report on the impact of health equity on health outcomes
- Work with Health Plans to better understand provider and health plan efforts to achieve health equity and develop contract requirements to improve health equity
- Leverage the CalPERS Health Plan Member Survey and Grievances and Appeals data to report and assess member experiences related to health equity including access and cultural competence
- Engage with health care purchaser partners to identify areas of alignment and establish benchmark standards for assessing equity and quality in health care delivery

Supplier Diversity

Goal: High Performing Supplier Diversity Program

Objective: Better understand supplier community through the lens of diversity, equity, and inclusion

Supplier Diversity

Initiatives:

- Increase participation in the voluntary supplier diversity survey process
- Expand pool of potential suppliers
- Foster long-term relationships with diverse Small Businesses and Disabled Veteran Business Enterprises
- Provide outreach, advocacy, and assistance to diverse suppliers and contractors

Investments

Goal: Leverage the DEI Framework and Sustainable Investments Program to improve investment outcomes

Objective: Deliver returns through the identification, analysis, and management of high value sustainable investment risks and opportunities

The Investment Case for Diversity, Equity, and Inclusion

- CalPERS Investments
  - *Our mission is to "deliver retirement and health care benefits to members and their beneficiaries."*

- CalPERS Investment Belief #4:
  - *Long-term value creation requires the effective management of three forms of capital: financial, physical and human.*

Sustainable Investment Strategy
The Role of Diversity, Equity, and Inclusion in the Management of CalPERS Investments

Channels	Approach	Examples
Advocacy	We advocate for progressive human capital practices and disclosures with government bodies and standard setters on diversity, equity, and inclusion topics.	▪ Human Capital Management Petition to the Securities and Exchange Commission requesting a rulemaking on universal line-item disclosures on Human Capital Management (July 2017) ▪ SEC Investor Advisory Committee (IAC) recommendation on Human Capital Management disclosures (March 2019)
Engagement	We engage companies and managers to further the development and adoption of human capital practices, diversity, fair labor practices, health and safety, pay equity, supply chain management and transparency in reporting.	▪ We engaged 800 U.S. companies since July 2017 and 518 of those companies (65%) have added at least one diverse director
Integration	We integrate human capital management across asset classes including the adoption of our responsible contractor policy for in real assets and our use of the ILPA model templates for including ESG and diversity in manager due diligence. We curate and promote market leading research on emerging trends and insights human capital management and diversity.	▪ External Manager Diversity & Inclusion Survey (Lenox Park Solutions) ▪ CalPERS Request for Information (RFI) seeks to identify providers to source and evaluate a new round of research and analysis related to human capital management in what will be the third phase of the Sustainable Investment Research Initiative (SIRI III)
Partnerships	100 Women in Finance, Association of Asian American Investment Managers (AAAIM), Equilar (Diverse Director Database - 3D), Human Capital Management Coalition (HCMC), Lenox Park, National Association of Investment Companies (NAIC), National Association of Securities Professionals (NASP), Robert Toigo Foundation (TOIGO), The Executive Leadership Council (ELC), The Investment Diversity Exchange (TIDE)	

Next Steps

- Further refine DEI Framework with objectives, measures, and benchmarks

- Provide progress update to the Board in Fall 2021

- Continue to expand diversity, equity, and inclusion training for leaders and team members

- Re-launch internal social media network and new video series "Our Shared Experience" to increase team member engagement

- Further engage companies to improve corporate board diversity and use proxy voting and shareowner campaigns for change

