




The image shows two overlapping forms from the PRI LEA (Local Engagement) toolkit. The top form is LEA 02, titled 'Discretionary', and the bottom form is LEA 03, titled 'Mandatory'. Both forms are designed for recording engagement activities and are structured with columns for 'Type of engagement', 'Reason for interaction', and 'Outcome'. The forms are partially filled out with handwritten text, including 'Individual internal staff engagements', 'Collaborative engagements', and 'Service provider engagements'. The forms also include checkboxes for 'To support investment decision-making in a company's ESG issues' and 'To encourage corporate practice for identifying the need to influence or change corporate behavior'.

RI TRANSPARENCY REPORT

2020

California Public Employees' Retirement System CalPERS

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Public							✓
OO 08	Segregated mandates or pooled funds	✓	Public							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	✓	Public							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Public							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	✓	Private							✓
OO PE 01	Breakdown of private equity investments by strategy	🔒	n/a							✓
OO PE 02	Typical level of ownership in private equity investments	🔒	n/a							✓
OO PR 01	Breakdown of property investments	🔒	n/a							✓
OO PR 02	Breakdown of property assets by management	🔒	n/a							✓
OO PR 03	Largest property types	🔒	n/a							✓
OO INF 01	Breakdown of infrastructure investments	🔒	n/a							✓
OO INF 02	Breakdown of infrastructure assets by management	🔒	n/a							✓
OO INF 03	Largest infrastructure sectors	🔒	n/a							✓
OO HF 01	Breakdown of hedge funds investments by strategies	🔒	n/a							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Private							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Private							✓
SG 08	RI in performance management, reward and/or personal development	✓	Public							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	✓	Public	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		✓	Public							✓
SG 14	Long term investment risks and opportunity	✓	Private	✓						
SG 14 CC		✓	Private							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 16	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
SG 17	ESG issues for externally managed assets not reported in framework	✓	Public							✓
SG 18	Innovative features of approach to RI	✓	Private							✓
SG 19	Communication	✓	Public		✓				✓	
SG End	Module confirmation page	✓	-							

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	ESG incorporation strategies	✓	Public	✓						
SAM 02	Selection processes (LE and FI)	✓	Public	✓						
SAM 03	Evaluating engagement and voting practices in manager selection (listed equity/fixed income)	✓	Public		✓					
SAM 04	Appointment processes (listed equity/fixed income)	✓	Public	✓						
SAM 05	Monitoring processes (listed equity/fixed income)	✓	Public	✓						
SAM 06	Monitoring on active ownership (listed equity/fixed income)	✓	Public	✓						
SAM 07	Percentage of (proxy) votes	✓	Public		✓					
SAM 08	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓						
SAM 09	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public	✓					✓	
SAM End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Percentage of each incorporation strategy	✓	Public	✓						
LEI 02	Type of ESG information used in investment decision	✓	Private	✓						
LEI 03	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 04	Types of screening applied	✓	Public	✓						
LEI 05	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 06	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 07	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 08	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 09	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 10	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 11	ESG issues in index construction	✓	Private	✓						
LEI 12	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 13	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Role in engagement process	✓	Public		✓		✓			
LEA 07	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 08	Tracking number of engagements	✓	Public		✓					
LEA 09	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 10	Engagement methods	✓	Public		✓					
LEA 11	Examples of ESG engagements	✓	Public		✓					
LEA 12	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 13	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 14	Securities lending programme	✓	Private		✓					
LEA 15	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 16	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 17	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 18	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 19	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 20	Shareholder resolutions	✓	Public		✓					
LEA 21	Examples of (proxy) voting activities	✓	Public		✓					
LEA End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Public	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	✓	Public	✓						
FI 05	Examples of ESG factors in screening process	✓	Public	✓						
FI 06	Screening - ensuring criteria are met	✓	Public	✓						
FI 07	Thematic investing - overview	🔒	n/a	✓						
FI 08	Thematic investing - themed bond processes	🔒	n/a	✓						
FI 09	Thematic investing - assessing impact	🔒	n/a	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	🔒	n/a	✓						
FI 14	Engagement overview and coverage	✓	Public		✓					
FI 15	Engagement method	✓	Public	✓	✓					
FI 16	Engagement policy disclosure	✓	Public	✓	✓					
FI 17	Financial/ESG performance	✓	Public							✓
FI 18	Examples - ESG incorporation or engagement	✓	Public	✓	✓					
FI End	Module confirmation page	✓	-							

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year`s PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year`s PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	🔒	n/a							✓
CM1 01 End	Module confirmation page	✓	-							

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Organisational Overview

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Basic information

OO 01	Mandatory	Public	Gateway/Peering	General
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OO 01.1 Select the type that best describes your organisation or the services you provide.

- ☒ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation
- ☐ Endowment
- ☐ Development finance institution
- ☐ Reserve - sovereign or government controlled fund
- ☐ Family office
- ☐ Other, specify

OO 02	Mandatory	Public	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

United States

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1
- ☐ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

2875

OO 03	Mandatory	Public	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
- ☒ No

OO 04	Mandatory	Public	Gateway/Peering	General
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OO 04.1

Indicate the year end date for your reporting year.

30/06/2019

OO 04.2

Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		376	341	219	276
Currency	USD				
Assets in USD		376	341	219	276

☐ Not applicable as we are in the fund-raising process

OO 06	Mandatory	Public	Descriptive	General
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OO 06.1	Select how you would like to disclose your asset class mix.
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☒ as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	40.67	7.21
Fixed income	29.22	2.59
Private equity	0	7.02
Property	0	9.35
Infrastructure	0	0.89
Commodities	0	0
Hedge funds	0	0.05
Fund of hedge funds	0	0
Forestry	0	0.35
Farmland	0	0
Inclusive finance	0	0
Cash	0.01	0.02
Money market instruments	0	2.62
Other (1), specify	0.0007	0.0032
Other (2), specify	0	0

	Other (1) specified
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Derivatives

☐ as broad ranges

OO 06.2

Publish asset class mix as per attached image [Optional].

Breakdown by Asset Class as of October 31, 2019	Total Value (\$ Billion)
Public Equity	\$195.53
Private Equity ¹	\$26.20
Income	\$112.36
Real Assets ¹	\$42.44
Liquidity ¹	\$3.60
Trust Level ²	\$5.13

¹ Private Equity and Real Assets market values reflect values reported on a quarterly basis. These values are lagged one quarter.

² Trust Level includes Multi Asset Class, Completion Overlay, Risk Mitigation, Absolute Return Strategies, Plan Level Transition, and other Total Fund level portfolios.

OO 06.3

Indicate whether your organisation has any off-balance sheet assets [Optional].

- ☐ Yes
☐ No

OO 06.5

Indicate whether your organisation uses fiduciary managers.

- ☐ Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
☒ No, we do not use fiduciary managers.

OO 07

Mandatory to Report Voluntary to Disclose

Public

Gateway

General

OO 07.1

Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.

Internally managed	SSA
	45
	Corporate (financial)
	5
	Corporate (non-financial)
	20
	Securitised
Externally managed	30
	Total
	100%
	SSA
	60
	Corporate (financial)
	10
	Corporate (non-financial)
	25
	Securitised
	5
	Total
	100%

OO 08	Mandatory to Report Voluntary to Disclose	Public	Peering	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 08.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds or investments.
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Asset class breakdown	Segregated mandate(s)	Pooled fund(s) or pooled investment(s)	Total of the asset class (each row adds up to 100%)
[a] Listed equity	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[b] Fixed income - SSA	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[c] Fixed income – Corporate (financial)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[d] Fixed income – Corporate (non-financial)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[e] Fixed income – Securitised	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[f] Private equity	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	100%
[g] Property	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[h] Infrastructure	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%

[j] Hedge funds	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	100%
[k] Forestry	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	100%
[n] Cash	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[o] Money market instruments	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%
[p] Other (1), specify	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %	100%

OO 08.2

Additional information. [Optional]

Real Assets

The vast majority of CalPERS' real assets portfolio is through dedicated separate accounts with real estate and infrastructure managers where CalPERS retains strong governance and control over the investment process and criteria including ESG/Sustainable Investment considerations

OO 09
Mandatory
Public
Peering
General
OO 09.1

Indicate the breakdown of your organisation's AUM by market.

Developed Markets

91

Emerging Markets

9

	Frontier Markets
0	
	Other Markets
0	
	Total 100%
100%	

Asset class implementation gateway indicators

OO 10	Mandatory	Public	Gateway	General
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OO 10.1	Select the active ownership activities your organisation implemented in the reporting year.
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	Listed equity – engagement
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- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors.

	Listed equity – voting
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- ☒ We cast our (proxy) votes directly or via dedicated voting providers
- ☐ We require our external managers to vote on our behalf.
- ☐ We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

	Fixed income SSA – engagement
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- ☐ We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.
- ☐ We require our external managers to engage with SSA bond issuers on ESG factors on our behalf.
- ☒ We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.

	Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.
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Fixed Income does not engage in SSA due to the following reason:

- A) We have not found an appropriate measurement or scaling that would allow us to measure impact
- B) Additionally, we have no external managers for SSA

Fixed income Corporate (financial) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (non-financial) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (securitised) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

OO 11

Mandatory

Public

Gateway

General

OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Listed equity

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

Fixed income - SSA

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

Fixed income - corporate (financial)

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

Fixed income - corporate (non-financial)

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Fixed income - securitised
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- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Cash
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- ☐ We address ESG incorporation.
- ☒ We do not do ESG incorporation.

	Other (1)
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- ☐ We address ESG incorporation.
- ☒ We do not do ESG incorporation.

	`Other (1)` [as defined in OO 05]
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Derivatives

OO 11.2	Select the externally managed assets classes in which you and/or your investment consultants address ESG incorporation in your external manager selection, appointment and/or monitoring processes.
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Asset class	ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
Listed equity	<div> <div></div> <div>Listed equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - SSA	<div> <div></div> <div>Fixed income - SSA - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - corporate (financial)	<div> <div></div> <div>Fixed income - corporate (financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - corporate (non-financial)	<div> <div></div> <div>Fixed income - corporate (non-financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - securitised	<div> <div></div> <div>Fixed income - securitised - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Private equity	

	<div>Private equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Property	<div>Property - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Infrastructure	<div>Infrastructure - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Hedge funds	<div>Hedge funds - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input type="checkbox"/> We incorporate ESG into our external manager selection process <input type="checkbox"/> We incorporate ESG into our external manager appointment process <input type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable <input type="checkbox"/> We incorporate ESG into our external manager monitoring process <input checked="" type="checkbox"/> We do not do ESG incorporation
Forestry	<div>Forestry - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input type="checkbox"/> We incorporate ESG into our external manager selection process <input type="checkbox"/> We incorporate ESG into our external manager appointment process <input type="checkbox"/> We invest only in pooled funds and external manager appointment is not applicable <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Cash	<div>Cash - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div>

	<input type="checkbox"/> We incorporate ESG into our external manager selection process <input type="checkbox"/> We incorporate ESG into our external manager appointment process <input type="checkbox"/> We incorporate ESG into our external manager monitoring process <input checked="" type="checkbox"/> We do not do ESG incorporation
Money market instruments	<div style="background-color: #0070C0; color: white; padding: 5px;"> Money market instruments - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input type="checkbox"/> We incorporate ESG into our external manager appointment process <input type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Other (1)	<div style="background-color: #0070C0; color: white; padding: 5px;"> Other (1) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes </div> <input type="checkbox"/> We incorporate ESG into our external manager selection process <input type="checkbox"/> We incorporate ESG into our external manager appointment process <input type="checkbox"/> We incorporate ESG into our external manager monitoring process <input checked="" type="checkbox"/> We do not do ESG incorporation

OO 11.3b

If your organisation does not integrate ESG factors into investment decisions on your externally managed assets, explain why not.

Cash and derivatives are short-term and do not provide for ESG incorporation

OO 11.4

Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

Manager Expectations

Acknowledging sustainability impacts all areas of the portfolio, CalPERS seeks to ensure sustainable investment considerations are appropriately included throughout the life cycle of investments by internal and external managers. Specifically, CalPERS seeks to integrate ESG factors into investment processes and decisions by internal and external managers. These processes include selection, contracting, monitoring and management. CalPERS established clear objectives and key performance indicators related to Manager Expectations in our Board approved Total Fund Governance and Sustainability Strategic Plan adopted in 2016. The most recent Strategic Plan update, covering the reporting period, can be found here: <https://www.calpers.ca.gov/docs/governance-sustainability-strategic-plan-update.pdf>

In 2016, each asset class developed and piloted a set of Sustainable Investment Practice Guidelines (SIPG) which reflect the particular requirements of each asset class. The SIPGs are intended to evolve and adapt as industry best practices emerge, and as such were updated in 2017. They are now available and posted to CalPERS' website to ensure availability for interested parties.

- Global Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-equity-sustainable-investment-guidelines.pdf>
- Global Fixed Income Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-fixed-income-sustainable-investment-guidelines.pdf>
- Private Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/private-equity-sustainable-investment-guidelines.pdf>

- Real Assets Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/real-assets-sustainable-investment-guidelines.pdf>

CalPERS staff also integrates ESG factors and a discussion of the Sustainable Investment practices into their Annual Program Reviews presented to the CalPERS' Board, with each asset class delivering such material throughout 2018-19.

A few examples of our assets classes' sustainable investment practices are as follows:

Real Assets:

As described in Real Assets Sustainable Investment Practice Guidelines, RAU staff identifies and assesses ESG factors through its investment selection, contracting and monitoring processes.

- Selection: RAU staff scores each new investment proposal, utilizing a two-part standardized Manager Assessment Tool (MAT). This includes ESG specific criteria. After the initial screening (Phase I of the MAT), proposals selected for further review are evaluated in a second phase which includes a Due Diligence Questionnaire (DDQ). ESG questions are incorporated into the DDQ for Real Assets. Responses to ESG questions are included in the overall weighting and when evaluating prospective Managers and mandates.
- Contracting: Real Assets seeks to promote greater alignment with its external managers by establishing, where possible the following in contracts: 1) Managers have, or will commit to have an investment process which incorporates an assessment of relevant long-term Sustainable Investment or ESG factors and 2) Managers will incorporate relevant ESG factors and Sustainable Investment activities into reporting.
- Investment Management and Monitoring: Examples include 1) reviewing Managers' compliance with ESG obligations in operating agreements, 2) being responsive to ESG events and engaging on material issues, and 3) reviewing Managers' sustainable investment processes, practices and reporting and identifying ESG opportunities and risks.

Private Equity:

Private Equity Staff uses a customized screening process for all Private Equity fund investment proposals. This process includes a section pertaining to the General Partner's written ESG policy. The overall investment proposal score helps Private Equity determine whether to move forward to diligence the investment opportunity. ESG is considered with other investment factors necessary to reach an informed decision. The ESG item within the screening process consistently formalizes ESG in the assessment process. A manager's ESG policy, or lack thereof, will not exclude a proposal from moving forward to the formal diligence process, rather, it will be taken into account in the context of evaluating all relevant investment parameters.

As part of the due diligence process, Private Equity Staff: requests the firm's ESG policy, inquires about the way General Partners identify, monitor, mitigate and resolve ESG issues, consider the General Partner's approach to incorporating ESG factors into investment decision-making and ownership activities, and ask for examples on how they engage portfolio companies on ESG factors, inquire about General Partner's procedure for identifying ESG related issues to investors, and request disclosure on any ongoing ESG litigation related to ESG issues.

Final Diligence Reviews on new investments include an ESG section. Material ESG issues may be discussed at the Investment Review Committee (IRC) before voting and final investment approval occurs. The discussion around ESG issues will depend on their relevance to a particular investment opportunity.

Post-investment, Staff would inquire about the material ESG issues in the portfolio during the LPAC meetings. Additionally, in 2018-19, PE Staff led a project dedicated to assessing the status of carbon footprint reporting/tracking in the private equity industry and within the CalPERS PE Portfolio, which is in line with the goal of strengthening the long-term sustainability of the pension fund, as was stated in the CalPERS Strategic Plan. Private Equity Staff: worked in collaboration with the Sustainable Investments group to discuss overall objectives and partner outreach; created a list of questions tailored to select Limited Partners; and prepared and distributed a survey to all General Partners within the PE Portfolio.

Listed Equity:

Selection: Global Equity utilizes the Alternative Solicitation Process to source external investment opportunities. As part of the process, staff requests detailed and pertinent information on ESG integration. Scoring is performed by Global Equity staff and the ESG score contributes to the final strategy selection.

Appointment: Global Equity seeks to promote greater alignment with its external managers by establishing, where relevant, the following items in contracts:

- Manager has or will commit to have, an investment process which incorporates an assessment of relevant long-term Sustainable Investment or ESG factors;
- Managers will incorporate relevant ESG factors and Sustainable Investment activities into reporting; and
- Managers commit to working with staff to understand and incorporate appropriate CalPERS Global Governance Principles and, where appropriate, CalPERS Investment Beliefs.

Monitoring: Global Equity annually reviews ESG-related issues and reports as part of its monitoring protocol. Staff investigates:

The Manager's process for identifying and acting on ESG-related opportunities and risks;

New or ongoing litigation issues pertaining to ESG; and

Material ESG issues that may impact the value of the portfolio

As per our Governance and Sustainability Principles: "CalPERS expects all internal and external managers of CalPERS' capital to integrate the Principles into investment decision making, including proxy voting, consistent with CalPERS' fiduciary duty to seek the highest possible returns at an acceptable level of risk to fulfill our pension obligations." <https://www.calpers.ca.gov/docs/forms-publications/governance-and-sustainability-principles.pdf>

OO 12	Mandatory	Public	Gateway	General
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OO 12.1	Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.			
---------	---	--	--	--

	Core modules
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☒ Organisational Overview

☒ Strategy and Governance

	RI implementation directly or via service providers
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	Direct - Listed Equity incorporation
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☒ Listed Equity incorporation

	Direct - Listed Equity active ownership
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☒ Engagements

☒ (Proxy) voting

	Direct - Fixed Income
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☒ Fixed income - SSA

☒ Fixed income - Corporate (financial)

☒ Fixed income - Corporate (non-financial)

☒ Fixed income - Securitised

	RI implementation via external managers
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Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities
- ☒ Fixed income - SSA
- ☒ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)
- ☒ Fixed income - Securitised
- ☒ Private Equity
- ☒ Property
- ☒ Infrastructure

Closing module

- ☒ Closing module

Peering questions

OO LE 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO LE 01.1	Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.
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Percentage of internally managed listed equities

	Passive
73	
	Active - quantitative (quant)
11	
	Active - fundamental and active - other
16	
	Total
100%	



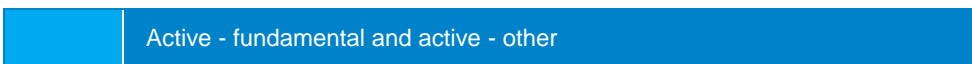



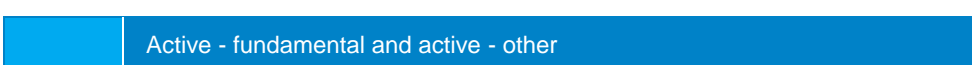

OO LE 01.2	Additional information. [Optional]
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As of 06/30/2019, CalPERS' Global Equity portfolio is valued at approximately \$190 billion. The portfolio is global with the following allocations:

- 58% invested domestically, 33% developed markets, and 9% emerging markets.

OO FI 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO FI 01.1	Provide a breakdown of your internally managed fixed income securities by active and passive strategies
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SSA	 Passive
	0
	 Active - quantitative (quant)
	0
	 Active - fundamental and active - other
Corporate (financial)	100
	 Total
	100%
Corporate (non-financial)	 Passive
	0
	 Active - quantitative (quant)
	0
	 Active - fundamental and active - other
	100
	 Total
	100%

Securitised		Passive
	0	
		Active - quantitative (quant)
	0	
		Active - fundamental and active - other
	100	
		Total
	100%	

OO FI 03	Mandatory	Public	Descriptive	General
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Update: this indicator has changed from "*Mandatory to report, voluntary to disclose*" to "*Mandatory*". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

OO FI 03.1	Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.
------------	---

SSA		Developed markets
	91	
		Emerging markets
	9	
		Total
	100%	

OO FI 03.2	Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments by investment grade or high-yield securities.
------------	---

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%	100%
Corporate (non-financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%
Securitised	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%	100%

If you are invested in private debt and reporting on ratings is not relevant for you, please indicate below

☐ OO FI 03.2 is not applicable as our internally managed fixed income assets are invested only in private debt.

