

CalPERS Northern Ireland Portfolio Screening Report

Executive Summary

Non-U.S. and U.S. Companies and Fair Employment in Northern Ireland:

Synopsis of 2012 Survey and Findings

Non-U.S. Companies

Starting in November 2012, MSCI ESG Research sent its annual *Survey on Operations in Northern Ireland* to corporate officials at 206 non-U.S. companies, asking them to file a response for each separate subsidiary or affiliate operating in Northern Ireland. The companies surveyed were previously identified by MSCI ESG Research as having operations in Northern Ireland. In all, the 2012 CalPERS Northern Ireland Report covers 168 non-U.S. parent companies and their Northern Ireland operations.

U.S. Companies

In addition, MSCI ESG Research surveyed 99 U.S. parent companies.

Survey Responses

MSCI ESG Research received complete or partial replies for 37 non-U.S. parent companies and eight U.S. parent companies with Northern Ireland operations, a response rate of approximately 14.8 percent. A number of companies replied saying that they would not respond this year, and some no longer had operations in Northern Ireland. Several of the surveyed companies have fewer than 25 employees, in which case they are not required to monitor their workforce.

Approximately 18 percent of non-U.S. companies in CalPERS' portfolio responded to MSCI ESG Research's Northern Ireland survey in 2012.

MSCI ESG Research has updated its universe of companies with operations in Northern Ireland in part with information available from the Equality Commission in Northern Ireland's 2011 Monitoring Report, published in December 2012.

2011 Study Findings

- 22.9 percent of CalPERS non-U.S. portfolio companies with operations in Northern Ireland are in compliance with the MacBride principles, on par with the 2011 performance of portfolio companies (20 percent compliance). This is down from over one-third of compliant portfolio companies in 2010.
- 37.4 percent of U.S. companies with operations in Northern Ireland are in compliance with the MacBride principles.
- For non-U.S. companies in CalPERS' portfolio whose workforce composition is available, Catholic employees amount to approximately 40.2 percent of the workforce, less than the current overall religious breakdown for Northern Ireland employers monitored by the Equality Commission. The difference between overall Catholic representation in Northern Ireland, and Catholic representation at companies in CalPERS' non-U.S. portfolio has remained at approximately 3-4 percent.

- The evidence of Catholic and Protestant underrepresentation at non-U.S. companies in CalPERS' portfolio is approximately equal (21.7 percent of the companies in the portfolio underrepresent Catholics, whereas 22.3 percent underrepresent Protestants).
- For U.S. companies whose workforce composition is available, Catholic employees are underrepresented at 12.1 percent of the companies, while Protestant employees are underrepresented at 21.2 percent.
- Companies that responded to the survey reported using—for the most part—a full range of affirmative action measures prescribed by Northern Ireland's fair employment law, including the use of goals and timetables. Affirmative actions are undertaken by a minority of companies (approximately 17.5 percent of non-U.S. companies in CalPERS' portfolio). Largely, information on affirmative action steps is not available unless companies respond to MSCI ESG Research's survey. In cases where there is no underrepresentation, it is possible that affirmative action measures are not warranted.

Contact Us

esgclientservice@msci.com

Americas

+1.212.804.5299

Europe, Middle East & Africa

+44.207.618.2510

Asia Pacific

+612.9033.9339

Notice and Disclaimer

- This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be reproduced or disseminated in whole or in part without prior written permission from MSCI.
- The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indices, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.
- The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.
- Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or wilful default of itself, its servants, agents or sub-contractors.
- Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.
- None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy. You cannot invest in an index.
- MSCI's indirect wholly-owned subsidiary Institutional Shareholder Services, Inc. ("ISS") is a Registered Investment Adviser under the Investment Advisers Act of 1940. Except with respect to any applicable products or services from ISS (including applicable products or services from MSCI ESG Research Information, which are provided by ISS), neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and neither MSCI nor any of its products or services is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.
- The MSCI ESG Indices use ratings and other data, analysis and information from MSCI ESG Research. MSCI ESG Research is produced by ISS or its subsidiaries. Issuers mentioned or included in any MSCI ESG Research materials may be a client of MSCI, ISS, or another MSCI subsidiary, or the parent of, or affiliated with, a client of MSCI, ISS, or another MSCI subsidiary, including ISS Corporate Services, Inc., which provides tools and services to issuers. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indices or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.
- Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, ISS, CFRA, FEA, and other MSCI brands and product names are the trademarks, service marks, or registered trademarks or service marks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.

About MSCI ESG Research

MSCI ESG Research products and services are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research are also used in the construction of the MSCI ESG Indices. MSCI ESG Research is produced by MSCI's indirect wholly-owned subsidiary Institutional Shareholder Services, Inc. ("ISS"). ISS is a Registered Investment Adviser under the Investment Advisers Act of 1940.

About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indices, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indices with close to USD 7 trillion estimated to be benchmarked to them on a worldwide basis¹; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; IPD real estate information, indices and analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; ISS governance research and outsourced proxy voting and reporting services; FEA valuation models and risk management software for the energy and commodities markets; and CFRA forensic accounting risk research, legal/regulatory risk assessment, and due-diligence. MSCI is headquartered in New York, with research and commercial offices around the world.

¹As of March 31, 2012, as published by eVestment, Lipper and Bloomberg in September 2012



California Public Employees' Retirement System
Investment Office
P.O. Box 2749
Sacramento, CA 95812-2749
TTY: (916) 795-3240
(916) 795-3400 phone • (916) 795-2842 fax
www.calpers.ca.gov

Date [upon approval of transmission by IC]

E. Dotson Wilson
California State Assembly, Office of the Chief Clerk
State Capitol, Room 3196
Sacramento, CA 95814

Dear Mr. Wilson:

In accordance with Chapter 341, Statutes of 1999, the California Public Employees Retirement System (CalPERS) is submitting to the Legislature the attached report on companies operating in Northern Ireland. The report provides information on CalPERS portfolio companies with operations in Northern Ireland, related to workforce composition, fair employment policies and practices (including MacBride Principles), and about formal discrimination complaints.

At the direction of the CalPERS Investment Committee, CalPERS staff will contact companies included in the Report that have been identified as participating in or allowing discriminatory practices in the workplace. Our letter both notifies the company that we are posting the Northern Ireland report on our website and encourages the company to resolve these issues.

Attached you will find a complete copy of the 2012 Northern Ireland report. Please contact Anne Simpson at (916) 795-9672 should you have any questions regarding the report.

Sincerely,

ANNE SIMPSON
Senior Portfolio Manager
Investments
Director of Global Governance

Attachment:

cc: Anne Stausboll, Chief Executive Officer
Joseph A. Dear, Chief Investment Officer
Danny Brown, Division Chief