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Workplace Demographics

Appendix

Ethnicity by Classification Group

Employee Type	Asian	Black	Filipino	Hispanic	Other	Unknown	White	Native American	Pacific Islander	Two or More Races
Executive	9.09%	9.09%	0.00%	0.00%	0.00%	0.00%	81.82%	0.00%	0.00%	0.00%
Senior Leader	19.26%	4.92%	2.46%	9.02%	0.41%	0.00%	61.48%	0.41%	0.41%	1.64%
Team Leader	15.97%	7.85%	4.45%	14.40%	1.83%	0.00%	51.83%	0.26%	0.79%	2.62%
Rank and File	25.23%	8.88%	4.37%	16.84%	0.53%	1.12%	38.72%	0.39%	1.21%	2.72%
Grand Total	**23.31%**	**8.38%**	**4.19%**	**15.72%**	**0.70%**	**0.85%**	**42.81%**	**0.37%**	**1.07%**	**2.59%**

Source: SCO MIRS as of July 1, 2020

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Ethnicity by Branch

Division	Asian	Black	Hispanic	Other	Unknown	White	Filipino	Native American	Pacific Islander	Two or More Races
ACTO	42.9%	0.0%	4.8%	0.0%	0.0%	44.4%	6.3%	0.0%	0.0%	1.6%
BSU	16.7%	0.0%	16.7%	0.0%	0.0%	66.7%	0.0%	0.0%	0.0%	0.0%
CSR	15.2%	2.5%	12.7%	0.0%	0.0%	62.0%	5.1%	0.0%	1.3%	1.3%
CSS	15.9%	11.5%	22.1%	0.8%	1.1%	39.8%	4.4%	0.5%	1.4%	2.6%
ECOM	20.0%	10.0%	0.0%	0.0%	0.0%	60.0%	5.0%	0.0%	0.0%	5.0%
EXEO	9.1%	9.1%	0.0%	0.0%	0.0%	81.8%	0.0%	0.0%	0.0%	0.0%
FINO	34.0%	8.0%	11.2%	0.5%	1.1%	36.7%	4.8%	0.0%	1.6%	2.1%
GCO	22.7%	5.5%	14.8%	2.3%	0.8%	46.9%	3.9%	0.0%	2.3%	0.8%
HPBB	22.2%	11.1%	19.7%	0.5%	1.5%	34.3%	5.1%	1.5%	2.5%	1.5%
INVO	24.5%	5.8%	11.6%	0.3%	1.3%	52.3%	2.9%	0.0%	0.3%	1.0%
OPT	27.9%	7.2%	12.7%	0.7%	0.5%	42.1%	4.0%	0.4%	0.5%	4.0%
Grand Total	**23.3%**	**8.4%**	**15.7%**	**0.7%**	**0.9%**	**42.8%**	**4.2%**	**0.4%**	**1.1%**	**2.6%**

Source: SCO MIRS as of July 1, 2020

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Persons with Disabilities

13.5%

CalPERS Percentage of Persons with Disabilities

CalHR Identified Categories:
Vision Difficulty
Cognitive Difficulty
Ambulatory Difficulty
Self-care Difficulty
Independent Living Difficulty
Physical or Mental Impairment that Limits Major Life Function