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

☒ Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input checked="" type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Other, specify (1) Advocacy <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- ☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- ☒ Your investment objectives that take ESG factors/real economy influence into account
- ☒ Time horizon of your investment
- ☒ Governance structure of organisational ESG responsibilities
- ☒ ESG incorporation approaches
- ☒ Active ownership approaches
- ☒ Reporting
- ☒ Climate change
- ☐ Understanding and incorporating client / beneficiary sustainability preferences
- ☒ Other RI considerations, specify (1)

Other description (1)

ESG Integration: CalPERS' Board approved the Total Fund Governance and Sustainability Strategic Plan, which includes objectives and KPIs designed to integrate ESG risk and opportunity considerations into investment processes and decisions. CalPERS' Governance and Sustainability Principles are incorporated into the Total Fund Investment Policy. See SG 1.5 for elaboration.

- ☒ Other RI considerations, specify (2)

Other description (2)

Engagement and Advocacy: As outlined in the Total Fund Investment Policy, CalPERS' Investment Beliefs recognize a long-term investment horizon is both an advantage and a responsibility, requiring CalPERS advocate for policies which support the long-term with policy makers, companies, and investment managers to foster long-term value creation.

SG 01.4

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

CalPERS' Investment and Pension Beliefs (Beliefs) articulate CalPERS' perspective about public pension administration and portfolio management. The Beliefs guide CalPERS Executives and staff in decision-making, planning, and communicating with stakeholders and establish parameters for policy advancement. The Beliefs reflect CalPERS' values and acknowledge CalPERS' responsibility to sustain its ability to pay benefits for generations. Specifically, Investment Beliefs:

- Provide a basis for strategic management of the investment portfolio
- Inform organizational priorities
- Ensure alignment between the Committee and staff
- Guide development of CalPERS culture

<https://www.calpers.ca.gov/page/about/organization/calpers-story/our-mission-vision#investment-beliefs>

In alignment with the Beliefs, **the 2017-2022 CalPERS Strategic Plan** defines the long-term direction of the organization and is expressed through five strategic goals and objectives focused on pension fund sustainability, healthcare affordability, risk management, talent management and reduced complexity. Specifically, the goal of Fund Sustainability includes objectives of delivering target risk-adjusted investment returns and the integration of ESG considerations into investment processes and decisions.

<https://www.calpers.ca.gov/docs/forms-publications/2017-22-strategic-plan.pdf>

Consistent with California Constitution, Article XVI, section 17, all CalPERS investment activities, and all investment transactions, shall be designed and executed solely in the interest of, and for the exclusive purposes of, providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

CalPERS' Mission

Deliver retirement and health care benefits to members and their beneficiaries.

<https://www.calpers.ca.gov/page/about/organization/calpers-story/our-mission-vision>

CalPERS' Investment Office Mission

Manage the CalPERS investment portfolio in an efficient and risk-aware manner to generate returns to sustainably pay benefits.

CalPERS' Total Fund Investment Policy

The overall objective of the CalPERS investment program is to generate returns at an appropriate level of risk to provide members and beneficiaries with benefits as required by law. This will be accomplished through a carefully planned and executed long-term investment program that efficiently and effectively allocates and manages the assets of CalPERS.

The CalPERS' Total Fund Investment Policy (Policy) is designed to allow CalPERS to achieve a long-term total return. Accordingly, prudent risk-taking is appropriate within the context of overall diversification to meet CalPERS' long-term investment objectives. As adopted by the CalPERS Board of Administration's Investment Committee (Committee), the Policy sets forth CalPERS' Investment Beliefs and overarching investment purposes and objectives with respect to all investment programs. The purpose of the Policy is to provide a framework for the management of CalPERS' assets. The Policy outlines objectives, benchmarks, restrictions and responsibilities so the Committee, staff, consultants, managers, members, and beneficiaries, and all other CalPERS stakeholders, clearly understand the objectives and policies of the CalPERS investment program.

The Policy is reviewed and approved annually by the Committee to ensure policy relevancy remains due to the changing nature of CalPERS assets and investment programs, benefit and structural changes, and economic conditions. The Policy was last reviewed and approved in September 2019. Policies can be found here: <https://www.calpers.ca.gov/page/about/board/board-meetings/invest-201909>

CalPERS' Governance and Sustainability Strategy

Included in the Policy is the CalPERS' Governance and Sustainability Strategy, implemented through the four channels of Research, Integration, Engagement and Advocacy, supported where applicable by the use of strategic partnerships to advance CalPERS' investment and policy objectives. Additionally, Investment Office Staff are required annually to report on investment program strategy and its alignment with the CalPERS Governance and Sustainability Strategy and associated in-force strategic plan.

CalPERS' Governance and Sustainability Principles

In March 2015, the CalPERS' Governance and Sustainability Principles (Principles) were incorporated in to the Policy to further integrate environmental and social factors alongside CalPERS' governance agenda. The Principles set forth the CalPERS' views on best practices guiding our engagement with companies, advocacy agenda with policy makers, and expectations for both our internal and external managers across the total fund. <https://www.calpers.ca.gov/docs/forms-publications/governance-and-sustainability-principles.pdf>

CalPERS' Total Fund Governance and Sustainability Strategic Plan

In August 2016, the Committee approved CalPERS' Total Fund Governance and Sustainability Strategic Plan (Plan). The 5-Year Plan identified six strategic priorities and core workload initiatives focused on ESG issues which cross the Total Fund and effect CalPERS ability to manage risk and return. Each strategic initiative has a clearly defined objective, key performance indicators to serve as measures of success, milestones and a timeline.

As outlined in the Policy, the Sustainable Investments Program is responsible for the oversight and management of the Plan and progress is reported annually to the Committee.

<https://www.calpers.ca.gov/docs/governance-sustainability-strategic-plan-update.pdf>

Plan initiatives outline CalPERS' future work in sustainable investment and include:

- Data and Corporate Reporting Standards
- Climate Action 100+ (formerly termed UN PRI Montreal Pledge company engagement)
- Diversity and Inclusion

- Manager Expectations
- Sustainable Investment Research
- Private Equity Fees and Profit Sharing Transparency

Progress and completion of these strategic priorities are expected to result in benefits including:

- Strengthened understanding and ability to manage ESG driven risk and opportunities through improved data and disclosures and integration
- Reduced climate change risk
- Enhanced diversity of board composition, which should lead to more effective and dynamic boards to better mitigate risk and enhance long-term performance for shareowners.

☐ No

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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☒ Policy setting out your overall approach

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

☐ Attachment (will be made public)

☒ Formalised guidelines on environmental factors

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

☐ Attachment (will be made public)

☒ Formalised guidelines on social factors

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

☐ Attachment (will be made public)

☒ Formalised guidelines on corporate governance factors

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

☐ Attachment (will be made public)

☒ Fiduciary (or equivalent) duties

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/docs/total-fund-investment-policy.pdf>

☐ Attachment (will be made public)

☒ Asset class-specific RI guidelines

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/docs/global-equity-sustainable-investment-guidelines.pdf>

☐ Attachment (will be made public)

☒ Sector specific RI guidelines

URL/Attachment

☒ URL

	URL
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<https://www.calpers.ca.gov/page/newsroom/calpers-news/2016/votes-expand-tobacco-investment-ban>

☐ Attachment (will be made public)

☒ Screening / exclusions policy

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

☐ Attachment (will be made public)

☒ Engagement policy

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

☐ Attachment (will be made public)

☒ (Proxy) voting policy

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/docs/total-fund-investment-policy.pdf>

☐ Attachment (will be made public)

☐ Other, specify (1)

☐ We do not publicly disclose our investment policy documents

SG 02.2	Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.
----------------	---

☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/docs/total-fund-investment-policy.pdf>

☐ Attachment

☒ Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/docs/board-agendas/201702/pension/item7-01.pdf>

☐ Attachment

☒ Time horizon of your investment

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/docs/board-agendas/201702/pension/item7-01.pdf>

☐ Attachment

☒ Governance structure of organisational ESG responsibilities

URL/Attachment

☒ URL

URL

<https://www.calpers.ca.gov/docs/board-agendas/201703/invest/item08a-01.pdf>

☐ Attachment

☒ ESG incorporation approaches

URL/Attachment

☒ URL

	URL
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<https://www.calpers.ca.gov/docs/board-agendas/201703/invest/item08a-01.pdf>

☐ Attachment

☒ Active ownership approaches

	URL/Attachment
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☒ URL

	URL
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https://www.calpers.ca.gov/docs/board-agendas/201903/invest/item09b-01_a.pdf

☐ Attachment

☒ Reporting

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/docs/total-fund-investment-policy.pdf>

☐ Attachment

☒ Climate change

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

☐ Attachment

☒ Other RI considerations, specify (1)

	Other description (1)
--	-----------------------

ESG Integration: CalPERS' Board approved the Total Fund Governance and Sustainability Strategic Plan, which includes objectives and KPIs designed to integrate ESG risk and opportunity considerations into investment processes and decisions.

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/docs/governance-sustainability-strategic-plan-update.pdf>

☐ Attachment

☒ Other RI considerations, specify (2)

	Other description (2)
--	-----------------------

Engagement and Advocacy: As outlined in the Total Fund Investment Policy, CalPERS Investment Beliefs recognize a long-term investment horizon is both an advantage and imposes a responsibility, requiring CalPERS advocate for policies which support the long-term with policy makers, companies, and investment managers.

	URL/Attachment
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☒ URL

	URL
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<https://www.calpers.ca.gov/docs/total-fund-investment-policy.pdf>

☐ Attachment

☐ We do not publicly disclose any investment policy components

SG 02.3	Additional information [Optional].
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CalPERS' Total Fund Investment Policy (Policy)

The CalPERS' Total Fund Investment Policy (Policy) is designed to enable CalPERS to achieve a long-term total return. Accordingly, prudent risk-taking is appropriate within the context of overall diversification to meet CalPERS' long-term investment objectives. As adopted by the CalPERS Board of Administration's Investment Committee (Committee), the Policy sets out CalPERS' Investment Beliefs and overarching investment purposes and objectives with respect to all investment programs. The purpose of the Policy is to provide a framework for the management of CalPERS' assets. The Policy outlines objectives, benchmarks, restrictions and responsibilities so the Committee, staff, consultants, managers, members, and beneficiaries, and all other CalPERS stakeholders, clearly understand the objectives and policies of the CalPERS investment program.

The Policy is reviewed and approved annually by the Committee to ensure policy relevancy remains due to the changing nature of CalPERS assets and investment programs, benefit and structural changes, and economic conditions. The Policy was last reviewed and approved in September 2019. Policies can be found here: <https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

Each asset class has their own Investment Policy:

Global Equity: <https://www.calpers.ca.gov/docs/policy-global-equity.pdf>

Fixed Income: <https://www.calpers.ca.gov/docs/policy-global-fixed-income.pdf>

Private Equity: <https://www.calpers.ca.gov/docs/policy-private-equity-program.pdf> ;

<https://www.calpers.ca.gov/docs/policy-restrict-private-equity-outsourcers.pdf>

Real Assets (Real Estate, Infrastructure, & Forestland): <https://www.calpers.ca.gov/docs/policy-real-assets-program.pdf> ; <https://www.calpers.ca.gov/docs/policy-responsible-contractor-2015.pdf>

Other Programs: <https://www.calpers.ca.gov/docs/policy-absolute-return-strategies.pdf> ;

<https://www.calpers.ca.gov/docs/policy-inflation-assets.pdf>

CalPERS' Investment Beliefs

The Beliefs reflect CalPERS' values and acknowledge CalPERS' responsibility to sustain its ability to pay benefits for generations. Specifically, Investment Beliefs are:

- Liabilities must influence the asset structure
- A long time investment horizon is a responsibility and an advantage
- CalPERS investment decision may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries
- Long-term value creation requires effective management of three forms of capital: financial, physical, and human
- CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution
- Strategic asset allocation is the dominant determinant of portfolio risk and return
- CalPERS will take risk only where we have strong belief we will be rewarded for it
- Cost matter and need to be effectively managed
- Risk to CalPERS multi-faceted and not fully captured through measurers such as volatility or tracking error
- Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives.

<https://www.calpers.ca.gov/page/about/organization/calpers-story/our-mission-vision#investment-beliefs>

CalPERS' Governance and Sustainability Principles:

Included in the Total Fund Policy, CalPERS' Governance and Sustainability Principles serve as the framework by which CalPERS executes its shareowner proxy voting responsibilities; engages public companies to achieve long-term, sustainable risk-adjusted returns and works with internal and external investment managers to ensure their practices align with CalPERS' Investment Beliefs. The Investment Committee reviews the Principles on an annual basis to ensure relevancy. Most recent revisions to the Principles included:

- Integrated reporting and corporate disclosure enhancements related to human capital management
- Executive, Director, and Employee Compensation enhancements related to compensation structure
- Sustainable Policy Framework, including Environmental Risk Factors and Carbon Pricing Policy

The updated Principles and CalPERS Total Fund Policy were reviewed and approved by the Investment Committee in September 2019:

- <https://www.calpers.ca.gov/docs/forms-publications/governance-and-sustainability-principles.pdf>
- <https://www.google.com/search?client=firefox-b-1-d&q=calpers+total+fund+investment+policy>

CalPERS' Governance and Sustainability Strategy

Included in the Policy is the CalPERS' Governance and Sustainability Strategy, implemented through the four channels of Research, Integration, Engagement and Advocacy, supported where applicable by the use of strategic partnerships to advance CalPERS' investment and policy objectives. Additionally, Investment Office Staff are required annually to report on investment program strategy and its alignment with the CalPERS Governance and Sustainability Strategy and associated in-force strategic plan.

CalPERS' Total Fund Governance and Sustainability Strategic Plan

In August 2016, the Committee approved CalPERS' Total Fund Governance and Sustainability Strategic Plan (Plan). The 5-Year Plan identified six strategic priorities and core workload initiatives focused on ESG issues which cross the Total Fund and effect CalPERS ability to manage risk and return. Each strategic initiative has a clearly defined objective, key performance indicators to serve as measures of success, milestones and a timeline.

As outlined in the Policy, the Sustainable Investments Program is responsible for the oversight and management of the Plan and progress is reported annually to the Committee. <https://www.calpers.ca.gov/docs/governance-sustainability-strategic-plan-update.pdf>

Plan initiatives outline CalPERS' future work in sustainable investment and include:

Data and Corporate Reporting Standards
Climate Action 100+ (formerly termed UN PRI Montreal Pledge company engagement)
Diversity and Inclusion
Manager Expectations
Sustainable Investment Research
Private Equity Fees and Profit Sharing Transparency

Other news articles:

<https://www.ai-cio.com/news/calpers-wellington-launch-climate-risk-evaluation-framework/>
<https://www.pionline.com/special-report/public-funds-taking-lead-spectacular-boom-esg>
<https://www.ai-cio.com/news/calpers-puts-laser-like-focus-esg-board-diversity-executive-pay/>
<https://www.ai-cio.com/news/calpers-supports-carbon-pricing/>
<https://time.com/5669038/women-climate-change-leaders/>
<https://www.ft.com/content/f568ec48-1840-11ea-8d73-6303645ac406>
<https://www.ft.com/content/b9bdd50c-f669-3f9c-a5f4-c2cf531a35b5>
<https://www.ai-cio.com/news/majority-companies-not-line-paris-agreement-goals/>
<https://time.com/5766188/shell-oil-companies-fossil-fuels-climate-change/>

SG 03	Mandatory	Public	Core Assessed	General
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SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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☒ Yes

SG 03.2	Describe your policy on managing potential conflicts of interest in the investment process.
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CalPERS has taken steps to achieve transparency and implement policies and reforms that strengthen the pension fund's accountability. The actions are aimed at providing CalPERS members, employers, and the public complete confidence in the System's decision-making process while ensuring the CalPERS Board is meeting its fiduciary duty. Further information on these actions may be found here:
<https://www.calpers.ca.gov/page/about/organization/transparency-accountability>

CalPERS has adopted several policies and regulations relating to the management of actual or potential conflicts of interest in the investment process. These include, but are not limited to:

- Statement of Incompatible Activities Regulation
- External Investment Resource Conflict of Interest Regulation
- Required Contract-Related Disclosures Regulation
- Placement Agent Disclosure Regulation
- Personal Trading Regulation
- Insider Trading Policy
- Investment Office Travel Policy

☐ No

SG 03.3	Additional information. [Optional]
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We have these additional policies that are designed to promote transparency and prevent external influences from unduly influencing CalPERS staff:

- CalPERS Gift Policy
- Insider Trading Policy
- Personal Trading Policy (online platform to confirm personal trades applicable to the policy)
- Outside Employment Information
- Conflict of Interest Code (Form 700)

Statement of Economic Interest

All Senior and trading staff must also complete a statement of economic interest known as Form 700. Filers must disclose certain investments, income, gifts and travel payments. The Form is available for inspection by any member of the public including the media.

Insider Trading Policy

CalPERS also has a Restricted Company List as per CalPERS' Insider Trading Policy. The personal trading regulation requires Covered Persons and their spouses to disclose personal investment holdings and utilize personal trading pre-clearance system. The Personal Trading Regulation provides safeguards against violating fiduciary responsibility to CalPERS and its members. On an annual basis staff must report any personal investment holdings. <https://www.calpers.ca.gov/docs/insider-trading-policy.pdf>

Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☒ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc basis
- ☐ It is not set/reviewed

SG 05.2

Additional information. [Optional]

Annual Reviews:

1. Sustainable Investment Program: In August 2016, the Investment Committee (Committee) approved the Plan, which identified six strategic priorities and core workload initiatives focused on ESG issues which cross the Total Fund and effect CalPERS ability to manage risk and return. Each strategic initiative has a clearly defined objective, key performance indicators to serve as measures of success, milestones and a timeline. Throughout 2018-2019, Staff focused efforts on meeting the stated deliverables and driving progress on long-term key performance indicators. Progress was reported to the Investment Committee in March 2019:

<https://www.calpers.ca.gov/docs/governance-sustainability-strategic-plan-update.pdf>

2. Each asset class reports progress on responsible investment goals and sets new objectives as part of their annual review. Examples:

- Fixed Income: https://www.calpers.ca.gov/docs/board-agendas/201909/invest/item08c-01_a.pdf
- Listed Equity: https://www.calpers.ca.gov/docs/board-agendas/201909/invest/item08a-01_a.pdf
- Private Equity: https://www.calpers.ca.gov/docs/board-agendas/201911/invest/item09c-01_a.pdf
- Infrastructure, Property, Forestland: https://www.calpers.ca.gov/docs/board-agendas/201911/invest/item09a-01_a.pdf

Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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SG 07.1

Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

Roles

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Internal Roles (triggers other options)

Select from the below internal roles

- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
 - Managing Investment Directors, Investment Directors**
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investor relations
- ☒ Other role, specify (1)

Other description (1)

Legal Office - General Counsel/Litigation

- ☐ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify (2)

Other description (2)

Public Affairs, Stakeholder Relations

- ☐ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☒ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment

SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

Acknowledging sustainability impacts all areas of the portfolio, CalPERS seeks to ensure sustainable investment considerations are appropriately included throughout the life cycle of investments by internal and external managers. The Total Fund Governance and Sustainability Strategic Plan specifically seeks to integrate ESG factors into investment processes and decisions by internal and external managers. These processes include selection, contracting, monitoring and management.

The SIPGs are intended to evolve and adapt as industry best practices emerge. They are now available and posted to CalPERS' website to ensure timely availability for interested parties.

