

CalPERS' Governance and Sustainability Principles

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Overview | Governance & Sustainability Principles Updates

Seek Investment Committee feedback on additional revisions to the Governance & Sustainability Principles, which include the following:

- Proposed language on sexual harassment in response to Board's direction at the March 19, 2018, Investment Committee meeting.

Next Steps

- Pending Investment Committee feedback, all proposed revisions to the Principles will return to the Investment Committee in May 2018 for a first reading of the revised Total Fund Policy.

Proposed Principles Revisions

In response to the Board’s direction at the March 19, 2018, Investment Committee meeting, staff recommends updating the Governance & Sustainability Principles as follows:

Topic	Rationale
Sexual Harassment	Including a new principle on corporate culture in the board responsibilities section, which includes reference to sexual harassment. In addition, expanding the existing language in the human capital management principle to also include reference to sexual harassment.

New Principle | Board Responsibilities - Corporate Culture

In response to the Board’s recommendation to consider including language on sexual harassment in CalPERS Principles, staff recommends including the following:

Section	Principle	Proposed Language	Page
<p>B. Board Quality: Diversity, Independence, and Competence</p>	<p>7. Board Responsibilities</p>	<p>d. Corporate Culture: Boards should have an active role in setting a high-performance corporate culture, which includes: respectful treatment of employees; efforts to promote diversity, inclusion and innovation; providing a workplace free of sexual harassment and other forms of harassment; fostering trust between employees and management; and promoting ownership and accountability for an ethical corporation.</p> <p>i. Policy: The board should develop and disclose its efforts around establishing effective corporate culture, including its anti-harassment policy, and the mechanisms through which the board learns about employee complaints and how the claims are addressed. CalPERS supports voluntary arbitration in company policies.</p> <p>ii. Board Oversight: Boards should have oversight of the following:</p> <ul style="list-style-type: none"> a) Review of the company’s policies, practices and executive responsibilities related to corporate culture b) Implementation of effective corporate culture. <p>iii. Disclosure: Companies should ensure all settlements are reported to the Board. Financial reporting standard setters generally require disclosure of material settlements, including those involving sexual harassment. CalPERS supports the disclosure of settlements, including those on sexual harassment, involving an executive or member of the board to be disclosed.</p>	<p>Attachment 3 – Page 15</p>

Expanding Existing Principle Language | Human Capital Management

In response to the Board’s recommendation to consider including language on sexual harassment in CalPERS’ Principles, staff recommends including the following:

Section	Principle	Proposed Language	Page
B. Board Quality: Diversity, Independence, and Competence	16. Human Capital Management Practices	<p>16. Human Capital Management Practices: Corporations should adopt maximum progressive practices toward the elimination of human rights violations in all countries or environments in which the company operates. Additionally, these practices should emphasize and focus on preventing discrimination, <u>harassment of any kind including sexual harassment</u>, and/or violence based on race, color, religion, national origin, age, disability, sexual orientation, gender identity, marital status, or any other status protected by laws or regulations in areas of a company’s operation. Boards should be accountable for companies to develop and implement company policies, procedures, training and internal reporting structures to ensure commitment to the following.....</p>	Attachment 3 – Page 22