Source: CalHR Disability Parity Report as of June 30, 2020

Gender Demographics

Enterprise

43% 57%

■ Female ■ Male

Executive*

18% 82%

Senior Leader*

60% 40%

Team Leader*

32% 68%

Rank and File*

43% 57%
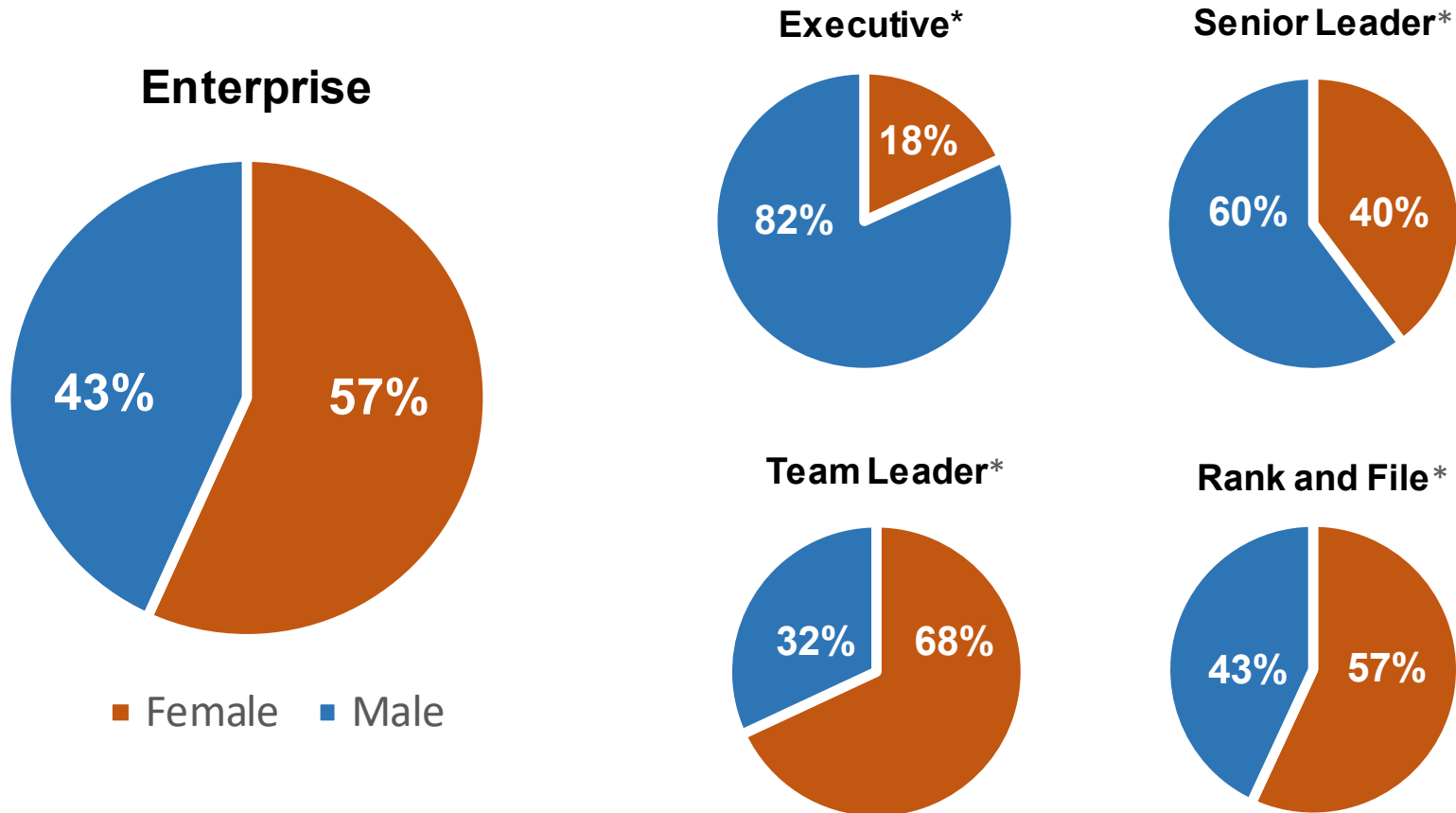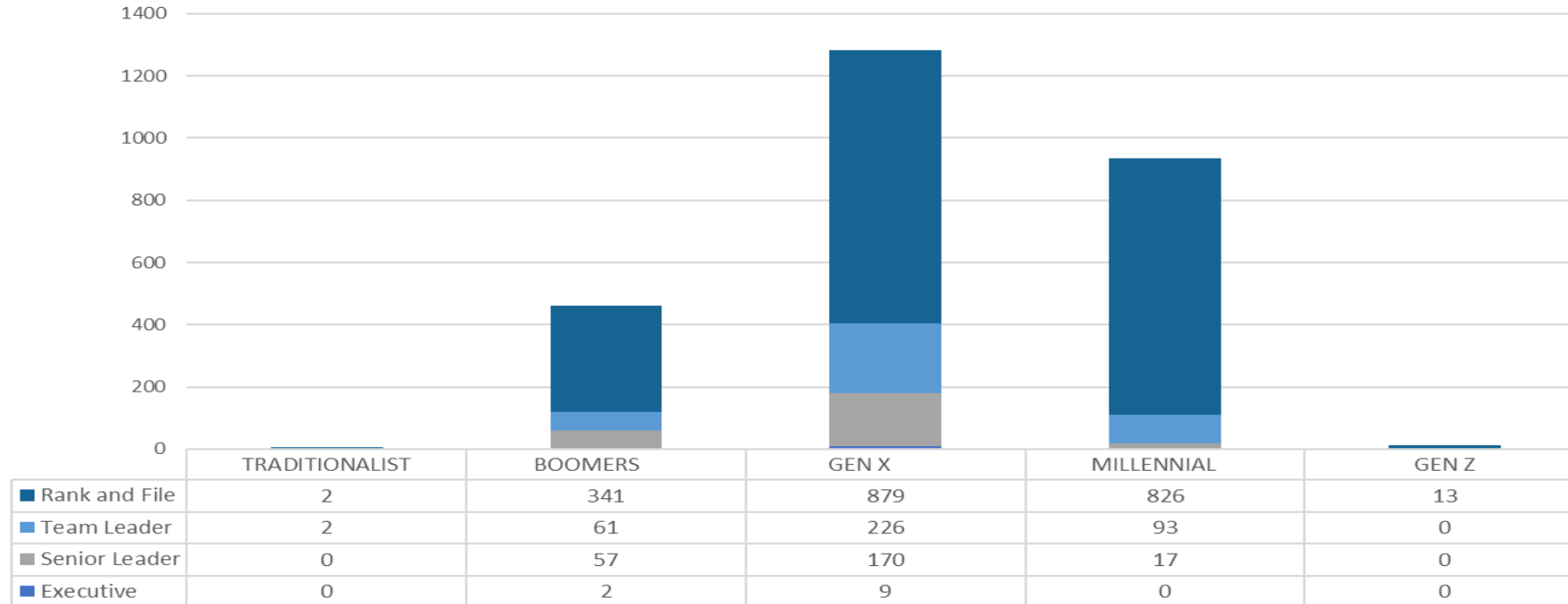
Source: SCO MIRS as of July 1, 2020