Global Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-equity-sustainable-investment-guidelines.pdf>

Global Fixed Income Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-fixed-income-sustainable-investment-guidelines.pdf>

Private Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/private-equity-sustainable-investment-guidelines.pdf>

Real Assets Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/real-assets-sustainable-investment-guidelines.pdf>

CalPERS staff also integrated ESG factors into their Annual Program Review, with each asset class delivering such material to the Committee throughout 2019. Each asset class reports progress on responsible investment goals and sets new objectives as part of their annual review. Examples:

Fixed Income: https://www.calpers.ca.gov/docs/board-agendas/201909/invest/item08c-01_a.pdf

Listed Equity: https://www.calpers.ca.gov/docs/board-agendas/201909/invest/item08a-01_a.pdf

Private Equity: https://www.calpers.ca.gov/docs/board-agendas/201911/invest/item09c-01_a.pdf

Infrastructure, Property, Forestland: https://www.calpers.ca.gov/docs/board-agendas/201911/invest/item09a-01_a.pdf

CalPERS 5-Year Total Fund Governance and Sustainability Strategic Plan includes key performance indicators which are tied to Investment Officer III and above compensation plans for the individuals that are implementing the strategic priorities of the plan.

SG 07.3

Indicate the number of dedicated responsible investment staff your organisation has.

Number

SG 07.4	Additional information. [Optional]
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14 full-time employees in the Sustainable Investment Program and 7 full-time employees in the Global Equity's Corporate Governance team focus on responsible investment.

An additional 21 staff are responsible for the oversight and implementation of ESG investment practices, including individuals from each asset class, and the Governance and Sustainability Subcommittee which includes the Legal Office, Legislative Affairs program, Investment Compliance and Operational Risk, Office of Public Affairs and Stakeholder Relations.

SG 08	Voluntary	Public	Additional Assessed	General
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SG 08.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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	Board members/Board of trustees
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SG 08.1b	RI in personal development and/or training plan
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☒ Responsible investment included in personal development and/or training plan

SG 08.2	Describe any activities undertaken during the reporting year to develop and maintain Board members' skills and knowledge in relation to responsible investment.
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Board members have attended training at PRI and ICGN and receive annual training per policy requirements.

☐ None of the above

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
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SG 08.1a	RI in objectives, appraisal and/or reward
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☒ Responsible investment KPIs and/or goals included in objectives

☒ Responsible investment included in appraisal process

☒ Variable pay linked to responsible investment performance

☐ None of the above

SG 08.1b	RI in personal development and/or training plan
-----------------	---

☐ Responsible investment included in personal development and/or training plan

☐ None of the above

	Other C-level staff or head of department
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Managing Investment Directors, Investment Directors

SG 08.1a	RI in objectives, appraisal and/or reward
-----------------	---

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b	RI in personal development and/or training plan
-----------------	---

- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

SG 08.1a	RI in objectives, appraisal and/or reward
-----------------	---

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b	RI in personal development and/or training plan
-----------------	---

- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

SG 08.1a	RI in objectives, appraisal and/or reward
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- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b	RI in personal development and/or training plan
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- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff
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SG 08.1a	RI in objectives, appraisal and/or reward
-----------------	---

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☐ None of the above

SG 08.1b	RI in personal development and/or training plan
-----------------	---

- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role (1) [from SG 07]

Legal Office - General Counsel/Litigation

SG 08.1a	RI in objectives, appraisal and/or reward
-----------------	---

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ None of the above

SG 08.1b	RI in personal development and/or training plan
-----------------	---

- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

SG 08.3	Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.
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CalPERS evaluates and rewards staff in the following ways:

Incentive Scheme

Incentive schemes are underpinned by the Investment Beliefs, which includes recognizing that long-term value creation requires the effective management of three forms of capital: financial, physical and human.

CalPERS staff undergo annual performance reviews and performance is evaluated based on quantitative and/or qualitative performance measures. CalPERS financial incentive scheme includes ESG-related KPIs for the entire Investment Office senior staff, including the Chief Investment Officer (CIO).

Awards

The Achieving CalPERS Excellence (ACE) Award serves to recognize individuals and teams who demonstrate excellence in communication, core values, customer service, or as a champion of security.

CalPERS APEX award is the pinnacle of our employee recognition program for administration and junior staff. This unique, peer driven, formal award program enables all levels of to nominate and select the APEX recipients (with Investment Officer IIIs and above excluded) who demonstrate our core values and commitment to customer service principles; exhibit exceptional technical and interpersonal skills; and display a commitment to the overall success of CalPERS.

CalPERS Core Values

Our Core Values guide us in our work and are woven into the fabric of our daily interactions with our members, our employers and each other. CalPERS Core Values are the following:

Quality

Strives to exceed customers' needs and expectations through competence, innovation, and teamwork Proactively explores policy and product opportunities to better serve our customers Seeks to "do it right" the first time Considers, understands, and manages risk

Respect

Treats every person with kindness and humility Values and recognizes every individual for their unique skills, talents, and contributions. Stays present in the moment and actively listens to understand others Is courteous, responsive, and professional

Accountability

Takes ownership of, and responsibility for, actions, risks, and results and uses outcomes as learning opportunities. Makes sound decisions from experience, good judgment, and collaboration. Gives and seeks clear expectations. Finds solutions that contribute to desired result

Integrity

Acts in all endeavors with an ethical, honest mindset, and in a professional manner. Honors commitments, keeps promises, and builds trust Is truthful in all actions and communications

Openness

Approaches every situation with good intentions Is receptive to new and diverse ideas. Listens, cooperates, and shares across the organization. Encourages a trusting environment by being genuine and transparent in actions and communications

Balance

Supports a healthy personal and professional balance. Maintains focus on long-term goals while meeting short-term needs. Embraces opportunities for personal and professional development. Supports an environment that is optimistic and enjoyable in which relationships can prosper across our organization and communities

SG 08.4	Describe the level of experience board members/trustees/chief-level staff have with incorporating ESG factors into investment decision-making processes.
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Of the Board members, some have environmental experience through their past or current work, including serving on the boards of other organizations that conduct climate-related work. The Board leverages their experience and CalPERS' strategic partnerships with organizations such as Ceres and PRI, to stay updated on the potential implications of climate change for investment management.

In addition, the Board is governed by policies, delegations, guidelines and Beliefs. It retains exclusive control of the administration and investment of retirement fund assets, the authority to administer membership and benefit issues and all powers reasonably necessary to carry out the health benefits program.

Our Board provides oversight of climate-related risks and opportunities by approving policies such as the Total Fund Investment Policy (the Policy). Reviewed annually to maintain relevance, the Policy establishes the objectives of the investment office's programs and outlines our climate change-linked strategy, guiding principles, and roles and responsibilities.

Promoting responsible investment				
SG 09	Mandatory	Public	Core Assessed	PRI 4,5
SG 09.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.			

Select all that apply

☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CalPERS is a founding member of the Principles for Responsible Investment (PRI). CalPERS has been involved in the following initiatives with PRI:

In 2018-19, CalPERS Advocacy and Policy Managing Investment Director, Anne Simpson was a member of PRI's SDG Advisory Committee. CalPERS Sustainable Investments' Managing Investment Director, Beth Richtman and Investment Manager James Chang were members of PRI's Plastic Investor Working Group. The CalPERS Investment Office's Sustainable Investment team participated in committee meetings for the following:

- Climate Action 100+ initiative: During 2018-19 CalPERS Investment Director served as the inaugural chair of Global Steering Committee and continues to serve as a member of the 10-person Steering Committee with PRI.
- Ceres and United Nations Principles for Responsible Investing (UNPRI) initiative on Cattle and Soy
- UN PRI Sustainable Palm Oil Investor Initiative
- UN PRI Panel for Sustainable Forests

CalPERS staff are members of the committee for the PRI West Coast, the PRI Global Investor Network, and CalPERS Board and staff attend PRI events such as PRI in Person.

☒ Asian Corporate Governance Association

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CalPERS is a long standing member of the ACGA and is supportive of their advocacy and leadership to promote governance best practices throughout Asia. Over the last year we participated in ACGA member briefings and planning discussions. We also collaborated with fellow ACGA investor members concerning our engagement work in Japan, such as our Japan Board Independence Initiative and the Climate Action 100+ Initiative.

- ☐ Australian Council of Superannuation Investors
- ☐ AVCA: Sustainability Committee
- ☐ France Invest – La Commission ESG
- ☐ BVCA – Responsible Investment Advisory Board
- ☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS supports the work of CDP and encourages companies to provide disclosures to CDP. CalPERS has used the CDP modelled and reported data extensively in the methodology for the selection of the initial list of 100 focus companies for the Climate Action 100+ initiative, as well direct use in our internal climate scenario analyses.

- ☐ CDP Forests
- ☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS supports the work of CDP and encourages companies to provide disclosures to CDP. CalPERS has used their data extensively on water scarcity research.

- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Climate Action 100+
- ☐ Code for Responsible Investment in SA (CRISA)
- ☒ Council of Institutional Investors (CII)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS is a co-founding member of CII. CalPERS is an active participant in CII, which is reflected through our multiple past board memberships, participation on panels, writing and signing onto comment letters, and co-advocating on critical governance issues. CalPERS staff regularly provide updates regarding our proxy voting and corporate engagement activities at CII webinars and conferences.

The Investment Office often uses this network to help develop a common set of priorities, objectives and approaches relating to corporate governance. Staff frequently participate on panels, roundtable discussions teleconferences pertaining to relative governance topics, such as:

Financial Regulatory Reform (Dodd-Frank Act) Informal Committee
Accounting and Auditing Informal Committee
Regulatory Comment Letters
Pension Fund Issues

During FY 18/19 Corporate Governance Investment Director, Simiso Nzima was elected to the Board of CII on March 2019. Also during the fiscal year, he was on the Shareholder Activism Abroad panel at the CII Fall 2018 conference and continues to serve on the CII Policies Committee.

As a general public benefit fund member, CalPERS receives one ballot for proxy voting, which is signed by the CalPERS Board President.

CalPERS has used CII data extensively and partnered on research related to forced arbitration and non-voting shares.

- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ ESG Research Australia
- ☐ Invest Europe Responsible Investment Roundtable
- ☒ Global Investors Governance Network (GIGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ Global Impact Investing Network (GIIN)
- ☒ Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS participates on the GRESB Advisory Boards for infrastructure and real estate and CalPERS began reporting into GRESB in 2016. We ask our Real Estate and Infrastructure external managers to report into the GRESB sustainability performance benchmarking platform. This reporting allows our team to monitor, analyze and understand our managers' practices and asset exposures around such climate relevant topics as energy and water

- ☐ Green Bond Principles
- ☐ HKVCA: ESG Committee
- ☒ Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CalPERS is currently a member of Institutional Investors Group on Climate Change. In 2017, CalPERS convened regional investor networks, including IIGCC, through the Global Investor Coalition on Climate Change and UN PRI, and spent a year reviewing methodology, data sources, and developing a global engagement agenda. The result was the creation of the Climate Action 100+, a coalition currently with over 450 investors representing \$40+ Trillion in assets. The five-year initiative seeks to engage with 161 of the world's largest corporate greenhouse gas emitters to curb emissions, strengthen related financial disclosures, and improve governance on climate change. CalPERS staff are members of the CA 100+ Global Steering Committee, of which IIGCC is also a member.

- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

CalPERS is a founding member of ICGN and plays an active role at the ICGN through membership and committee participation. CalPERS Staff and Board members often attend ICGN conferences in order to network with international delegates to improve understanding of country by country governance issues, as well as develop contacts to further this initiative.

During 18-19, CalPERS Sustainable Investments Investment Manager James Andrus, served as chair of the Disclosure and Transparency Committee of ICGN. In this role, he leads a group of investment professionals focused on enhancing company communications through robust integrated reporting, accounting and audit. In working with ICGN CalPERS provided the investor point of view to several of regulatory bodies around the globe promoting greater focus on sustainable investments.

- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS is currently a member of Investor Group on Climate Change (IGCC). In 2017, CalPERS convened regional investor networks, including IGCC, through the Global Investor Coalition on Climate Change and UN PRI, and spent a year reviewing methodology, data sources, and developing a global engagement agenda. The result was the creation of the Climate Action 100+, a coalition currently with over 450 investors representing \$40+ Trillion in assets. The five-year initiative seeks to engage with 161 of the world's largest corporate greenhouse gas emitters to curb emissions, strengthen related financial disclosures, and improve governance on climate change. CalPERS staff were members of the CA 100+ Global Steering Committee, of which IGCC is also a member.

☒ International Integrated Reporting Council (IIRC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS supports the work of IIRC and maintains close dialogue.

☒ Investor Network on Climate Risk (INCR)/CERES

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS' Board member Betty Yee is a member of Ceres Board. Managing Investment Director Beth Richtman sits on their Investor Advisory Committee.

In 2005, CalPERS joined Ceres. Since joining, CalPERS has played an active role participating in CERES and Investor Network on Climate Risk (INCR) led collaborative projects, working groups, CERES Board representation and supporting CERES work, such as guidance documents and principles.

In 2018, CalPERS has Chaired, with Ceres CEO as Vice-Chair the Climate Action 100+ Global Steering Committee, participating in bi-weekly governance and strategy calls to develop the agenda for Global Steering Committee member discussions.

CalPERS also participates in:

- Ceres Investor Network Working Groups
- Ceres and United Nations Principles for Responsible Investing (UNPRI) initiative on Cattle and Soy
- Carbon Asset Review Initiative
- 2019 Global Investor Statement to Governments on Climate Change
- We Are Still In Statement expressing our commitment to the Paris Accord
- Investor Roundtable on Sustainable Palm Oil

- ☐ Local Authority Pension Fund Forum
- ☐ Principles for Financial Action in the 21st Century
- ☐ Principles for Sustainable Insurance
- ☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- ☐ Responsible Finance Principles in Inclusive Finance
- ☐ Shareholder Association for Research and Education (Share)
- ☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS is a founding signatory to the United Nations Environment Programme (UNEP) Financial Initiative.

- ☒ United Nations Global Compact

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS is a member of the United Nations Global Compact, and the United Nations Global Compact's Principles are included in CalPERS' Governance and Sustainability Principles appendix as endorsed by CalPERS. We also refer to them as relevant during company engagements.

- ☒ Other collaborative organisation/initiative, specify

International Financial Reporting Standards (IFRS) Council

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS, as representative of the Council of Institutional Investors (CII), actively participates on the International Financial Reporting Standards (IFRS) Advisory Council, an advisory body to the International Accounting Standards Board (IASB). Staff attend semi-annual meetings to participate in setting priorities and develop strategy related to: working with National Standard-setters; understanding and addressing effects of technology on financial reporting and standard-setting; and engagements with academics. Sustainable Investment's Investment Manager James Andrus represents CII on the IFRS Advisory Committee. On the Committee, he provides the institutional view on developing financial reporting standards.

☒ Other collaborative organisation/initiative, specify

Sustainability Accounting Standards Board (SASB)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

CalPERS supports the work of SASB. In 2018-19, CalPERS Chief Operating Investment Officer and Managing Investment Director of Global Equity, Dan Bienvenue, and Managing Investment Director, Beth Richtman were members of SASB's Investor Advisory Group. As a member of the Sustainability Accounting Standards Board Investor Advisory Group, CalPERS is committed to the development of comparable and reliable disclosure standards for corporate reporting of ESG considerations with the previously mentioned TCFD standards. Through this strategic partnership, staff engaged in conversations and provided comments encouraging SASB on further alignment with TCFD recommendations. As a prominent potential standard-setter, SASB received comments intended to raise HCM and corporate governance reporting standards in line with our Principles.

CalPERS' Sustainable Investments' Investment Manager James Andrus serves as a member of the Standards Advisory Group (SAG) at SASB. The SASB Standards Advisory Group is comprised of volunteer industry experts who advise SASB on emerging issues that should be considered in the standards development process.

☒ Other collaborative organisation/initiative, specify

Financial Stability Board

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Through webinars, written testimony and working group participation, CalPERS supported the development of the Financial Stability Board final recommendations of its Task Force on Climate-Related Financial Disclosures (TCFD) and expansion of the PRI annual reporting requirements to incorporate the TCFD framework recommendations for asset classes.

☒ Other collaborative organisation/initiative, specify

Securities and Exchange Commission (SEC) Investor Advisory Group

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

☐ Basic

☐ Moderate

☒ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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CalPERS is an Securities and Exchange Commission Investor Advisory Committee Member and also participates on regularly scheduled meetings and calls by the SEC's Office of Investor Advocate. In December 2018, CalPERS participated in the SEC's Roundtable on Proxy Process meeting.

SG 09.2	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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	Indicate approximately what percentage (+/- 5%) of your externally managed assets under management are managed by PRI signatories.
--	--

	%
--	---

96

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
----------------	--

☒ Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
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☒ Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

Description

CalPERS regularly participates in webinars to support education and training on responsible investment. Examples include: Deforestation, Proxy Voting, Climate Risk, PRI Webinars, Climate Action 100+ (Global and North America working groups).

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Provided financial support for academic or industry research on responsible investment

Description

CalPERS has various annual data or investment subscriptions, and/or contracts for industry research on responsible investment topics such as corporate sustainability benchmarking, environmental carbon risk, opportunity and exposure (e.g. carbon & water) analysis, ESG integration strategy and implementation, investment tool research and development, scientific insights on various climate change and other Sustainable Investment topics relevant to investment risk and return (including emerging disruptive technologies and emerging business models), and human capital management risks issues and opportunities including diversity and inclusion and human capital management amongst other human capital topics.

Additionally, in September 2018 CalPERS, Wellington, and Woods Hole Research Center formed a collaborative initiative designed to generate research aimed at connecting the impact of climate change to capital markets.

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

☒ Provided input and/or collaborated with academia on RI related work

Description

CalPERS' Advocacy and Policy Investment Director, Anne Simpson participated in an Oxford Union debate in December 2018 entitled "Accounting For Sustainable Capitalism."

CalPERS' Sustainable Investment Research Initiative: a searchable database of academic studies to support peers, partners and stakeholders in learning about the impact of sustainability factors on risk and return for long-term investors. <https://www.calpers.ca.gov/page/investments/governance/sustainable-investing/siri-library>

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☒ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description

Through webinars, written testimony and working group participation, CalPERS supported the development of the Financial Stability Board final recommendations of its Task Force on Climate-Related Financial Disclosures (TCFD) and expansion of the PRI annual reporting requirements to incorporate the TCFD framework recommendations for asset classes. Also, CalPERS publicly shares many of our own responsible investment practices, including posting our asset class specific Sustainable Investment Practice Guidelines (SIPGs) on our website. CalPERS has repeatedly been told over the years that these posted SIPG documents have informed many others in the industry, including asset managers and asset owners, in developing their own responsible investment practices.

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Spoke publicly at events and conferences to promote responsible investment

Description

Staff participated in events organized by or with CII, PRI, Ceres, ICGN, SASB and wide-range of industry events

Frequency of contribution

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☐ Wrote and published in-house research papers on responsible investment

☒ Encouraged the adoption of the PRI

Description

We ask managers whether they are PRI signatories as part of due diligence process.

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

☒ Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

Description

We responded to the Financial Stability Board's draft recommendations of its Task Force on Climate-Related Financial Disclosures. Through webinars, written testimony and working group participation, CalPERS supported the development of TCFD, expansion of the Principles for Responsible Investment's (PRI) annual reporting requirements to incorporate the TCFD framework recommendations for asset classes. CalPERS is currently drafting its first TCFD reports. As a member of the Sustainability Accounting Standards Board (SASB) Investor Advisory Group, CalPERS is committed to the development of comparable and reliable disclosure standards for corporate reporting of ESG considerations with the previously mentioned TCFD standards. Through our this strategic partnership with SASB, staff engaged in conversations and provided comments encouraging SASB on further alignment with TCFD recommendations. As a prominent potential standard-setter, SASB also received comments from CalPERS intended to raise HCM and corporate governance reporting standards in line with our Principles.

