
March 14, 2016**Item Name:** Global Governance Strategic Review: Climate Change Focus**Program:** Global Governance**Item Type:** Information**Executive Summary**

This agenda proposes CalPERS' focus on climate change risk and opportunity as the environmental theme within its sustainable investment strategy. The new ESG strategy is being developed through an interactive process with the Investment Committee, intended to seek feedback on priorities for engagement, advocacy and integration, which are material to risk and return whilst being aligned with CalPERS' fiduciary duty.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan goals of improving long-term pension benefits sustainability and actively managing business risks with an enterprise-wide view.

Investment Beliefs

This agenda item supports the CalPERS Investment Beliefs:

1. Investment Belief 4: Long-term value creation requires effective management of three forms of capital: financial, physical and human. CalPERS may engage investee companies and external managers on their governance and sustainability issues, including governance practices, risk management practices, human capital practices, and environmental practices.
2. Investment Belief 7: CalPERS will take risk only where we have a strong belief we will be rewarded for it. An expectation of a return premium is required to take risks; CalPERS aims to maximize return for the risk taken.
3. Investment Belief 9: Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error. As a long-term investor, CalPERS must consider risk factors, for example climate change and natural resource availability that emerge slowly over long time periods, but could have a material impact on company or portfolio returns.

Background

In January 2016, the Investment Committee embarked on a six-month process to develop CalPERS' new 3-5 year Environmental, Social and Governance (ESG) strategy within investment objectives of risk and return.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

- Benefits – Continuing our focus on understanding and managing climate change risk and opportunity factors is consistent with our Investment Beliefs.
- Risks – Uncertainty around the timing of climate change impacts and poor disclosure creates uncertainty around implementation of Investment Beliefs.

Attachments

Attachment 1 – Presentation - Review of ESG Strategy Environmental Theme:
Climate Change

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