* Executive: DEO and above.
  Senior Leaders: DC's, SSMIII,
  Team Leader: SSM I/II

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Generation Demographics

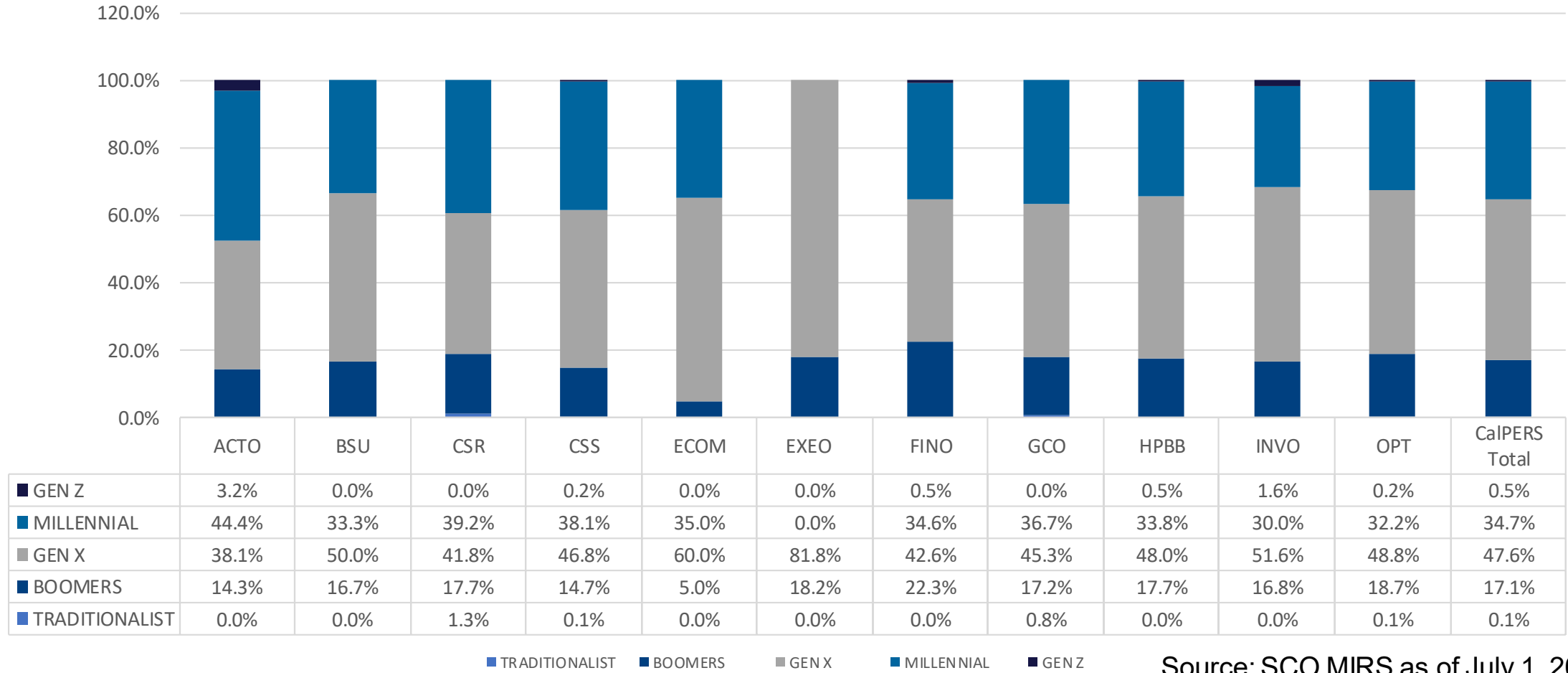|	TRADITIONALIST	BOOMERS	GEN X	MILLENNIAL	GEN Z
■ Rank and File	2	341	879	826	13
■ Team Leader	2	61	226	93	0
■ Senior Leader	0	57	170	17	0
■ Executive	0	2	9	0	0

Source: SCO MIRS as of July 1, 2020

Fiscal Year	Traditionalists (1925-1945)	Baby Boomers (1946-1964)	Generation X (1965-1981)	Millennials (1982-1997)	Gen Z (1998-2004)
2019-20	4	461	1284	936	13
2018-19	2	528	1290	947	0
2017-18	2	598	1286	898	0

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Generation Demographics by Branch

	ACTO	BSU	CSR	CSS	ECOM	EXEO	FINO	GCO	HPBB	INVO	OPT	CalPERS Total
GEN Z	3.2%	0.0%	0.0%	0.2%	0.0%	0.0%	0.5%	0.0%	0.5%	1.6%	0.2%	0.5%
MILLENNIAL	44.4%	33.3%	39.2%	38.1%	35.0%	0.0%	34.6%	36.7%	33.8%	30.0%	32.2%	34.7%
GEN X	38.1%	50.0%	41.8%	46.8%	60.0%	81.8%	42.6%	45.3%	48.0%	51.6%	48.8%	47.6%
BOOMERS	14.3%	16.7%	17.7%	14.7%	5.0%	18.2%	22.3%	17.2%	17.7%	16.8%	18.7%	17.1%
TRADITIONALIST	0.0%	0.0%	1.3%	0.1%	0.0%	0.0%	0.0%	0.8%	0.0%	0.0%	0.1%	0.1%

■ TRADITIONALIST ■ BOOMERS ■ GEN X ■ MILLENNIAL ■ GEN Z

Source: SCO MIRS as of July 1, 2020