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

☒ Wrote and published articles on responsible investment in the media

Description

<https://www.ai-cio.com/news/calpers-wellington-launch-climate-risk-evaluation-framework/>
<https://www.pionline.com/special-report/public-funds-taking-lead-spectacular-boom-esg>
<https://www.ai-cio.com/news/calpers-puts-laser-like-focus-esg-board-diversity-executive-pay/>
<https://www.ai-cio.com/news/calpers-supports-carbon-pricing/>
<https://time.com/5669038/women-climate-change-leaders/>
<https://www.ft.com/content/f568ec48-1840-11ea-8d73-6303645ac406>
<https://www.ft.com/content/b9bdd50c-f669-3f9c-a5f4-c2cf531a35b5>
<https://www.ai-cio.com/news/majority-companies-not-line-paris-agreement-goals/>
<https://time.com/5766188/shell-oil-companies-fossil-fuels-climate-change/>

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

☒ A member of PRI advisory committees/ working groups, specify

Description

In 2018-19, CalPERS Advocacy and Policy Investment Director, Anne Simpson was a member of PRI's SDG Advisory Committee. CalPERS Sustainable Investments' Managing Investment Director, Beth Richtman and Investment Manager James Chang were members of PRI's Plastic Investor Working Group. The CalPERS Investment Office's Sustainable Investment team participated in committee meetings.

Frequency of contribution

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

☐ On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

☐ Other, specify

☐ No

SG 10.3	Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]
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ESG Integration: CalPERS' Board approved 5-Year Total Fund Governance and Sustainability Strategic Plan includes key performance indicators for six strategic initiatives. More information can be found: <https://www.calpers.ca.gov/docs/governance-sustainability-strategic-plan-update.pdf>

In 2018, CalPERS staff organized three Board education sessions. The first focused on Total Fund Governance and Sustainability Strategic Plan and more in-depth information on the Climate Action 100+ initiative. The second focused on the Sustainable Development Goals (SDGs), which included a mapping CalPERS actions and policies against the SDGs, as well as focused discussion on the vision for the Sustainable Investments team and ESG integration. Additionally, a third Board education session on Diversity and Inclusion for public and private boards was held and included multiple outside speakers as experts.

GRESB - Infrastructure

CalPERS along with seven other global institutional investors, developed a new benchmark that will measure the sustainability of infrastructure investments. Completed in early 2016, it provides a framework for investors to collect and assess key environmental, social and governance factors, and related performance metrics, across their infrastructure assets. CalPERS real assets' team continues to use the GRESB platform and is a member of the Advisory Board.

CalPERS co-convoked the UN Investor Summit on Climate Risk in January 2018 and presented on Climate Action 100+. CalPERS is a founding member of the Climate Action 100+ Steering Committee, and initiated the creation of this coalition

CalPERS external communication efforts:

<https://www.ai-cio.com/news/calpers-wellington-launch-climate-risk-evaluation-framework/>
<https://www.pionline.com/special-report/public-funds-taking-lead-spectacular-boom-esg>
<https://www.ai-cio.com/news/calpers-puts-laser-like-focus-esg-board-diversity-executive-pay/>
<https://www.ai-cio.com/news/calpers-supports-carbon-pricing/>
<https://time.com/5669038/women-climate-change-leaders/>
<https://www.ft.com/content/f568ec48-1840-11ea-8d73-6303645ac406>
<https://www.ft.com/content/b9bdd50c-f669-3f9c-a5f4-c2cf531a35b5>
<https://www.ai-cio.com/news/majority-companies-not-line-paris-agreement-goals/>
<https://time.com/5766188/shell-oil-companies-fossil-fuels-climate-change/>
 CalPERS signed the Investor statement on deforestation and forest fires in the Amazon
<https://www.ceres.org/sites/default/files/Investor%20statement%20on%20deforestation%20and%20forest%20fires%20in%20the%20Amazon.pdf>

All Investment Committee meetings and presentations that highlight CalPERS ESG initiatives, policies, review of CalPERS Principles, and the development of the ESG 5-Year plan can be found on CalPERS YouTube channel here: <https://www.youtube.com/user/CalPERSNetwork>

SG 11	Voluntary	Public	Additional Assessed	PRI 4,5,6
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SG 11.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.
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☒ Yes

	If yes
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- ☒ Yes, individually
- ☒ Yes, in collaboration with others

SG 11.2	Select the methods you have used.
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- ☒ Endorsed written submissions to governments, regulators or public policy-makers developed by others
- ☒ Drafted your own written submissions to governments, regulators or public-policy markers
- ☒ Participated in face-to-face meetings with government members or officials to discuss policy
- ☒ Other, specify

	specify description
--	---------------------

CalPERS sit on various regulatory bodies such as the SEC Investor Advisory Group and its subcommittees, International Financial Reporting Standards (IFRS) and others.

SG 11.3

Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

☒ Yes, publicly available

provide URL

<https://www.regulations.gov/document?D=EPA-HQ-OAR-2018-0283-3651>

provide URL

<https://www.sec.gov/comments/s7-05-18/s70518-3718537-162487.pdf>

provide URL

https://www.calpers.ca.gov/docs/15-sec_forced_arbitration_letter_2_7_2018.pdf

☐ No

☐ No

SG 11.4

Provide a brief description of the main topics your organisation has engaged with public policy-makers or regulators on.

1. Data and Corporate Reporting - issuing letters on for example, SEC Concept Release S-K, Financial Stability Board Taskforce for Climate-Related Financial Disclosure, SEC Pay Ratio disclosure rule, Gender Diversity in Corporate Leadership Act of 2016.
2. Investor Rights - Submitted letter to the Division of Corporate Finance expressing opposition to forced shareowner arbitration provisions.
3. Financial Stability Board Task Force on Climate-related Financial Disclosures (FSB-TCFD). CalPERS has expressed support for the FSB TCFD Recommendations and Guidance as they align with CalPERS Global Principles, and engaged companies on reporting in line with TCFD recommendations.
4. CalPERS engaged with U.S. Senators, Representatives, SEC Commissioners, CFTC Chair and Director of Legislative Affairs on equity market structure, housing finance reform, U.S. Proxy Process, Transaction Fee Pilots, and derivatives regulations.
5. Global Investor Statement on Climate Change to G7 and G20 Governments: Letter from 282 long-term institutional investors representing more than USD 17 trillion in assets to G7 & G20 heads of state urging governments to stand by their commitments to the Paris Agreement.
6. In February 2019, CalPERS responded to an inquiry from eight U.S. senators about our approach to deforestation. In our response, Approach to Managing Environmental, Social, and Governance Risks Related to Investments <https://www.calpers.ca.gov/docs/legislative-regulatory-letters/congress-senate-inquiry-calpers-portfolio-and-deforestation-02-21-19.pdf>, we highlighted current initiatives such as updating our Governance and Sustainability Principles to include deforestation, joining the UNPRI and Ceres working groups, and engaging with companies that have commodity-linked deforestation within their supply chains. We also highlighted the important role policymakers can play by creating a policy context that incentivizes the companies in which we invest to employ sustainable business practices while generating returns.
7. CalPERS' Financial Markets program engaged the Environmental Protection Agency on Costs and Benefits of Rulemaking in order to recommend that the EPA maintain its current cost-benefit analysis in order to keep from weakening environmental regulations: <https://www.calpers.ca.gov/docs/legislative-regulatory-letters/epa-proposed-rulemaking-increasing-consistency-transparency-costs-benefits-08-13-18.pdf>
8. CalPERS makes public our legislative and regulatory letters, as well as provides information on legislative reports submitted to governor, Legislature, and other stakeholders, as required by law: <https://www.calpers.ca.gov/page/about/laws-legislation-regulations/legislation>

Outsourcing to fiduciary managers and investment consultants

SG 12

Mandatory

Public

Core Assessed

PRI 4

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1

Indicate whether your organisation uses investment consultants.

- ☒ Yes, we use investment consultants

SG 12.2

Indicate how your organisation uses investment consultants in the selection, appointment and/or monitoring of external managers.

- ☐ We use investment consultants in our selection and appointment of external managers
- ☐ We use investment consultants in our monitoring of external managers
- ☒ We do not use investment consultants for selection, appointment and monitoring of external managers.

SG 12.4

Indicate whether you use investment consultants for any the following services. Describe the responsible investment components of these services.

- ☐ Custodial services
- ☒ Investment policy development

Describe how responsible investment is incorporated

The Board Consultants provide written opinions as an independent fiduciary to CalPERS Board on reports, and policy prepared by staff, including relevant esg topics.

- ☒ Strategic asset allocation

Describe how responsible investment is incorporated

The Board Consultants review and provide opinions on the risk characteristics and risk profile of the Total Fund to the CalPERS Board for using in setting the Strategic Asset Allocation.

- ☒ Investment research

Describe how responsible investment is incorporated

CalPERS' staff utilize investment consultants for a variety of research, including responsible investment topics.

- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ Other, specify (3)
- ☐ None of the above
- ☐ No, we do not use investment consultants.

SG 12.7	Additional information [Optional].
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Real Assets

We use consultants to assist with due diligence, and provide prudent person opinions, for example, but this does not replace staff's responsibilities and CalPERS selection, appointment and monitoring of managers.

Private Equity

CalPERS' Private Equity has moved away from using external consultants and relies on Investment Staff for investment decisions. External consultants are occasionally used to provide specialized perspective to augment PE staff's primary work.

For Customized Investment Accounts and Co-Investments of certain size, consultants provide a prudent person opinion. In that capacity, they are acting as a fiduciary.

Global Equity

CalPERS Global Equity does not use external consultants and relies on Investment Staff for all investment decisions and monitoring of external managers.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- ☐ Yes, in order to assess future ESG factors
- ☒ Yes, in order to assess future climate-related risks and opportunities

	Describe
--	----------

The climate scenario analysis we conducted is based on three climate scenarios provided by the International Energy Agency (IEA) on energy transition pathways (the 2°C, 4°C and 6°C Scenario) and two major carbon budget frameworks (SDA and GEVA) and one primary source of estimated future emissions (RCP).

- ☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
----------------	---

We do the following

- ☐ Allocation between asset classes
- ☐ Determining fixed income duration
- ☐ Allocation of assets between geographic markets
- ☐ Sector weightings
- ☒ Other, specify

Within the Total Fund Policy, the Governance and Sustainability Strategy sets objectives to support the achievement of sustainable long-term target risk-adjusted returns.

- ☐ We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]
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In September 2018, CalPERS launched a first of its kind strategic partnership with our external manager, Wellington Asset Management, and Woods Hole Research Center to enable us to better integrate climate science into our asset management. We believe the perspectives generated through this research partnership are helping us, and our external manager, Wellington, better understand and manage our portfolio's physical risk exposures. The long-term nature of the physical risk issues mean that performance will need to be evaluated on a longer horizon. <https://whrc.org/wellington-management-and-woods-hole-research-center-announce-initiative/>

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.
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- ☒ Initial assessment

Describe

In addition to working to understand Transition and Physical impacts, we are in the process of developing a methodology to more effectively integrate various climate scenarios into our investment risk analysis and decision-making.

These insights will inform the multiple different facets of our climate risk management strategy, including climate-aware capital allocation, corporate engagement, and advocacy more generally.

As a long-horizon asset owner holding a diversified growth-oriented portfolio, we are acutely aware of the impact of real economic conditions on our portfolio's outcome. Managing climate risk as a fiduciary duty means integrating climate in our investment process, ranging from strategic allocation to security selection activities. It also means being an active steward of the real economy and closely monitoring the actions of real economic actors regarding climate system.

- ☐ Incorporation into investment analysis
- ☐ Inform active ownership
- ☐ Other

**SG 13.5
CC**

Indicate who uses this analysis.

- ☐ Board members, trustees, C-level roles, Investment Committee
- ☒ Portfolio managers
- ☒ Dedicated responsible investment staff
- ☐ External managers
- ☐ Investment consultants/actuaries
- ☐ Other

**SG 13.6
CC**

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

- ☐ Yes
- ☒ No

Please explain the rationale

As a long-term investor, CalPERS evaluates the impact of climate-related risks over a longer term. Current science data and modelling supports analysis through 2050, however CalPERS investment horizon extends beyond this time.

**SG 13.7
CC**

Indicate whether a range of climate scenarios is used.

- ☒ Analysis based on a 2°C or lower scenario
- ☒ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- ☒ Analysis based on a 4°C or higher scenario
- ☐ No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input checked="" type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input checked="" type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input checked="" type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input checked="" type="checkbox"/> RPC 6	
IPCC	<input checked="" type="checkbox"/> RPC 4.5	
IPCC	<input checked="" type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div>Other (1) please specify:</div> <div>RPC 8.5</div>
Other	<input type="checkbox"/> Other (2)	
Other	<input type="checkbox"/> Other (3)	

Asset class implementation not reported in other modules

SG 17	Mandatory	Public	Descriptive	General
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SG 17.1	Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Forestry	CalPERS existing forestry investments have independent environmental / sustainability certifications. Where possible, the practices outlined in Real Assets Sustainable Investment Practice Guidelines are implemented for Forestry investments as well.
Money market instruments	Strategies from Trust-level Portfolio Management: This is a new program with a target allocation of <0.5% of the total fund. CalPERS is researching whether it is possible to integrate ESG into the securities in this space.

SG 17.2	Additional information.
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Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/page/investments/governance/sustainable-investments-program>

The Emerging Manager program invested with newly formed or relatively small firms.

The Transition manager program provided a path of growth and opportunity for emerging managers to compete for entry into our pool of larger established managers.

CalPERS invested \$5B in strategies that fall in either of the two programs, including in each asset class.

The objectives were to:

Generate appropriate risk-adjusted investment returns by investing with managers with demonstrated early stage success

To have continued access to investment opportunities with successful firms and increased representation of women and minority owned firms in the CalPERS portfolio

To provide a path of growth and opportunity for emerging managers to build their firms to a size large enough to compete for entry into our pool of larger established managers

Opportunistic Strategies: The CalPERS Opportunistic Strategies Program enables the Total Fund to access investment opportunities outside of the existing asset classes. It is a new program, and CalPERS is researching whether it is possible to integrate ESG into its processes.

Communication

SG 19	Mandatory	Public	Core Assessed	PRI 2, 6
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SG 19.1	Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
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	Selection, Appointment and Monitoring
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Do you disclose?

- ☒ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☐ We disclose to the public

Listed equity - Incorporation

Do you disclose?

- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose it publicly

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

Disclosure to public and URL

Disclosure to public and URL

- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

Frequency

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc/when requested

URL

<https://www.calpers.ca.gov/docs/global-equity-sustainable-investment-guidelines.pdf>

Listed equity - Engagement

Do you disclose?

- ☐ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose to the public

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

Disclosure to public and URL

Disclosure to public and URL

- ☒ Details on the overall engagement strategy
- ☒ Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals
- ☒ Number of engagements undertaken
- ☒ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☒ An assessment of the current status of the progress achieved and outcomes against defined objectives
- ☒ Examples of engagement cases
- ☒ Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.)
- ☐ Details on whether the provided information has been externally assured
- ☒ Outcomes that have been achieved from the engagement
- ☐ Other information

Frequency

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc/when requested

URL

https://www.calpers.ca.gov/docs/board-agendas/201903/invest/item09b-01_a.pdf

Listed equity – (Proxy) Voting

Do you disclose?

- ☐ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose to the public

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

Disclosure to public and URL

Disclosure to public and URL

- ☒ Disclose all voting decisions
- ☐ Disclose some voting decisions
- ☐ Only disclose abstentions and votes against management

Frequency

- ☐ Quarterly or more frequently
- ☒ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc/when requested

URL

<https://www.calpers.ca.gov/page/investments/governance/proxy-voting>

Fixed income

Do you disclose?

- ☐ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose to the public

The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

Disclosure to public and URL		
	<div>Disclosure to public and URL</div> <div> <input type="radio"/> Broad approach to RI incorporation <input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used </div>	
	<div>Frequency</div> <div> <input checked="" type="checkbox"/> Quarterly <input type="checkbox"/> Biannually <input type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad hoc/when requested </div>	
	<div>URL</div> <div> https://www.calpers.ca.gov/docs/global-fixed-income-sustainable-investment-guidelines.pdf </div>	
	<div>URL</div> <div> https://www.calpers.ca.gov/docs/board-agendas/201809/invest/item07a-01_a.pdf </div>	

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Listed Equity and Fixed Income Strategies

SAM 01	Mandatory	Public	Gateway	PRI 1
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SAM 01.1

Indicate which of the following ESG incorporation strategies you require your external manager(s) to implement on your behalf for all your listed equity and/or fixed income assets:

Active investment strategies

Active investment strategies	Listed Equity	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 01.2

Additional information. [Optional]

Listed Equity

All passive strategies are managed internally.

Global Equity reviews companies that present ESG risks and opportunities identified by CalPERS Governance & Sustainability Principles (Principles), Investment Beliefs (Beliefs), legislative mandates, and Board decisions and applies the following framework:

- Issue Prioritization - materiality, exposure, and expertise
- Portfolio Screens - screen universe of holdings based on issue prioritization findings
- Engagement Decision - staff determines most effective approach to maximize the risk-return benefit to the Aggregate Portfolio

Staff will initiate engagement with these companies to seek a decrease in risk factors, or based on Board direction, will excluded them from the policy benchmark (divestment approach).

Global Equity staff actively votes all proxies based on CalPERS Principles and Investment Beliefs.

Exclusionary Screening

CalPERS Global Equity asset class has many portfolios with distinct strategies. We have exclusionary screens at the Global Equity level that cover all portfolios as well as emerging strategies. Our overarching exclusions are:

Tobacco-related securities - Divestment

Iran - companies doing business in Iran in the international nuclear, defense, oil and gas sectors - Divestment

Sudan - companies with business activities in Sudan, unless exempt on humanitarian grounds - Divestment

Assault Weapon Manufacturers - manufacturers of assault weapons that are illegal for sale in California - Divestment

Thermal Coal - coal companies that generate 50% or more of their revenue from mining thermal coal - Divestment

Integration - CalPERS requires external investment managers to adhere to our Principles, which incorporate responsible investing attributes. Many managers' processes incorporate systematic and explicit inclusion of environmental, social and governance factors into traditional financial analysis. The information is used to appropriately price ESG risks and opportunities in support of the investment decision.

In addition, as part of our Manager Expectation initiative, each asset class developed a set of Sustainable Investment Practice guidelines, which reflect its particular strategies. The guidelines utilized common governance elements applied across the Total Fund, such as CalPERS Principles & Beliefs. The object was to ensure that sustainable investment considerations were appropriately included throughout the life cycle of investments by internal and external managers, including: selection, contracting, monitoring, and management.

- Global Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-equity-sustainable-investment-guidelines.pdf>
- Global Fixed Income Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-fixed-income-sustainable-investment-guidelines.pdf>
- Private Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/private-equity-sustainable-investment-guidelines.pdf>
- Real Assets Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/real-assets-sustainable-investment-guidelines.pdf>

Fixed Income: CalPERS' Global Fixed Income team actively manages approximately \$95bn in fixed income assets which is 95% managed internally and 5% by external managers. These fixed income assets are segmented across the Government, Securitized and Corporate bond markets.

Selection				
SAM 02	Mandatory	Public	Core Assessed	PRI 1
SAM 02.1	Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers			

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised	Private equity	Property	Infrastructure
Your organisation's investment strategy and how ESG objectives relate to it	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG incorporation requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG reporting requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
No RI information covered in the selection documentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

You selected an 'Other' option in table SAM 02.1 above, please specify

Real Assets (Property and Infrastructure)

CalPERS selection process for Real Assets includes an extensive due-diligence questionnaire covering multiple ESG/RI factors. The process for Manager and Asset Selection is described in Real Assets Sustainable Investment Practice Guidelines found here: <https://www.calpers.ca.gov/docs/real-assets-sustainable-investment-guidelines.pdf>.

Furthermore, selection also includes Responsible Contractor Policy considerations. As stated in the Investment Policy for Responsible Contractor Program (<https://www.calpers.ca.gov/docs/policy-responsible-contractor-2015.pdf>), CalPERS has a deep interest in the condition of workers employed by CalPERS and its Managers and Delegates. CalPERS, through the Policy, supports and encourages fair wages and benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on CalPERS real estate and infrastructure investments. CalPERS endorses small business development, market competition, and control of operating costs. The Policy applies to real estate or infrastructure investments in which CalPERS owns interest greater than 50 percent on contracts over \$100,000.

