



Investment Committee

Agenda Item 6h

November 15, 2021

Item Name: Report to the California Legislature – Holocaust Era and Northern Ireland

Program: Investment Controls & Operational Risk

Item Type: Information Consent

Executive Summary

This agenda item seeks approval for staff to transmit the following to the California Legislature on or before March 1, 2022:

- Holocaust Era Investments – MSCI Annual Legislative Report (Attachment 1)
- Northern Ireland Investments – MSCI Annual Legislative Report (Attachment 2)

Strategic Plan

This agenda item supports statutory requirements and does not directly support CalPERS' Strategic Plan.

Investment Beliefs

Investment Belief 10 (Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives) is relevant as CalPERS must consider the government agency constraints under which it operates.

Background

Staff seeks permission to transmit to the Legislature the attached reports in order to comply with two separate California laws enacted in 1999 with respect to the reporting of publicly traded portfolio holdings in, respectively, the following two categories of companies: (1) companies doing business in California, and affiliates of those companies which have unresolved legal claims relating to compensation of victims of slave or forced labor between 1929 and 1945 (California Code of Civil Procedure §354.6) and (2) companies that may not fully comply with certain laws applicable in Northern Ireland relating to principles of nondiscrimination in employment and freedom of workplace opportunity (California Government Code §7513.5).

CalPERS has engaged MSCI ESG Research, Inc. to prepare these mandated reports, which are included as Attachments 1 and 2, respectively.

Analysis

The 2021 Holocaust Era Holdings Report (Attachment 3) lists 16 publicly traded companies in CalPERS' investment portfolio holdings that MSCI identified are facing lawsuits in China, Japan, or South Korea over the use of forced labor during World War II.

With the passage of time, there remain few companies with outstanding legal claims from 1929-1945. With respect to the remaining companies subject to such claims, MSCI's analysis indicates that these have either been settled or have stalled, and incremental financial risks to these companies appear *de minimis*. Therefore, CalPERS has satisfied the requirements of the original 1999 law. CalSTRS previously discontinued similar reporting and MSCI indicated that they have no other clients that contract for similar reporting. For these reasons, CalPERS is discontinuing further Holocaust Era Investments annual reporting after the 2021 cycle.

The 2021 Northern Ireland Holdings Report (Attachment 4) lists 42 publicly traded companies in CalPERS' investment portfolio holdings operating in Northern Ireland that MSCI identified as may not be fully adhering to either the MacBride Principles, a code of conduct designed to strengthen anti-discrimination laws, or the Fair Employment and Treatment (Northern Ireland) Order 1998.

Budget and Fiscal Impacts

The attached reports from MSCI ESG Research, Inc. were prepared at a cost of \$17,364 (Holocaust Era) and \$40,517 (Northern Ireland) for a total of \$57,881. This does not include internal costs related to team member resources needed to complete this agenda item and transmit the reports to the Legislature.

Benefits and Risks

Failure to comply with the statutory requirements of Holocaust Era and Northern Ireland reporting could result in legal and reputational risk for CalPERS.

Attachments

- Attachment 1 – 2021 MSCI Holocaust Era Report
- Attachment 2 – 2021 MSCI Northern Ireland Report
- Attachment 3 – 2021 Holocaust Era Holdings Report
- Attachment 4 – 2021 Northern Ireland Holdings Report

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