CalPERS Strategy on Sustainability

Investment Committee

November 18, 2019

Anne Simpson, Director of Board Governance & Strategy

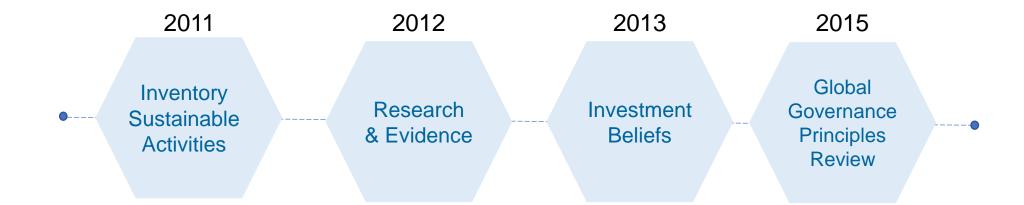


Topics

- 5-year Strategic Plan Overview
- New Roles & Responsibilities
- Strategic Initiatives Update
- Partnerships



Strategic Plan Development





Strategic Plan Overview





Investment Beliefs Support Sustainability

#2

Long-term investment horizon

#3

Decisions reflect
Stakeholder views

#4

Financial, physical, and human capital

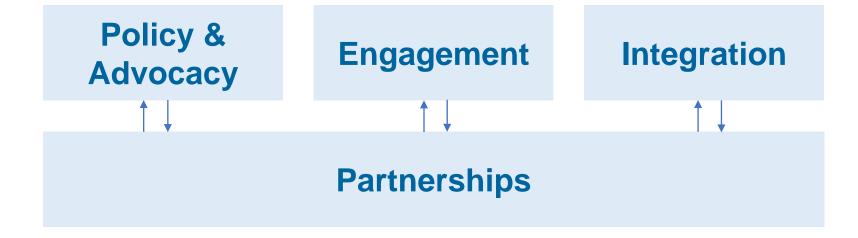
#9

Risk is multifaceted #10

Teamwork,
Diversity and
Inclusion

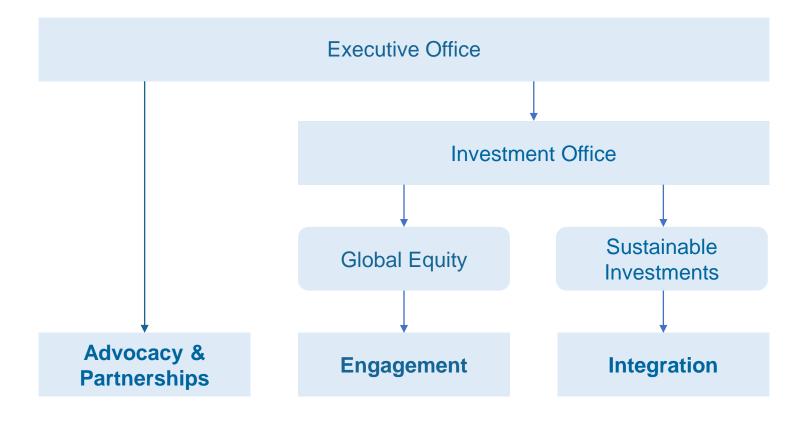


Three Channels Based on Partnerships





New Roles & Responsibilities





Six Priorities

External

- Climate Change
- Diversity & Inclusion
- Data and Corporate Reporting Standards

Internal

- Research
- Manager Expectations
- Private Equity Reporting Transparency



Climate Change – Impact

- CalPERS' Carbon Footprint
- The Climate Action 100+ initiative now has over 370 signatories with over \$35 trillion in assets under management
- Notable successes at Shell, Glencore, Equinor, HeildelbergCement, Duke Energy, Nestle, Daimler, VW, Thyssenkrupp, ArcelorMittal, BHP Billiton and Centrica



Climate Change – Media Impact

- Financial Times
 Climate disclosure takes a giant step forward
- The Economist
 Oil majors face shareholder resolutions on climate change
- Time Magazine
 Meet 15 Women Leading the Fight Against Climate Change



Diversity & Inclusion – Impact

- 53% of companies engaged since July 2017 added a diverse director to their boards (361 of 682 companies)
- Met 3-year KPI for all S&P 500 companies to have at least one female director on their board
- Voted "against" 255 directors at 97 companies where diversity engagements did not result in constructive outcomes



Diversity & Inclusion – Media Impact

- Bloomberg
 CalPERS Ups Pressure on Companies Over Executive Pay, Harassment
- Bloomberg
 Red Rock's All-White, All-Male Board Draws CalPERS' Attention
- Pensions & Investments
 CalPERS turns focus to board diversity in proxy voting



Accomplishments & Leadership

- PRI Global Leaders' Group
- U.N. Secretary Invitation to join Net-Zero Asset Owner Alliance
- Vatican Council on Inclusive Capitalism



CalPERS' Selected Partnerships

Climate Action 100+

Council for Inclusive Capitalism at the Vatican

Task-force on Climate-

related
Financial
Disclosure

Sustainabilit y Accounting Standards Board Principles for Responsible Investments

Ceres

International Corporate Governance Network Council of Institutional Investors

UN Net-Zero Asset Owner Alliance

UN Global Investors for Sustainable Developmen t Alliance Human
Capital
Management
Coalition



CalPERS Regulatory Roles

U.S. Securities and Exchange Commission

Public Company Accounting Oversight Board International Financial Reporting Standards

Financial
Accounting
Standards
Advisory
Council

Commodity
Futures
Trading
Commission
Climate Risk
Council