Fixed Income

No recent requests for proposals

SAM 02.2

Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach

Strategy

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitised	Private equity	Property	Infrastructure
Assess the time horizon of the investment manager's offering vs. your/beneficiaries' requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the quality of investment policy and its reference to ESG	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the investment approach and how ESG objectives are implemented in the investment process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's firm-level vs. product-level approach to RI	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the ESG definitions to be used	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG people/oversight

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitised	Private equity	Property	Infrastructure
Assess ESG expertise of investment teams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review how is ESG implementation enforced /ensured	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's RI-promotion efforts and engagement with the industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Process/portfolio construction/investment valuation

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitised	Private equity	Property	Infrastructure
Review the process for ensuring the quality of the ESG data used	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree the use of ESG data in the investment decision making process	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree the impact of ESG analysis on investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree ESG objectives (e.g. risk reduction, return seeking, real-world impact)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree manager's ESG risk framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree ESG risk limits at the portfolio level (portfolio construction) and other ESG objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review how ESG materiality is evaluated by the manager	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review process								

for defining and communicating on ESG incidents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree ESG reporting frequency and detail	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any `Other` option(s), specify

Real Assets (Property and Infrastructure)

See SAM 02.5 for additional information.

Private Equity

See SAM 02.5 for additional information.

SAM 02.3 Indicate the selection process and its ESG/RI components

- ☒ Review ESG/RI responses to RfP, RfI, DDQ etc.
- ☒ Review responses to PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire (LP DDQ)
- ☒ Review publicly available information on ESG/RI
- ☒ Review assurance process on ESG/RI data and processes
- ☒ Review PRI Transparency Reports
- ☒ Request and discuss PRI Assessment Reports
- ☒ Meetings with the potential shortlisted managers covering ESG/RI themes
- ☒ Site visits to potential managers offices
- ☒ Other, specify
review of implementation processes and portfolio characteristics

SAM 02.4 When selecting external managers does your organisation set any of the following:

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised	Private equity	Property	Infrastructure
ESG performance development targets	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG score	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Real world economy targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

You selected an 'Other' option in table SAM 02.4 above, please specify

Listed Equity

When selecting external investment managers, CalPERS reviews the following:

- Firm's policies related to ESG issues
- Firm's procedures for identifying, monitoring, mitigating and resolving ESG issues
- Firm's process for integrating ESG factors into investment decision-making and ownership activities

Real Assets (Property and Infrastructure)

See SAM 02.5 for additional information.

Private Equity

See SAM 02.5 for additional information.

SAM 02.5

Describe how the ESG information reviewed and discussed affects the selection decision making process.[OPTIONAL]

Real Assets (Property and Infrastructure) Investment Review Process Manager Selection

RAU staff scores each new investment proposal, utilizing a two-part standardized Manager Assessment Tool (MAT). This includes ESG specific criteria. After the initial screening (Phase I of the MAT), proposals selected for further review are evaluated in a second phase which includes a Due Diligence Questionnaire (DDQ). ESG questions are incorporated into the DDQ for Real Assets. Responses to ESG questions are included in the overall weighting and when evaluating prospective Managers and mandates. RAU staff will update the ESG questions, from time to time, given that the RAU Sustainable Investment Guidelines are dynamic and intended to evolve as industry best practices emerge. Memorandums recommending Managers to the Real Assets Investment Committee will include discussion of Managers' ESG practices and/or any ESG concerns uncovered during the due diligence process. The

Investment Committee further includes a voting member from CalPERS Sustainable Investments team.

Global Equity

Integration - CalPERS requires external investment managers to adhere to our Governance and Sustainability Principles, which incorporate responsible investing attributes. Many managers' processes incorporate systematic and explicit inclusion of environmental, social and governance factors into traditional financial analysis. The information is used to appropriately price ESG risks and opportunities in support of the investment decision. In addition, as part of our Manager Expectation initiative, each asset class developed a set of draft Sustainable Investment Practice guidelines. The guidelines utilized common governance elements applied across the Total Fund, such as CalPERS Principles and Beliefs. The object was to ensure that sustainable investment considerations were appropriately included throughout the life cycle of investments by internal and external managers, including: selection, contracting, monitoring, and management.

All security selection decisions are the responsibility of external managers.

Private Equity

Private Equity Staff uses a customized screening process for all Private Equity fund investment proposals. This process includes a section pertaining to the General Partner's written ESG policy. The overall investment proposal score will help Private Equity determine whether to move forward to diligence the investment opportunity. ESG is considered with other investment factors necessary to reach an informed decision. The ESG item within the screening process consistently formalizes ESG in the assessment process. A manager's ESG policy, or lack thereof, will not exclude a proposal from moving forward to the formal diligence process, rather, it will be taken into account in the context of evaluating all relevant investment parameters.

As part of the due diligence process, Private Equity Staff: requests the firm's ESG policies, inquire about the way General Partners identify, monitor, mitigate and resolve ESG issues, understand how General Partners have previously identified and addressed meaningful ESG risks as well as opportunities in their portfolio, consider the General Partner's approach to incorporating ESG factors into investment decision-making and ownership activities, and ask for examples on how they engage portfolio companies on ESG factors, inquire about General Partner's procedure for identifying ESG related issues to investors, and request disclosure on any ongoing ESG litigation related to ESG issues. All of these topics are inquired about in the standard ILPA DDQ that has a dedicated section on ESG.

Final Diligence Reviews on new investments will include an ESG section. Material ESG issues may be discussed at the Investment Review Committee (IRC) before voting and final investment approval occurs. The discussion around ESG issues will depend on their relevance to a particular investment opportunity.

Before making an investment, PE group requires that the General Partner commits to filling out the quarterly ILPA Fee Reporting Template. This is an effort to improve transparency and promote better governance. It also ensures compliance with the new California AB 2833 legislation.

Additionally, the PE Staff negotiates including a paragraph related to the Firm's ESG approach into the Side Letter.

SAM 03	Mandatory	Public	Additional Assessed	PRI 2
SAM 03.1	Indicate how your organisation typically evaluates the manager's active ownership practices in the majority of the manager selection process.			
	Engagement			

	LE				
Review the manager's engagement policy	<input checked="" type="checkbox"/>				
Review the manager's engagement process (with examples and outcomes)	<input checked="" type="checkbox"/>				
Ensure whether engagement outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>				
Other engagement issues in your selection process specify	<input type="checkbox"/>				

SAM 03.2

Describe how you assess if the manager's engagement approach is effective.

- ☐ Impact on investment decisions
- ☐ Financial impact on target company or asset class
- ☒ Impact on ESG profile of company or the portfolio
- ☐ Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- ☒ Other, specify

CalPERS manages all its own engagement efforts with minimal input from external managers. There are rare occasions where CalPERS staff and external managers will collaborate on specific engagement topics with specific companies

- ☐ None of the above

SAM 03.4

Additional information [OPTIONAL]

CalPERS manages all its own engagement efforts with minimal input from external managers. There are rare occasions where CalPERS staff and external managers will collaborate on specific engagement topics with specific companies

Appointment

SAM 04

Mandatory

Public

Core Assessed

PRI 1

SAM 04.1

Indicate if in the majority of cases and where the structure of the product allows, your organisation does any of the following as part of the manager appointment and/or commitment process

- ☒ Sets standard benchmarks or ESG benchmarks
- ☒ Defines ESG objectives and/ or ESG related exclusions/restrictions
- ☐ Sets incentives and controls linked to the ESG objectives
- ☒ Requires reporting on ESG objectives
- ☒ Requires the investment manager to adhere to ESG guidelines, regulations, principles or standards
- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ None of the above

SAM 04.2

Provide an example per asset class of your benchmarks, objectives, incentives/controls and reporting requirements that would typically be included in your managers' appointment.

Asset class

- ☒ Listed equity (LE)

Benchmark

- ☒ Standard benchmark
☐ ESG benchmark, specify

ESG Objectives

- ☒ ESG related strategy, specify

Global Equity identified and selected two external managers to manage assets with an ESG mandate. Both strategies apply rules-based filters founded on a combination of fundamental, quantitative, and ESG research; both strategies provide exposures to targeted risk factors, controls for extreme risk events and targets desirable ESG profile.

- ☒ ESG related investment restrictions, specify

Tobacco, Iran and Sudan, Weapon manufacturers, and Thermal coal

- ☒ ESG integration, specify

CalPERS requires external investment managers to adhere to our Governance and Sustainability Principles, which incorporate responsible investing attributes. Many managers' processes incorporate systematic and explicit inclusion of environmental, social and governance factors into traditional financial analysis. The information is used to appropriately price ESG risks and opportunities in support of the investment decision.

- ☐ Engagement, specify
☐ Voting, specify
☐ Promoting responsible investment
☐ ESG specific improvements
☐ Other, specify
☐ ESG guidelines/regulation, principles/standards, specify

Incentives and controls

- ☒ We do not set incentives and controls

Reporting requirements

- ☐ Monthly
☒ Quarterly
☐ Bi-annually
☐ Annually
☐ Ad-hoc/when requested
☒ Fixed income - SSA (SSA)

Benchmark

☒ Standard benchmark, specify

Bloomberg Barclays Long Liability Sovereign Index

☐ ESG benchmark, specify

ESG Objectives

☐ ESG related strategy, specify

☒ ESG related investment restrictions, specify

No tobacco

☐ ESG integration, specify

☐ Engagement, specify

☐ Voting, specify

☐ Promoting responsible investment

☐ ESG specific improvements

☐ Other, specify

☐ ESG guidelines/regulation, principles/standards, specify

Incentives and controls

☒ We do not set incentives and controls

Reporting requirements

☐ Ad-hoc/when requested

☐ Annually

☐ Bi-annually

☐ Quarterly

☒ Monthly

☒ Fixed income - Corporate (financial)

Benchmark

☒ Standard benchmark, specify

Bloomberg Barclays Long Liability High Yield Cash Pay Index

☐ ESG benchmark, specify

ESG Objectives

☐ Other, specify

☐ ESG related strategy, specify

☒ ESG related investment restrictions, specify

no tobacco

- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ Other, specify
- ☐ ESG guidelines/regulation, principles/standards, specify

Incentives and controls

- ☒ We do not set incentives and controls

Reporting requirements

- ☐ Ad-hoc/when requested
- ☐ Annually
- ☐ Bi-annually
- ☐ Quarterly
- ☒ Monthly
- ☒ Fixed income - Corporate (non-financial)

Benchmark

- ☒ Standard benchmark, specify
Bloomberg Barclays Long Liability High Yield Cash Pay Index
- ☐ ESG benchmark, specify

ESG Objectives

- ☐ Other, specify
- ☐ ESG related strategy, specify
- ☒ ESG related investment restrictions, specify
no tobacco
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ Other, specify
- ☐ ESG guidelines/regulation, principles/standards, specify

Incentives and controls

- ☒ We do not set incentives and controls

Reporting requirements

- ☐ Ad-hoc/when requested
 - ☐ Annually
 - ☐ Bi-annually
 - ☐ Quarterly
 - ☒ Monthly
- ☐ Fixed income - Securitised
- ☒ Private equity

Benchmark

- ☒ Standard benchmark, specify
- FTSE All World + 150bps
- ☐ ESG benchmark, specify

ESG Objectives

- ☐ ESG related strategy, specify
 - ☐ ESG related investment restrictions, specify
 - ☐ ESG integration, specify
 - ☐ Engagement, specify
 - ☐ Voting, specify
 - ☐ Promoting responsible investment
 - ☐ ESG specific improvements
 - ☐ Other, specify
 - ☒ ESG guidelines/regulation, principles/standards, specify
- ILPA Fee Reporting Template, ILPA Portfolio Company Template

Incentives and controls

- ☒ We do not set incentives and controls

Reporting requirements

- ☐ Ad-hoc/when requested
 - ☐ Annually
 - ☐ Bi-annually
 - ☒ Quarterly
 - ☐ Monthly
- ☒ Property

Benchmark

- ☒ Standard benchmark, specify

Real Assets Program Policy Benchmark

<https://www.calpers.ca.gov/docs/total-fund-investment-policy.pdf>

- ☒ ESG benchmark, specify

GRESB Real Estate and Infrastructure

ESG Objectives

- ☐ ESG related strategy, specify
- ☐ ESG related investment restrictions, specify
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☒ Other, specify

In 2019, CalPERS' Real Estate Managers were asked to submit Energy Optimization project proposals for their real estate portfolios as part of their annual capital expenditure requests for their portfolios. When submitting the proposals, Managers were asked about the expected results of the projects in terms of energy savings per year (\$ and kwh), Internal Rate of Return (%) and payback period (number of years).

- ☒ ESG guidelines/regulation, principles/standards, specify

Sustainable Investment Practice Guidelines

Incentives and controls

- ☒ We do not set incentives and controls

Reporting requirements

- ☐ Monthly
- ☒ Quarterly
- ☐ Bi-annually
- ☐ Annually
- ☐ Ad-hoc/when requested

- ☒ Infrastructure

Benchmark

- ☒ Standard benchmark, specify

Real Assets Program Policy Benchmark

<https://www.calpers.ca.gov/docs/total-fund-investment-policy.pdf>

- ☒ ESG benchmark, specify

GRESB Real Estate and Infrastructure

ESG Objectives

- ☐ ESG related strategy, specify
- ☐ ESG related investment restrictions, specify
- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☒ Other, specify

Energy Optimization Initiative for Real Estate: <https://www.calpers.ca.gov/docs/energy-optimization-initiative.pdf>

The purpose of the Energy Optimization (EO) Initiative is to enable the systematic identification, implementation, and tracking of economically attractive energy-related opportunities in the CalPERS real estate portfolio. The initiative further seeks to reduce carbon intensity, helping mitigate the systemic risk of climate change to the real estate portfolio, and more broadly to CalPERS' Total Fund, while enhancing returns and the long-term value of CalPERS investments through capturing energy cost savings and improving the attractiveness of the assets to tenants. Additionally, the initiative seeks to facilitate transitioning the CalPERS portfolio towards carbon neutrality where accretive to performance.

- ☒ ESG guidelines/regulation, principles/standards, specify

Sustainable Investment Practice Guidelines

Incentives and controls

- ☒ We do not set incentives and controls

Reporting requirements

- ☐ Ad-hoc/when requested
- ☐ Annually
- ☐ Bi-annually
- ☒ Quarterly
- ☐ Monthly

SAM 04.3

Indicate which of these actions your organisation might take if any of the requirements are not met

- ☒ Discuss requirements not met and set project plan to rectify
- ☒ Place investment manager on a "watch list"
- ☒ Track and investigate reason for non-compliance
- ☐ Re-negotiate fees
- ☒ Failing all actions, terminate contract with the manager
- ☒ Other, specify

For PE: See SAM 4.4

- ☐ No actions are taken if any of the ESG requirements are not met

SAM 04.4	Provide additional information relevant to your organisation's appointment processes of external managers. [OPTIONAL]
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CalPERS Listed Equity does not use "watch lists." Repeated compliance failures may result in terminations.

Private Equity

For all new managers, Private Equity has reporting requirements that includes filling out the quarterly ILPA Fee Reporting Template (the "Template") plus supplemental schedules. The Template is designed to get exposure to all the fees that are charged to the Partnership and to the portfolio companies. This reporting requirement is included in the Side Letter.

Additionally, a section on ESG is included in the majority of recent side letters as it relates to incorporating ESG factors into the investment process.

Moreover, a part of CalPERS PE Due Diligence Questionnaire ("DDQ") is devoted to questions on ESG. CalPERS PE group requests:

- Reporting on agreed ESG implementation activities that are related to governance, for example, the disclosure of a key man trigger in a partnership
- Reporting on any material litigation related to ESG
- Adherence to outsourcing policy, consistent with fiduciary duty to manage the fund

As a part of due diligence process, Staff also conducts Operational Due Diligence ("ODD") which is aimed at reviewing the system and processes at each Private Equity firm from the standpoint of transparency, governance, and compliance.

Real Estate Energy Optimization (EO) Initiative

In addition to ongoing ESG integration efforts, staff continues to make progress on the Energy Optimization ("EO") Initiative. 2019 marked the third consecutive year where external managers submitted EO projects as a part of the Annual Investment Planning process with 76 proposed projects across 9 partnerships at an expected total cost of \$25.2 million with an expected annual savings of greater than 3 million kWh/year or \$1.0 million. The EO Initiative has motivated managers to propose innovative pilot projects, including exploring onsite renewable energy opportunities, utility automation, installation of more efficient lighting, green building certifications, and others. The formalized Energy Optimization Initiative became effective July 1, 2019 and seeks to enable the systematic identification, implementation, and tracking of economically attractive energy-related opportunities in CalPERS Real Estate portfolio. <https://www.calpers.ca.gov/docs/energy-optimization-initiative.pdf>

Though not the majority, Fixed Income does include incentives and controls in its process (which the current form is unable to capture) including: Fee based incentives, Terminations, and No fee/ breach of contract

Monitoring				
SAM 05	Mandatory	Public	Core Assessed	PRI 1
SAM 05.1	When monitoring managers, indicate which of the following types of responsible investment information your organisation typically reviews and evaluates			

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitised	Private equity	Property	Infrastructure
ESG objectives linked to investment strategy (with examples)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Evidence on how the ESG incorporation strategy(ies) affected the investment decisions and financial / ESG performance of the portfolio/fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Compliance with investment restrictions and any controversial investment decisions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG portfolio characteristics	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
How ESG materiality has been evaluated by the manager in the monitored period	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Information on any ESG incidents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Metrics on the real economy influence of the investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PRI Transparency Reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PRI Assessment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reports								
RI-promotion and engagement with the industry to enhance RI implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes to the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general RI considerations in investment management agreements; specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any `Other` option(s), specify

Please see SAM 5.3 for additional information regarding Private Equity

Real Assets (Property and Infrastructure):

The types of monitoring and management staff will perform include, but are not limited to:

Reviewing Managers' compliance with ESG obligations in operating agreements and documenting and engaging with managers on any deficiencies.

Being responsive to ESG events and engaging on material ESG issues, where rights allow.

Reviewing Managers' sustainable investment processes, practices, and reporting, and identifying ESG opportunities and risks. This includes but is not limited to:

Requesting that Managers respond to annual third party monitoring surveys such as GRESB or ULI GreenPrint (which may change from time to time) and discussing results with Manager.

Reviewing Manager's ESG or sustainable investment reports, surveys and/or PRI reporting on an annual basis.

Inquiring about the status of identified ESG risks and opportunities in regular communication with Managers.

Identifying, learning and sharing of Manager's best practices.

Reviewing and documenting material ESG issues that may impact the value of the portfolio.

SAM 05.2

When monitoring external managers, does your organisation set any of the following to measure compliance/progress

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised	Private equity	Property	Infrastructure
ESG score	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG performance minimum threshold	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real world economy targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any `Other` option(s), specify

For Property and Infrastructure: Responsible Contractor Program Policy and compliance with other RI requests from CalPERS, see also SAM 5.3.

For Private Equity: Please see SAM 5.3

For Fixed Income: For additional information regarding Fixed Income's monitoring process please see CalPERS Fixed Income Sustainable Investment Practice Guidelines at the following URL: <https://www.calpers.ca.gov/docs/global-fixed-income-sustainable-investment-guidelines.pdf>

For Global Equity: for additional information regarding Global Equity's monitoring process please see CalPERS Global Equity Sustainable Investment Practice Guidelines at the following URL: <https://www.calpers.ca.gov/docs/global-equity-sustainable-investment-guidelines.pdf>

SAM 05.3

Provide additional information relevant to your organisation's monitoring processes of external managers. [OPTIONAL]

Private Equity:

CalPERS PE requests that its PE fund managers comply with the reporting practices in accordance with the ILPA's Fee Reporting Template.

