

CalPERS Northern Ireland Portfolio Screening Report

Executive Summary

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

Synopsis of 2013 Survey and Findings

Non-U.S. Companies

Starting in November 2013, 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 2013 CalPERS Northern Ireland Report covers 167 non-U.S. parent companies and their Northern Ireland operations.

U.S. Companies

In addition, MSCI ESG Research surveyed 98 U.S. parent companies.

Survey Responses

MSCI ESG Research received complete or partial replies for 31 non-U.S. parent companies and 21 U.S. parent companies with Northern Ireland operations, a response rate of approximately 19.6 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 18.6 percent of non-U.S. companies in CalPERS' portfolio responded to MSCI ESG Research's Northern Ireland survey in 2013.

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 2012 Monitoring Report, published in December 2013.

2013 Study Findings

- 20.9 percent of CalPERS non-U.S. portfolio companies with operations in Northern Ireland are in compliance with the MacBride principles, slightly below par with the 2012 performance of portfolio companies (22.9 percent compliance).
- 40.8 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 41.6 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 5 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).
- There is more evidence of Protestant underrepresentation at non-U.S. companies in CalPERS' portfolio as of Catholic underrepresentation (24.6 percent of the companies in the portfolio underrepresent Protestants, whereas 20.4 percent underrepresent Catholics).
- 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 15.6 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.

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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



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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 2013 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