As part of on-going monitoring, Staff asks the GP questions about pending or existing litigation, including material litigation pertaining to ESG.

Additionally, for the top 10 managers in the PE portfolio by value, staff will inquire at the annual LPAC meetings regarding the Firm's ESG-related issues, including:

- Their ongoing process for identifying and acting on ESG-related opportunities and risks
- New or ongoing litigation issues pertaining to ESG

- Material ESG issues that may impact the value of the portfolio, including such items as assessing climate change risk.

SAM 06	Mandatory	Public	Additional Assessed	PRI 1
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SAM 06.1	When monitoring managers, indicate which of the following active ownership information your organisation typically reviews and evaluates from the investment manager in meetings/calls
-----------------	--

	Engagement
--	------------

	LE				
Report on engagements undertaken (summary with metrics, themes, issues, sectors or similar)	<input checked="" type="checkbox"/>				
Report on engagement ESG impacts (outcomes, progress made against objectives and examples)	<input checked="" type="checkbox"/>				
Information on any escalation strategy taken after initial unsuccessful dialogue	<input checked="" type="checkbox"/>				
Alignment with any eventual engagement programme done internally	<input type="checkbox"/>				
Information on the engagement activities' impact on investment decisions	<input checked="" type="checkbox"/>				
Other RI considerations relating to engagement in investment management agreements; specify	<input checked="" type="checkbox"/>				
None of the above	<input type="checkbox"/>				

	If you select any `Other` option(s), specify
--	--

Global Equity: CalPERS internally manages its engagement efforts and retains control of CalPERS voting rights. CalPERS may collaborate with external managers if the manager has performed fundamental research that they are willing to share.

SAM 07	Mandatory	Public	Core Assessed	PRI 2
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SAM 07.2	For the listed equities for which you have given your external managers a mandate to engage on your behalf, indicate the approximate percentage (+/- 5%) of companies that were engaged with during the reporting year.
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	Number of companies engaged
--	-----------------------------

1483

	Proportion (to the nearest 5%)
--	--------------------------------

15

SAM 07.3

Additional information [OPTIONAL]

All engagements are conducted by internal staff based on prioritized initiatives as identified by CalPERS Investment Committee and senior staff.

Outputs and outcomes

SAM 08**Mandatory to Report Voluntary to Disclose****Public****Descriptive****PRI 1****SAM 08.1**

Describe how you ensure that best RI practice is applied to managing your assets

- ☒ Encourage improved RI practices with existing investment managers

Measures

2019 marked the third consecutive year both Real Estate and Infrastructure managers participated in the GRESB annual survey.

Real Estate Managers representing \$30.9 Billion (or 89% of Real Estate's Portfolio NAV) completed GRESB submissions, up from 82% in the prior year.

Infrastructure Managers representing \$3.0 Billion (or 63% of Infrastructure's Portfolio NAV) completed GRESB submissions, inline with the prior year.

Taken together, the Infrastructure and Real Estate GRESB submissions (covering the 2018 calendar year) represent 86% of the combined Real Estate and Infrastructure NAV, up from 80% in the prior year.

- ☐ Move assets over to investment managers with better RI practices
- ☐ Other, specify
- ☐ None of the above

SAM 08.2

Additional information. [Optional]

CalPERS Global Equity staff renegotiated contract guidelines to include language related to the integration of ESG considerations into the investment decision-making process. The additional language also requires managers to participate in annual discussions with Global Equity staff on the results of integration. Additionally, staff provides copies of CalPERS Global Principles and Investment Beliefs and required our external managers to consider the Principles and Beliefs when making investment decisions.

CalPERS has a deep interest in the condition of workers employed by CalPERS and investment managers at its Real Estate and Infrastructure investments. CalPERS, through the Responsible Contractor Program (RCP) Policy, supports and encourages fair wages and benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles. CalPERS believes that an adequately compensated and trained worker delivers a higher quality product and service. The RCP Policy applies to all domestic Real Estate and Infrastructure investment managers, joint ventures, and partnerships where CalPERS has greater than 50% ownership interest and the standards of the RCP Policy are met. In addition, ESG Representation and Warranty information is included in select contracts.

CalPERS provided an update to the Sustainable Investment Practice Guidelines and CalPERS Principles that encourage external managers to develop an ESG policy and integrate ESG considerations into its investment decision-making process.

Asset Class Sustainable Investment Guidelines:

- Global Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-equity-sustainable-investment-guidelines.pdf>
- Global Fixed Income Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/global-fixed-income-sustainable-investment-guidelines.pdf>
- Private Equity Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/private-equity-sustainable-investment-guidelines.pdf>

- Real Assets Sustainable Investment Practice Guidelines: <https://www.calpers.ca.gov/docs/real-assets-sustainable-investment-guidelines.pdf>

CalPERS Principles: <https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

SAM 09	Mandatory	Public	Additional Assessed	PRI 1,6
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SAM 09.1	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.
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☒ Add Example 1

Topic or issue	Monitoring Example: Continued and Expanded Participation in GRESB Real Estate and Infrastructure
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input type="checkbox"/> Private equity <input checked="" type="checkbox"/> Property <input type="checkbox"/> Infrastructure
Scope and process	<p>2019 marked the third year both Real Estate and Infrastructure managers participated in the GRESB annual survey. Real Estate Managers representing \$30.9 Billion (or 89% of Real Estate's Portfolio NAV) completed GRESB submissions, up from 82% in the prior year. Infrastructure Managers representing \$3.0 Billion (or 63% of Infrastructure's Portfolio NAV) completed GRESB submissions, inline with the prior year. Taken together, the Infrastructure and Real Estate GRESB submissions (covering the 2018 calendar year) represent 86% of the combined Real Estate and Infrastructure NAV, up from 80% in the prior year.</p>
Outcomes	<p>The GRESB reports provide greater insights into the ESG policies and practices of CalPERS Real Estate and Infrastructure managers and assets. The GRESB KPIs also provide insights into the resource intensity and opportunities for improvement in the portfolio's energy, water and waste use. Staff has been able to use the reports for productive dialogue and engagement with external managers on areas for improvement.</p>

☒ Add Example 2

Topic or issue	Contracting and Monitoring Example: Energy Optimization Initiative for Real Estate
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input type="checkbox"/> Private equity <input checked="" type="checkbox"/> Property <input type="checkbox"/> Infrastructure
Scope and process	<p>Scope: Develop an Energy Optimization (EO) Initiative to systematically identify, implement, and track economically attractive opportunities to enhance portfolio returns and reduce emissions.</p> <p>Process: Included exploring existing policies, industry leading energy optimization practices, independent research, and engaging with external managers to propose standards for a formalized EO Initiative.</p>
Outcomes	<p>The formalized EO Initiative launched on July 1, 2019 and can be found on CalPERS website: https://www.calpers.ca.gov/docs/energy-optimization-initiative.pdf</p> <p>The purpose of the Energy Optimization (EO) Initiative is to enable the systematic identification, implementation, and tracking of economically attractive energy-related opportunities in the CalPERS real estate portfolio. The initiative further seeks to reduce carbon intensity, helping mitigate the systemic risk of climate change to the real estate portfolio, and more broadly to CalPERS' Total Fund, while enhancing returns and the long-term value of CalPERS investments through capturing energy cost savings and improving the attractiveness of the assets to tenants. Additionally, the initiative seeks to facilitate transitioning the CalPERS portfolio towards carbon neutrality where accretive to performance.</p> <p>The initiative will apply to domestic separate account partnerships and other external managers where appropriate. Where the initiative does not apply, we encourage all of CalPERS Real Estate managers to pursue the spirit of the EO Initiative by looking for attractive opportunities to optimize the energy used by their real estate assets.</p>

☒ Add Example 3

Topic or issue	Assess the status of carbon footprint reporting/tracking in the Private Equity industry and within the CalPERS PE Portfolio
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input checked="" type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Infrastructure
Scope and process	<p>Private Equity Staff:</p> <ul style="list-style-type: none"> - Conducted an outreach (survey) to the General Partners ("GPs") in the portfolio inquiring about their approach to carbon footprint reporting - Reached out to select Limited Partners ("LPs") to assess the best practices on carbon footprint reporting and information aggregation among large investors in the Private Equity space - Aggregated and shared the findings with the Private Equity senior team and the CalPERS SI team
Outcomes	<p>Key points and common themes emerged from Staff's survey of LPs and GPs:</p> <ul style="list-style-type: none"> - No standard approach to data collection across the industry • Only three GPs provided a calculation of their portfolio's carbon footprint • Of the LPs surveyed, the absence of industry-wide approach is a significant barrier to measuring carbon footprint - Lack of data reliability • LPs noted data from GPs is inconsistent, in most instances requiring estimates be used - Technology platforms vary • Of the GPs collecting emissions data, there's no standard platform or common third party provider used to collect and house the data - Low interest within the industry • Majority of GPs indicated LP interest and inquires regarding carbon footprint data are low

☒ Add Example 4

Topic or issue	Request for ESG integration information leads to funding of two dedicated ESG strategies
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised <input type="checkbox"/> Private equity <input type="checkbox"/> Property <input type="checkbox"/> Infrastructure
Scope and process	- internal listed equity staff queried industry participants about strategies to integrate ESG characteristics into security selection and portfolio construction that best matched our a long-term, systematic, and diversified portfolio
Outcomes	<p>- after reviewing information from more than 90 external investment managers and index providers, staff identified two strategies that explicitly provided the type of exposure that provided the best exposure to ESG characteristics for our portfolio</p> <p>- staff recommended funding both portfolios and funding was established in fiscal year 18/19.</p>

- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ We are not able to provide examples

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 01	Mandatory	Public	Gateway	PRI 1
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LEI 01.1

Indicate which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities; and the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e., not combined with any other strategies)
- ☐ Thematic alone (i.e., not combined with any other strategies)
- ☐ Integration alone (i.e., not combined with any other strategies)
- ☐ Screening and integration strategies
- ☐ Thematic and integration strategies
- ☐ Screening and thematic strategies
- ☒ All three strategies combined

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<div> <div></div> <div>%</div> </div> <div>100</div>
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- ☐ We do not apply incorporation strategies

Total actively managed listed equities

100%

LEI 01.2

Describe your organisation's approach to ESG incorporation and the reasons for choosing the particular strategy/strategies.

All portfolios are subjected to a multi-pronged approach to ESG Integration. This approach applies globally and does not differ by sector or geography. For example, we actively engage portfolio companies on ESG risks and opportunities, we use issue-based or thematic screens during the portfolio construction process to exclude certain stocks that violate our Governance and Sustainability Principles or are excluded based on Board or legislative mandates, we invest in strategies related to sustainability (e.g., ESG), and, we've established manager expectations for integrating ESG into the investment decision-making process for both internally and externally managed strategies.

All levels of the organization, from Managing Investment Directors to Investment Officers, are responsible for the implementation of ESG into the investment decision-making and portfolio construction process.

CalPERS chose this integration approach for its expected impact on the aggregate listed equity portfolio and desire to create a holistic Sustainability Investment program.

(A) Implementation: Screening

LEI 04	Mandatory	Public	Descriptive	PRI 1
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LEI 04.1

Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

- ☒ Negative/exclusionary screening

Screened by

- ☒ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

Description

Divestment - Tobacco: divest from all tobacco stocks and bonds.

Divestment - Sudan and Iran Acts: identify, monitor, and ultimately divest from companies with business activities in Iran/Sudan, unless exempt on humanitarian grounds, subject to the plan's fiduciary duty which requires that risks and returns take primacy.

Holocaust Era and Northern Ireland: monitor and annually report on investment holdings in companies and their affiliates doing business in California and owe compensation to victims of slave or forced labor during World War II.

Divestment Assault Weapon Manufacturers: divest from manufacturers of firearms that are banned for sale in California.

Divestment - Thermal Coal Companies Act: engage publicly traded coal companies that generate 50% or more revenue from mining thermal coal. If engagement is not successful, CalPERS is required to divest.

Governance and Sustainability Principles Screen - emerging market companies are evaluated relative to Global Governance and Sustainability Principles and removed from benchmark consideration if any Principles are violated

CalPERS' Total Fund Divestment policy states our preference for constructive engagement over divestment.

- ☒ Positive/best-in-class screening

Screened by

- ☒ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

	Description
	CalPERS initiated an ESG research effort aimed at identifying ESG focused strategies. A cross-asset class team reviewed, analyzed, and scored ESG strategies for implementation. Two strategies were identified and funded in 1H 2018. The two strategies are managed externally by QS Investors and AXA-Rosenburg and implemented internally.

☒ Norms-based screening

Screened by

- ☐ UN Global Compact Principles
- ☐ The UN Guiding Principles on Business and Human Rights
- ☐ International Labour Organization Conventions
- ☐ United Nations Convention Against Corruption
- ☐ OECD Guidelines for Multinational Enterprises
- ☒ Other, specify
CalPERS Governance and Sustainability Principles

	Description
	CalPERS Principles are available on CalPERS website at the following URL: https://www.calpers.ca.gov/docs/policy-global-governance.pdf

LEI 04.2	Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.
	<p>Screening criteria are governed by the Board's Divestment Policy (https://www.calpers.ca.gov/page/investments/about-investment-office/policies) via Investment Committee. Screening criteria are based on several factors. Screening criteria are either mandated by CalPERS Board (e.g., tobacco) or via legislative mandates (e.g. Sudan/Iran) and/or state law (e.g. Thermal Coal). Annual reports are provided to the public through Board agenda items, which can be accessed on the CalPERS website.</p> <p>It is staff's responsibility to inform external managers of any changes to the exclusions list on a quarterly basis. Also, Global Equity's benchmark provider works closely with staff to ensure necessary changes are made to benchmarks in a timely fashion.</p>

LEI 05	Mandatory	Public	Core Assessed	PRI 1
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LEI 05.1

Indicate which processes your organisation uses to ensure ESG screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies.
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar.
- ☒ Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- ☐ Trading platforms blocking / restricting flagged securities on the black list.
- ☐ A committee, body or similar with representatives independent of the individuals who conduct company research reviews some or all screening decisions.
- ☐ A periodic review of internal research is carried out.
- ☒ Review and evaluation of external research providers.
- ☒ Other; specify

Under the Total Fund Governance and Sustainability Strategic Plan and Total Fund Policy, CalPERS' Investment Compliance and Operational Risk (ICOR) oversees divestment and exclusionary lists.

- ☐ None of the above

LEI 05.2

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your ESG screening strategy.

- ☐ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☒ >90%

LEI 05.3

Indicate how frequently third party ESG ratings are updated for screening purposes.

- ☒ Quarterly or more frequently
- ☐ Bi-Annually
- ☐ Annually
- ☐ Less frequently than annually

(B) Implementation: Thematic

LEI 07**Mandatory****Public****Descriptive****PRI 1****LEI 07.1**

Indicate the type of sustainability thematic funds or mandates your organisation manages.

- ☒ Environmentally themed funds
- ☒ Socially themed funds
- ☒ Combination of themes

LEI 07.2

Describe your organisation's processes relating to sustainability themed funds. [Optional]

Sustainability Themed funds

CalPERS continually seeks opportunities to source innovative and accretive portfolios for our Global Equity portfolio. Recently, CalPERS initiated an ESG research effort aimed at identifying strategies that uniquely incorporate ESG risk factors in its selection and construction process. During the fiscal year ending June 30, 2019, CalPERS funded two ESG strategies utilizing quantitative and fundamental ESG analysis to identify securities that improved the ESG characteristics of the portfolio thus incorporating environmental and social considerations. The portfolios were managed by internal staff based on information provided by QS Investors and AXA-Rosenberg.

(C) Implementation: Integration of ESG factors**LEI 08****Mandatory****Public****Core Assessed****PRI 1****LEI 08.1**

Indicate the proportion of actively managed listed equity portfolios where E, S and G factors are systematically researched as part of your investment analysis.

ESG issues	Proportion impacted by analysis
Environmental	<div> <div></div> <div>Environmental</div> </div> <div> <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90% </div>
Social	<div> <div></div> <div>Social</div> </div> <div> <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90% </div>
Corporate Governance	<div> <div></div> <div>Corporate Governance</div> </div> <div> <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90% </div>

LEI 08.2

Additional information. [Optional]

ESG is fully integrated into the investment decision making process of the Global Equity Aggregate portfolio.

LEI 09**Mandatory****Public****Core Assessed****PRI 1****LEI 09.1**

Indicate which processes your organisation uses to ensure ESG integration is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Third-party ESG ratings are updated regularly
- ☒ A periodic review of the internal research is carried out
- ☒ Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ☒ ESG risk profile of a portfolio against benchmark
- ☐ Analysis of the impact of ESG factors on investment risk and return performance
- ☐ Other; specify
- ☐ None of the above

LEI 09.2

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.

- ☐ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☒ >90%

LEI 09.3

Indicate how frequently third party ESG ratings that inform your ESG integration strategy are updated.

- ☒ Quarterly or more frequently
- ☐ Bi-Annually
- ☐ Annually
- ☐ Less frequently than annually

LEI 09.4

Indicate how frequently you review internal research that builds your ESG integration strategy.

- ☒ Quarterly or more frequently
- ☐ Bi-Annually
- ☐ Annually
- ☐ Less frequently than annually

LEI 09.5

Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools, and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research were incorporated into investment decisions
- ☐ Other; specify
- ☐ None of the above

LEI 09.6

Additional information. [Optional]

CalPERS works collaboratively with its research providers, external managers and sell-side analysts to more fully understand the risks and opportunities of its listed equity portfolios. Research reports are updated as new information becomes available that materially impacts company operations or portfolio analytics. Individual portfolios are analysed monthly to assess the ESG characteristics relative to the Policy benchmark as well as ESG specific benchmarks. If significant issues of concerns are identified, staff researches the issue, communicates with external managers and research providers and may engage company management. The intent is to better understand the risks and opportunities created by the issue/event and determine appropriate action.

Outputs and outcomes**LEI 12**

Voluntary

Public

Descriptive

PRI 1

LEI 12.1

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- ☒ Screening

Describe any reduction in your starting investment universe or other effects.

The starting universe for the CalPERS Custom FTSE Global All-Cap benchmark has been screened to omit securities representing the following groups:

- Tobacco
- Sudan and Iran
- Holocaust Era and Northern Ireland
- Assault Weapon Manufacturers
- Thermal Coal Companies
- Governance and Sustainability Principles Screen

The screens don't necessarily result in exclusion in all instances. Some categories require engagement first and, depending on the outcome of engagement, divestment.

Specify the percentage reduction (+/- 5%)

	%
--	---

1

- ☐ Thematic
- ☒ Integration of ESG factors

	Select which of these effects followed your ESG integration.
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- ☐ Reduce or prioritise the investment universe
- ☐ Overweight/underweight at sector level
- ☐ Overweight/underweight at stock level
- ☒ Buy/sell decisions
- ☐ Engagement / Voting
- ☒ Other; specify
engagement and proxy voting
- ☐ None of the above
- ☐ Index incorporating ESG factors (for passively managed funds)

LEI 12.2	Additional information.[Optional]
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LEI 13	Voluntary	Public	Descriptive	PRI 1
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LEI 13.1	Provide examples of ESG factors that affected your investment view and/or performance during the reporting year.
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- ☒ ESG factor 1

	ESG factor and explanation
	<p>Corporate Board Diversity</p> <ul style="list-style-type: none"> CalPERS will continue to engage its portfolio companies to improve corporate board diversity and use proxy voting and shareowner campaigns to bring about change where engagements do not lead to constructive outcomes. Since July 2017, CalPERS has engaged roughly 800 companies in the Russell 3000, requesting that they improve broadly-defined diversity on their boards. During the 2018& 2019 Proxy season, 53% of companies engaged added a diverse director to their boards (361 of 682 companies) All S&P 500 companies now have at least one female director on their board.
	ESG incorporation strategy applied
	<p>Integration</p> <p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Index incorporating ESG factors</p>
	Impact on investment decision or performance
	<p>As a result of staffs' efforts many of the companies committed to nominating diverse directors. It is expected that diverse boards will drive positive company performance leading to a long-term sustainable advantage for our portfolio.</p>

☒ ESG factor 2

	ESG factor and explanation
Climate Action 100+ initiative - CalPERS collaborates with other global investors to engage the 161 largest carbon emitters. The engagement focuses on supporting companies as they transition to a low-carbon economy and improve governance related to risk and opportunities associated with climate change, establish metrics and reduction targets, and strengthen climate-related financial disclosures.	
	ESG incorporation strategy applied
Integration <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Index incorporating ESG factors	
	Impact on investment decision or performance
CalPERS continues to engage these companies and expects the long-term benefits of this effort will be lead to positive performance for our portfolios.	

☒ ESG factor 3

	ESG factor and explanation
CalPERS believes that integrating ESG into the investment decision-making process leads to more resilient portfolios with better long-term portfolio risk and return characteristics. CalPERS engaged external managers and encouraged them to integrate ESG into their fundamental/quantitative research efforts to understand and quantify the risks and opportunities inherent in an ESG-aware portfolio.	
	ESG incorporation strategy applied
Integration <input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Index incorporating ESG factors	
	Impact on investment decision or performance
Engagement with our external managers was successful with a full 100% of Listed Equity managers adopting an ESG integration approach. CalPERS believes this effort will lead to long-term positive performance for our portfolios.	

☒ ESG factor 4

	ESG factor and explanation
<p>Executive Compensation - CalPERS believes well-designed compensation programs can be a powerful and effective tool to reward value-creating executives and employees and appropriately align their interests with those of providers of capital (shareowners) to achieve sustainable, long-term investment returns. When executive compensation is aligned with shareholders, both parties' benefit. CalPERS worked with third-party vendors to develop a quantitative analytical tool to assess whether pay is aligned with performance as measured by total shareholder return (TSR) over a 5-yr period to determine if pay is reasonable relative to peers and relative to shareholder return, and to evaluate the design, structure, and practice of compensation plans promotes long-term shareholder value creation.</p>	
	ESG incorporation strategy applied
<p>Integration</p> <p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Index incorporating ESG factors</p>	
	Impact on investment decision or performance
<p>- CalPERS will continue to engage its portfolio companies to improve alignment between executive compensation and shareholder value creation. As a result of staffs' efforts, many companies have committed to engagement on sound compensation practices. it is expected that aligned compensation will drive positive company performance leading to a long-term sustainable advantage for our portfolio.</p>	

☐ ESG factor 5

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEA 01	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 01.1

Indicate whether your organisation has an active ownership policy (includes engagement and/or voting).

☒ Yes

LEA 01.2

Attach or provide a URL to your active ownership policy.

☐ Attachment provided:

☒ URL provided:

URL

<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

LEA 01.3

Indicate what your active engagement policy covers:

General approach to Active Ownership

- ☒ Conflicts of interest
- ☒ Alignment with national stewardship code requirements
- ☒ Assets/funds covered by active ownership policy
- ☒ Expectations and objectives
- ☒ Engagement approach

Engagement

- ☒ ESG issues
- ☒ Prioritisation of engagement
- ☒ Methods of engagement
- ☒ Transparency of engagement activities
- ☒ Due diligence and monitoring process
- ☒ Insider information
- ☒ Escalation strategies
- ☒ Service Provider specific criteria
- ☐ Other; (specify)
- ☒ (Proxy) voting approach

Voting

- ☒ ESG issues
- ☒ Prioritisation and scope of voting activities
- ☒ Methods of voting
- ☒ Transparency of voting activities
- ☒ Regional voting practice approaches
- ☒ Filing or co-filing resolutions
- ☒ Company dialogue pre/post-vote
- ☒ Decision-making processes
- ☒ Securities lending processes
- ☐ Other; (specify)
- ☐ Other
- ☐ None of the above
- ☐ No

LEA 01.4

Do you outsource any of your active ownership activities to service providers?

- ☐ Yes
- ☒ No

LEA 01.6

Additional information [optional]

As outlined in the Governance and Sustainability Principles, CalPERS has a long history of constructively engaging companies confidentially through in-person meetings, correspondence, and by telephone. In instances where companies fail to meet the standards of conduct defined by our Principles, CalPERS regularly files shareowner proposals and runs proxy solicitations to achieve governance reforms. <https://www.calpers.ca.gov/docs/forms-publications/governance-and-sustainability-principles.pdf>

CalPERS prefers constructive engagement to divesting as a means of affecting the conduct of the entities in which we invest. This is because investors that divest lose their ability as shareowners to positively influence the company's strategy and governance.

CalPERS also participates in collaborative engagements. CalPERS is a founding member of Climate Action 100+, a five-year global engagement initiative supported by 370 signatories with over \$35 trillion in assets under management. The initiative focuses on the 100 largest GHG sources in our portfolio, or systemically important carbon emitting companies responsible for the bulk of emissions. In addition, the group focuses on companies with significant opportunity to drive the transition to a low-carbon economy. CalPERS plays a leading role on the Climate Action 100+ Steering Committee which sets the strategy for the initiative and served as the inaugural chair. We also serve as the chair of the Climate Action 100+ Asia Advisory Group which draws together expertise for that region. Our Corporate Governance program assumed the lead for 22 of the companies identified for engagement which is the largest number engaged by a single asset owner in the initiative. The responsibilities of the lead investor include meeting in person with the company's leadership, including senior management and board members to communicate and engage on the Climate Action 100+ goals.

Engagement

LEA 02

Mandatory

Public

Core Assessed

PRI 1,2,3

LEA 02.1

Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
Individual / Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> We do not engage via service providers

LEA 03**Mandatory****Public****Core Assessed****PRI 2**

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagements.

☒ Yes

LEA 03.2

Indicate the criteria used to identify and prioritise engagements for each type of engagement.

Type of engagement	Criteria used to identify/prioritise engagements
Individual / Internal staff engagements	<div>Individual / Internal staff engagements</div> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Geography/market of the companies <input checked="" type="checkbox"/> Materiality of the ESG factors <input checked="" type="checkbox"/> Exposure (size of holdings) <input checked="" type="checkbox"/> Responses to ESG impacts that have already occurred <input type="checkbox"/> Responses to divestment pressure <input checked="" type="checkbox"/> Consultation with clients/beneficiaries <input checked="" type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.) <input checked="" type="checkbox"/> Follow-up from a voting decision <input type="checkbox"/> Client request <input checked="" type="checkbox"/> Breaches of international norms <input type="checkbox"/> Other; (specify) <input type="checkbox"/> We do not outline engagement criteria for our individual engagements
Collaborative engagements	<div>Collaborative engagements</div> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Potential to enhance knowledge of ESG issues through other investors <input checked="" type="checkbox"/> Ability to have greater impact on ESG issues <input checked="" type="checkbox"/> Ability to add value to the collaboration <input checked="" type="checkbox"/> Geography/market of the companies targeted by the collaboration <input checked="" type="checkbox"/> Materiality of the ESG factors addressed by the collaboration <input checked="" type="checkbox"/> Exposure (size of holdings) to companies targeted by the collaboration <input checked="" type="checkbox"/> Responses to ESG impacts addressed by the collaboration that have already occurred <input type="checkbox"/> Responses to divestment pressure <input checked="" type="checkbox"/> Follow-up from a voting decision <input checked="" type="checkbox"/> Alleviate the resource burden of engagement <input type="checkbox"/> Consultation with clients/beneficiaries <input type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.) <input type="checkbox"/> Other; (specify) <input type="checkbox"/> We do not outline engagement criteria for our collaborative engagement providers

☐ No

LEA 04	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 04.1

Indicate whether you define specific objectives for your organisation's engagement activities.

Individual / Internal staff engagements	<input checked="" type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by internal staff
Collaborative engagements	<input checked="" type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out through collaboration

LEA 05**Mandatory****Public****Core Assessed****PRI 2****LEA 05.1**

Indicate whether you monitor and/or review engagement outcomes.

Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, in all cases <input type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out by our internal staff.
Collaborative engagements	<input checked="" type="radio"/> Yes, in all cases <input type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out through collaboration.

LEA 05.2

Indicate whether you do any of the following to monitor and/or review the progress of engagement activities.

Individual / Internal staff engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify
Collaborative engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on a continuous basis <input type="checkbox"/> Other; specify

LEA 06	Mandatory	Public	Additional Assessed	PRI 2,4
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LEA 06.1	Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.
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☒ Yes

LEA 06.2	Indicate the escalation strategies used at your organisation following unsuccessful engagements.
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- ☒ Collaborating with other investors
- ☐ Issuing a public statement
- ☒ Filing/submitting a shareholder resolution
- ☒ Voting against the re-election of the relevant directors
- ☒ Voting against the board of directors or the annual financial report
- ☐ Submitting nominations for election to the board
- ☒ Seeking legal remedy / litigation
- ☒ Reducing exposure (size of holdings)
- ☐ Divestment
- ☐ Other; specify

☐ No

LEA 06.3	Additional information. [Optional]
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As part of the organization's strategic planning efforts, senior staff establish a five-year strategic plan that includes CalPERS 5-yr ESG strategic plan. The plan is continuously updated as projects are completed and /or when issues arise that require an update to the strategic approach.

LEA 07	Voluntary	Public	Additional Assessed	PRI 1,2
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LEA 07.1	Indicate whether insights gained from your organisation's engagements are shared with investment decision-makers.
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Type of engagement	Insights shared
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 07.2	Indicate the practices used to ensure that information and insights gained through engagements are shared with investment decision-makers.
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- ☒ Involving investment decision-makers when developing an engagement programme
- ☒ Holding investment team meetings and/or presentations
- ☒ Using IT platforms/systems that enable data sharing
- ☐ Internal process that requires portfolio managers to re-balance holdings based on interaction and outcome levels
- ☐ Other; specify
- ☐ None

LEA 07.3	Indicate whether insights gained from your organisation's engagements are shared with your clients/beneficiaries.
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Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 07.4	Additional information. [Optional]
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CalPERS has a strict practice of confidentiality surrounding corporate engagements. On an as-needed basis, staff will communicate matters of importance with internal and external managers.

LEA 08	Mandatory	Public	Gateway	PRI 2
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LEA 08.1	Indicate whether you track the number of your engagement activities.
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Type of engagement	Tracking engagements
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of collaborative engagements in full <input type="radio"/> Yes, we partially track the number of our collaborative engagements <input type="radio"/> We do not track

LEA 08.2

Additional information. [Optional]

Engagements are logged and archived in a centralized database for all team members to review. Internal research is used to inform future engagement and voting activities.

CalPERS tracks progress on Total Fund Governance and Sustainability Strategic Plan, which include associated timelines and KPIs. The plan is delineated into "core" and "strategic" work and focuses on:

- Data and Corporate Reporting Standards
- Engage Climate Action 100+ Companies
- Diversity and Inclusion
- Manager Expectations
- Research
- Private Equity Fee and Profit-Sharing Transparency.

Outputs and outcomes

LEA 09	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
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LEA 09.1

Indicate the proportion of companies in your listed equities portfolio with which your organisation engaged during the reporting year.

	We did not complete any engagements in the reporting year.	Number of companies engaged (avoid double counting, see explanatory notes)	Proportion of companies engaged with, out of total listed equities portfolio
Individual / Internal staff engagements	<input type="checkbox"/>	1364	14
Collaborative engagements	<input type="checkbox"/>	119	1

LEA 09.2

Indicate the breakdown of engagements conducted within the reporting year by the number of interactions (including interactions made on your behalf).

No. of interactions with a company	% of engagements
One interaction	<input type="radio"/> >76% <input checked="" type="radio"/> 51-75% <input type="radio"/> 11-50% <input type="radio"/> 1-10% <input type="radio"/> None
2 to 3 interactions	<input type="radio"/> >76% <input type="radio"/> 51-75% <input checked="" type="radio"/> 11-50% <input type="radio"/> 1-10% <input type="radio"/> None
More than 3 interactions	<input type="radio"/> >76% <input type="radio"/> 51-75% <input type="radio"/> 11-50% <input checked="" type="radio"/> 1-10% <input type="radio"/> None
Total	100%

LEA 09.3

Indicate the percentage of your collaborative engagements in which you were the leading organisation during the reporting year.

Type of engagement	% leading role
Collaborative engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 10
Voluntary
Public
Additional Assessed
PRI 2

LEA 10.1

Indicate which of the following your engagement involved.

- ☒ Letters and emails to companies
- ☐ In a minority of cases
 - ☐ In a majority of cases
 - ☒ In all cases
- ☒ Meetings and/or calls with board/senior management
- ☒ In a minority of cases
 - ☐ In a majority of cases
 - ☐ In all cases
- ☒ Meetings and/or calls with the CSR, IR or other management
- ☐ In a minority of cases
 - ☒ In a majority of cases
 - ☐ In all cases
- ☒ Visits to operations
- ☒ In a minority of cases
 - ☐ In a majority of cases
 - ☐ In all cases
- ☐ Visits to supplier(s) in supplier(s) from the company's supply chain
- ☒ Participation in roadshows
- ☒ In a minority of cases
 - ☐ In a majority of cases
 - ☐ In all cases
- ☒ Other

(specify)

When necessary, staff will coordinate company meetings at third party conferences and events (e.g. CII, Ceres, ICGN).

- ☒ In a minority of cases
- ☐ In a majority of cases
- ☐ In all cases

LEA 10.2

Additional information. [Optional]

Partnerships: where applicable CalPERS will use strategic partnerships to advance CalPERS' investment, engagement and policy objectives.

Internal Asset Class Subject Matter Experts: when applicable CalPERS will use internal asset class subject matter experts in our engagement work such as providing financial analysis and participating in the engagement with the entity.

CalPERS Governance Architecture: CalPERS developed working groups to guide the ESG decision making process for strategic issues. Working groups include:

- Governance and Sustainability Subcommittee
- Proxy Voting Working Group
- Research Working Group
- Correspondence Working Group

- Financial Markets Working Group

LEA 11	Voluntary	Public	Descriptive	PRI 2
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LEA 11.1	Provide examples of the engagements that your organisation or your service provider carried out during the reporting year.
----------	--

☒ Add Example 1

ESG Topic	<p>Diversity</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input checked="" type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual / Internal</p> <p><input type="checkbox"/> Collaborative</p>
Objectives	<p>Improve board diversity at Russell 3000 companies</p>
Scope and Process	<p>Staff wrote letters to 178 companies within the Russell 3000 lacking gender diversity to disclose their approach to board diversity. Staff also sent follow up letters to non-responding companies which led to meaningful conversations. Starting in the 2018 proxy season, CalPERS withheld votes from directors at non-responsive companies.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input checked="" type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 2

ESG Topic	Shareholder rights <input type="checkbox"/> Executive Remuneration <input type="checkbox"/> Climate Change <input type="checkbox"/> Human rights <input type="checkbox"/> Company leadership issues <input type="checkbox"/> Pollution <input type="checkbox"/> General ESG <input type="checkbox"/> Diversity <input checked="" type="checkbox"/> Shareholder rights <input type="checkbox"/> Health and Safety <input type="checkbox"/> Sustainability reporting <input type="checkbox"/> Water risks <input type="checkbox"/> Labour practices and supply chain management <input type="checkbox"/> Anti-bribery and corruption <input type="checkbox"/> Deforestation <input type="checkbox"/> Aggressive tax planning <input type="checkbox"/> Cyber security <input type="checkbox"/> Other governance <input type="checkbox"/> Plastics <input type="checkbox"/> Other
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Request portfolio companies to adopt majority vote for director elections.
Scope and Process	Identify and engage 117 portfolio companies without a majority vote standard for director elections.
Outcomes	<input type="checkbox"/> Company changed practice <input type="checkbox"/> Company committed to change <input type="checkbox"/> Disclosure / report published <input type="checkbox"/> Divestment <input type="checkbox"/> Failed/no outcome <input type="checkbox"/> Increased understanding / information <input type="checkbox"/> Invested in company <input checked="" type="checkbox"/> Ongoing <input type="checkbox"/> Voting <input type="checkbox"/> Other

☒ Add Example 3

ESG Topic	<p>Shareholder rights</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input checked="" type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual / Internal</p> <p><input type="checkbox"/> Collaborative</p>
Objectives	Request companies to adopt proxy access.
Scope and Process	Staff identified 28 companies for engagement. CalPERS sent letters to these companies requesting engagement related to the adoption of proxy access.
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input checked="" type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 4

ESG Topic	<p>Human rights, Labour practices and supply chain management</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input checked="" type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input checked="" type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input type="checkbox"/> Individual / Internal</p> <p><input checked="" type="checkbox"/> Collaborative</p>
Objectives	<p>Engage a subset of US large cap companies seeking to enhance disclosure tied to human capital management activities.</p>
Scope and Process	<p>In collaboration with the Human Capital Management Coalition, CalPERS will engage companies that have publicly disclosed workforce-related information to understand how HCM fits into corporate strategy and goals.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input checked="" type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 5

ESG Topic	<p>Climate Change, Sustainability reporting</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input checked="" type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input checked="" type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input type="checkbox"/> Individual / Internal</p> <p><input checked="" type="checkbox"/> Collaborative</p>
Objectives	<p>Engage corporations with the largest greenhouse gas emissions to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures at the top 100 systemically important carbon emitters.</p>
Scope and Process	<p>Working through partner organizations, the Climate Action 100+ is a five-year initiative aimed towards the largest corporate greenhouse gas emitters. To achieve the goals of the Paris Agreement, the initiatives aims to:</p> <ol style="list-style-type: none"> 1. Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk and opportunities. 2. Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2-degrees Celsius above pre-industrial levels. 3. Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and sector-specific Global Investor Coalition on Climate Change Investor Expectations on Climate Change* (when applicable) to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below 2-degrees Celsius scenario, and to improve investment decision-making. <p>The steering committee comprises of members from the following investor groups:</p> <ul style="list-style-type: none"> • Asia Investor Group on Climate Change (AIGCC)

	<ul style="list-style-type: none"> • Ceres • Investor Group on Climate Change (IGCC) • Institutional Investors Group on Climate Change (IIGCC); and • Principles for Responsible Investment (PRI) <p>Public information on this initiative can be found here: http://www.climateaction100.org/</p>
Outcomes	<input type="checkbox"/> Company changed practice <input type="checkbox"/> Company committed to change <input type="checkbox"/> Disclosure / report published <input type="checkbox"/> Divestment <input type="checkbox"/> Failed/no outcome <input type="checkbox"/> Increased understanding / information <input type="checkbox"/> Invested in company <input checked="" type="checkbox"/> Ongoing <input type="checkbox"/> Voting <input type="checkbox"/> Other

☒ Add Example 6

ESG Topic	<p>Sustainability reporting</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input checked="" type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input type="checkbox"/> Individual / Internal</p> <p><input checked="" type="checkbox"/> Collaborative</p>
Objectives	Request portfolio companies to report using SASB standards
Scope and Process	CalPERS partnered with the Sustainable Accounting Standards Board to engage portfolio companies to report business-critical ESG issues that are material to the company's operations and long-term sustainability.
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input checked="" type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 7

ESG Topic	<p>Climate Change</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input checked="" type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input type="checkbox"/> Individual / Internal</p> <p><input checked="" type="checkbox"/> Collaborative</p>
Objectives	<p>CalPERS engages major oil and gas, coal, and electric power companies to:</p> <ul style="list-style-type: none"> • review exposure to long-term, climate change related risks and its plans for managing them; • conduct a risk assessment aligned with the 2 degrees scenario • commit to net-zero emission standard by 2050
Scope and Process	<p>Staff identified and engaged companies surrounding the adoption of climate risk reporting.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input checked="" type="checkbox"/> Ongoing</p>

	<input type="checkbox"/> Voting <input type="checkbox"/> Other
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- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

(Proxy) voting and shareholder resolutions

LEA 12	Mandatory	Public	Descriptive	PRI 2
--------	-----------	--------	-------------	-------

LEA 12.1 Indicate how you typically make your (proxy) voting decisions.

Approach

- ☐ We use our own research or voting team and make voting decisions without the use of service providers.
- ☒ We hire service providers who make voting recommendations and/or provide research that we use to guide our voting decisions.

Based on

- ☐ The service-provider voting policy we sign off on
- ☒ Our own voting policy
- ☐ Our clients' requests or policies
- ☐ Other (explain)
- ☐ We hire service providers who make voting decisions on our behalf, except in some pre-defined scenarios where we review and make voting decisions.
- ☐ We hire service providers who make voting decisions on our behalf.

LEA 12.2 Provide an overview of how you ensure that your agreed-upon voting policy is adhered to, giving details of your approach when exceptions to the policy are made.

- CalPERS staff votes all internally and externally managed holdings.
- Votes are cast with standing instructions based on CalPERS' Governance and Sustainability Principles via a technology platform.
- Staff receives daily reporting to ensure votes are cast consistent with CalPERS Principles.
- For non-routine votes or exceptions staff will seek input from team leads within the governance unit. For other high-profile voting decisions staff will elevate votes to senior management through proxy voting committees.
- CalPERS proxy voting activities are subject to internal audits by the Enterprise Risk Team.

LEA 12.3 Additional information.[Optional]

CalPERS' Principles which guide our votes can be found: <https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

To determine CalPERS voting decision, CalPERS uses internal analysis, company information, research provided by vendors such as MSCI, ISS, Glass Lewis, Sustainalytics, Equilar.

Since July 2015, CalPERS has publicly disclosed all its proxy voting activity. Votes are typically posted 72 hours prior to an Annual General Meeting.

Vote are disclosed at the following link:

<https://viewpoint.glasslewis.net/GlassLewisWebDisclosure/webdisclosure/search.aspx?glpcustuserid=CAL095&WDFundGroupID=2774>

LEA 15	Mandatory	Public	Descriptive	PRI 2
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LEA 15.1	Indicate the proportion of votes participated in within the reporting year in which where you or the service providers acting on your behalf raised concerns with companies ahead of voting.
-----------------	--

- ☐ 100%
- ☐ 99-75%
- ☐ 74-50%
- ☐ 49-25%
- ☒ 24-1%
- ☐ Neither we nor our service provider(s) raise concerns with companies ahead of voting

LEA 15.2	Indicate the reasons for raising your concerns with these companies ahead of voting.
-----------------	--

- ☒ Vote(s) concerned selected markets
- ☒ Vote(s) concerned selected sectors
- ☒ Vote(s) concerned certain ESG issues
- ☒ Vote(s) concerned companies exposed to controversy on specific ESG issues
- ☐ Vote(s) concerned significant shareholdings
- ☐ Client request
- ☐ Other

LEA 15.3	Additional information. [Optional]
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CalPERS does not have a formal process or criteria used to determine when to notify a portfolio company of an upcoming vote. Sometimes, if there is an ongoing engagement and the topic is on the ballot, staff will notify the company of our intended vote. It is primarily done on an as needed basis.

LEA 16	Mandatory	Public	Core Assessed	PRI 2
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LEA 16.1	Indicate the proportion of votes where you, and/or the service provider(s) acting on your behalf, communicated the rationale to companies for abstaining or voting against management recommendations. Indicate this as a percentage out of all eligible votes.
-----------------	---

- ☐ 100%
☐ 99-75%
☐ 74-50%
☐ 49-25%
☒ 24-1%
☐ We do not communicate the rationale to companies
☐ Not applicable because we and/or our service providers did not abstain or vote against management recommendations

LEA 16.2	Indicate the reasons why your organisation would communicate to companies, the rationale for abstaining or voting against management recommendations.
-----------------	---

- ☐ Vote(s) concern selected markets
☒ Vote(s) concern selected sectors
☒ Vote(s) concern certain ESG issues
☒ Vote(s) concern companies exposed to controversy on specific ESG issues
☐ Vote(s) concern significant shareholdings
☐ Client request
☐ Other

LEA 16.3	In cases where your organisation does communicate the rationale for abstaining or voting against management recommendations, indicate whether this rationale is made public.
-----------------	--

- ☐ Yes
☒ No

LEA 16.4	Additional information. [Optional]
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CalPERS engages companies "behind closed doors" and will not share the contents of its engagement publicly.

LEA 17	Mandatory	Public	Core Assessed	PRI 2
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LEA 17.1	For listed equities in which you or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

100

Specify the basis on which this percentage is calculated

- ☐ Of the total number of ballot items on which you could have issued instructions
- ☒ Of the total number of company meetings at which you could have voted
- ☐ Of the total value of your listed equity holdings on which you could have voted
- ☐ We do not track or collect this information

LEA 18	Voluntary	Public	Additional Assessed	PRI 2
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LEA 18.1	Indicate whether you track the voting instructions that you or your service provider on your behalf have issued.
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- ☒ Yes, we track this information

LEA 18.2	Of the voting instructions that you and/or third parties on your behalf have issued, indicate the proportion of ballot items that were:
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Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	<div> <div></div> <div>%</div> </div> <div>78</div>
Against (opposing) management recommendations	<div> <div></div> <div>%</div> </div> <div>21</div>
Abstentions	<div> <div></div> <div>%</div> </div> <div>1</div>

100%

- ☐ No, we do not track this information

LEA 18.3	In cases where your organisation voted against management recommendations, indicate the percentage of companies which you have engaged.
----------	---

LEA 18.4	Additional information. [Optional]
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As a practice, CalPERS does not abstain from voting unless market mechanics require it to execute the vote. For example, in certain markets you can only vote for a certain number of directors and you MUST abstain from the others or the vote will not be accepted.

CalPERS engages over 17% of our 9800 security global portfolio. Although the percentage of companies we've engaged and voted against management is unknown (not tracked) it is reasonable to conclude that it is significantly higher than in companies where we support management.

Actions taken by staff when voting against management include:

- Written correspondence citing CalPERS' concern (before and after vote)

- Public disclosure of proxy vote on CalPERS website
- Follow up conversations with company (e.g. in-person or conference call)
- Year over year monitoring of company progress.

LEA 19	Mandatory	Public	Core Assessed	PRI 2
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LEA 19.1	Indicate whether your organisation has a formal escalation strategy following unsuccessful voting.
----------	--

- ☒ Yes
- ☐ No

LEA 19.2	Indicate the escalation strategies used at your organisation following abstentions and/or votes against management.
----------	---

- ☒ Contacting the company's board
- ☒ Contacting the company's senior management
- ☒ Issuing a public statement explaining the rationale
- ☒ Initiating individual/collaborative engagement
- ☐ Directing service providers to engage
- ☐ Reducing exposure (holdings) / divestment
- ☐ Other

LEA 20	Voluntary	Public	Descriptive	PRI 2
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LEA 20.1	Indicate whether your organisation, directly or through a service provider, filed or co-filed any ESG shareholder resolutions during the reporting year.
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- ☒ Yes

LEA 20.2	Indicate the number of ESG shareholder resolutions you filed or co-filed.
----------	---

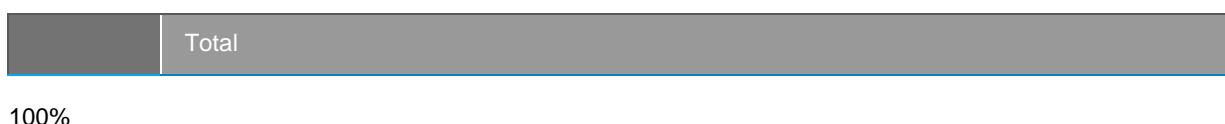
	Total number
--	--------------

122

- ☐ No

LEA 20.3	Indicate what percentage of these ESG shareholder resolutions resulted in the following:
----------	--

Went to vote	<div><div></div>%</div> 17
Were withdrawn due to changes at the company and/or negotiations with the company	<div><div></div>%</div> 68
Were withdrawn for other reasons	<div><div></div>%</div> 15
Were rejected/not acknowledged by the company	<div><div></div>%</div> 0



LEA 20.4	Of the ESG shareholder resolutions that you filed or co-filed and that were put to a vote (i.e., not withdrawn), indicate the percentage that received approval:
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LEA 20.5	Describe the ESG shareholder resolutions that you filed or co-filed, and the outcomes achieved.
-----------------	---

Majority Vote

- CalPERS filed 94 Majority Vote proposals
- 19 proposals went to vote and seven received greater than 50% support
- 57 proposals were withdrawn due to a settlement between shareholder and the company
- 18 proposals still in place with ongoing engagement

Proxy Access

- CalPERS filed 24 Proxy Access proposal
- 23 proposal were withdrawn
- One proposal passed with >50% support

Climate Risk Disclosure

- CalPERS filed four climate risk disclosure proposals
- three proposals were withdrawn

- One proposal passed with >50% support

LEA 20.6	Describe whether your organisation reviews ESG shareholder resolutions filed by other investors.
-----------------	--

Yes; Staff has multiple touch points throughout the year with partner organizations and asset owners to discuss potential shareholder resolutions. Staff will also review ESG-related vote outcomes, trends and issues on an annual basis.

- CalPERS reviews ESG shareowner resolutions consistent with the Governance and Sustainability Principles.
- CalPERS reviews all ESG resolutions.

During the reporting period, CalPERS ran shareholder solicitation campaigns for 16 ESG proposals.

LEA 21	Voluntary	Public	Descriptive	PRI 2
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LEA 21.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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☒ Add Example 1

ESG Topic	<p>Shareholder rights</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input checked="" type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>To remove plurality votes and incorporate majority vote standards into company bylaws for director elections.</p>
Scope and Process	<p>Consistent with the CalPERS Governance and Sustainability Principles, staff votes "FOR" the adoption of majority vote practices for director elections at companies where this ballot item appears.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 2

ESG Topic	<p>Shareholder rights</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input checked="" type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	To improve board independence at our Japanese portfolio companies.
Scope and Process	CalPERS updated its proxy voting practice for Japan to apply a minimum threshold of one-third independence for the board of directors. Consistent with the Governance and Sustainability Principles, CalPERS votes "AGAINST" all non-independent committee members at Japanese portfolio companies.
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 3

ESG Topic	<p>Shareholder rights</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input checked="" type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	To incorporate proxy access into company bylaws while supporting the vacated SEC rule (3% for 3 years).
Scope and Process	Consistent with the CalPERS Governance and Sustainability Principles, staff votes "FOR" proposals giving shareholder the right to nominate directors to the board (proxy access).
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 4

ESG Topic	<p>Climate Change, Sustainability reporting</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input checked="" type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input checked="" type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	To require companies to report on climate risk, greenhouse gas (GHG) and/or sustainability.
Scope and Process	Consistent with the Governance and Sustainability Principles, CalPERS believes companies should provide accurate and timely disclosure of environmental risks and opportunities through climate change/GHG/sustainability reporting. CalPERS achieves this through voting "FOR" proposals asking for such disclosures, and on selected instances, file shareholder proposals asking companies to prepare annual climate risk reports.
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p>

	<input type="checkbox"/> Other
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☒ Add Example 5

ESG Topic	<p>Executive Remuneration</p> <p><input checked="" type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	To ensure portfolio companies have aligned compensation practices consistent with shareowner interests.
Scope and Process	Staff completes a comprehensive review of say-on-pay proposals and votes each item consistent with the CalPERS Governance and Sustainability Principles. Specifically, when a company has sufficient disclosure and adopted policies that are aligned with a pay for performance discipline staff will generally vote "for" a say-on-pay proposal. However, if a company allows for specific policies or practices not in shareowner best interest or fails to align compensation with performance staff will vote "against".
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p>

	<input type="checkbox"/> Voting <input type="checkbox"/> Other
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☒ Add Example 6

ESG Topic	<p>Diversity</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input checked="" type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>To promote CalPERS' strategic goal of advancing board diversity.</p>
Scope and Process	<p>CalPERS voted for director elections consistent with CalPERS' principles on board quality, including independence, competence and diversity. We also supported shareowner proposals related to board diversity.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 7

ESG Topic	<p>Shareholder rights</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input checked="" type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	<p>To eliminate dual-class share ownership structures and embrace the spirit of one share, one vote.</p>
Scope and Process	<p>CalPERS voted for the elimination of dual-class shares consistent with the Governance and Sustainability Principles.</p>
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 8

ESG Topic	<p>Political spending / lobbying</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input checked="" type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	To enhance disclosure around corporate political and lobbying expenditures.
Scope and Process	CalPERS voted for the enhanced disclosure of corporate political spending and lobbying consistent with the Governance and Sustainability Principles.
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 9

ESG Topic	<p>Diversity, Labour practices and supply chain management</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input checked="" type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input checked="" type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	To request company disclose a gender pay equity report.
Scope and Process	CalPERS voted for the request of a gender pay equity report at portfolio companies.
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

☒ Add Example 10

ESG Topic	<p>Deforestation</p> <p><input type="checkbox"/> Executive Remuneration</p> <p><input type="checkbox"/> Climate Change</p> <p><input type="checkbox"/> Human rights</p> <p><input type="checkbox"/> Company leadership issues</p> <p><input type="checkbox"/> Pollution</p> <p><input type="checkbox"/> General ESG</p> <p><input type="checkbox"/> Diversity</p> <p><input type="checkbox"/> Shareholder rights</p> <p><input type="checkbox"/> Health and Safety</p> <p><input type="checkbox"/> Sustainability reporting</p> <p><input type="checkbox"/> Water risks</p> <p><input type="checkbox"/> Labour practices and supply chain management</p> <p><input type="checkbox"/> Anti-bribery and corruption</p> <p><input checked="" type="checkbox"/> Deforestation</p> <p><input type="checkbox"/> Aggressive tax planning</p> <p><input type="checkbox"/> Cyber security</p> <p><input type="checkbox"/> Political spending / lobbying</p> <p><input type="checkbox"/> Other governance</p> <p><input type="checkbox"/> Plastics</p> <p><input type="checkbox"/> Other</p>
Conducted by	<p><input checked="" type="checkbox"/> Individual/Internal</p> <p><input type="checkbox"/> Service provider</p>
Objectives	To improve transparency and reporting related to supply chain impacts of deforestation
Scope and Process	CalPERS voted for the request of annual reports to investors, at reasonable expense and excluding proprietary information, providing quantitative metrics on supply chain impacts on deforestation, including progress on time bound goals for reducing such impacts.
Outcomes	<p><input type="checkbox"/> Company changed practice</p> <p><input type="checkbox"/> Company committed to change</p> <p><input type="checkbox"/> Disclosure / report published</p> <p><input type="checkbox"/> Divestment</p> <p><input type="checkbox"/> Failed/no outcome</p> <p><input type="checkbox"/> Increased understanding / information</p> <p><input type="checkbox"/> Invested in company</p> <p><input type="checkbox"/> Ongoing</p> <p><input type="checkbox"/> Voting</p> <p><input type="checkbox"/> Other</p>

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Direct - Fixed Income













PRI disclaimer

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ESG incorporation in actively managed fixed income

Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
FI 01.1	Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

SSA	 Screening alone	0
	 Thematic alone	0
	 Integration alone	0
	 Screening + integration strategies	100
	 Thematic + integration strategies	0
	 Screening + thematic strategies	0
	 All three strategies combined	0
	 No incorporation strategies applied	0
		100%
Corporate (financial)	 Screening alone	0
	 Thematic alone	0
	 Integration alone	0
	 Screening + integration strategies	100

	<div> <div></div> <div>Thematic + integration strategies</div> </div> <div>0</div>
	<div> <div></div> <div>Screening + thematic strategies</div> </div> <div>0</div>
	<div> <div></div> <div>All three strategies combined</div> </div> <div>0</div>
	<div> <div></div> <div>No incorporation strategies applied</div> </div> <div>0</div>
	100%

Corporate (non-financial)	 Screening alone	0
	 Thematic alone	0
	 Integration alone	0
	 Screening + integration strategies	100
	 Thematic + integration strategies	0
	 Screening + thematic strategies	0
	 All three strategies combined	0
	 No incorporation strategies applied	0
		100%
Securitised	 Screening alone	0
	 Thematic alone	0
	 Integration alone	0
	 Screening + integration strategies	100

	<div>Thematic + integration strategies</div> <div>0</div>
	<div>Screening + thematic strategies</div> <div>0</div>
	<div>All three strategies combined</div> <div>0</div>
	<div>No incorporation strategies applied</div> <div>0</div>
	100%

FI 01.2

Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

We primarily use the integration strategy as it is consistent with our portfolio objective, which is to outperform our benchmark index while maintaining a high level of diversification within a risk-controlled environment. Integration of risk factors, including ESG risks where material, have always been a part of our credit analysis. Additionally, integration of social and governance factors into our securitized investment analysis enables the promotion of homeownership access, housing affordability and credit access to underserved borrowers.

The primary reason we use the screening strategy is because of decisions made by our governing body which has excluded investments in the following: tobacco, firearms, thermal coal, Sudan and Iran. Screening can also be used in our securitized portfolios to identify Agency and Non-Agency CMBS deals backed by energy efficient properties.

FI 02

Mandatory to Report Voluntary to Disclose

Public

Core Assessed

PRI 1

FI 02.1

Indicate which ESG factors you systematically research as part of your analysis on issuers.

Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	Securitized
Environmental data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Social data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Governance data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

FI 02.2

Indicate what format your ESG information comes in and where you typically source it

- ☒
- Raw ESG company data

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

specify description

Rating agencies -Credit Sights, and MSCI

- ☒
- ESG factor specific analysis

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

specify description

Rating agencies -Credit Sights, and MSCI

- ☒
- Issuer-level ESG analysis

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

specify description

Rating agencies -Credit Sights, and MSCI

- ☒
- Sector-level ESG analysis

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – FI analyst, PM or risk team
- ☒ Other, specify

	specific description
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Rating agencies -Credit Sights, and MSCI

☐ Country-level ESG analysis

FI 02.3	Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.
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ESG factors are considered as part of a wider array of risk factors when performing investment analysis. Empirical data on bond returns and credit ratings shows that the greatest success of integrating ESG is in the Governance area. Our analysis process incorporates consideration of issues related to ownership, succession planning, and the governing board. For example, when waves of leveraged buyouts were taking place, the credit team focused on governance structures of portfolio companies to identify risks.

Our portfolios have sector exposure to Energy, Metals and Mining, and Utilities-sectors that are flagged by Moody's and our own internal analysts as having moderate to elevated exposure to environmental risks. Thus, integrating Environmental analysis into our credit process is critical in assessing emerging trends and regulatory changes that affect credit quality and relative value. Our investments include companies operating in emerging market countries where employee rights and safety are less established and enforced, which is an important element of our analysis of Social risk factors.

To integrate Environmental or Social risk factors into our processes, our analysts use a range of materials and company interactions to inform investment opinions. These include: issuer required SEC filings, offering documents, bond indentures, and third-party reports.

FI 02.4	Additional information. [Optional]
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As debt investors, our issuer and security selection is made only after fully understanding the capital structure of the companies we invest in, and the rank of our securities within that structure. Any ESG risks at the parent or holding company level, as well as at any subsidiaries or special purpose vehicles (SPVs), are carefully considered in our analysis. For example, risks present at operating subsidiaries may have a meaningful impact on holding company debt credit quality, and vice versa, regardless of bond indentures' subordination or seniority terms.

In securitized portfolios, property geographic location data and any associated climate change-related risk is incorporated into the mosaic approach of portfolio management for residential mortgage-backed securities and commercial mortgage-backed securities. Sell-side research and rating agency reports are also consulted in the consideration of ESG impacts on credit and prepayment risk in these portfolio exposures. For residential MBS, ESG information used for social considerations includes loan level collateral information on loan-to-value (LTV) ratios, debt-to-income (DTI) ratios, credit (FICO) scores, loan purpose, first time homebuyer status, mortgage insurance coverage, property occupancy type, servicer and property location. Such information is also used to screen for loans originated under specific targeted lending programs such as Fannie Mae's HomeReady and Freddie Mac's Home Possible low down payment lending programs for income-eligible homebuyers; Housing Finance Authority low down payment lending programs; USDA Rural Housing loans; Home Affordable Refinance Program (HARP) loans; and Veteran's Affairs (VA) lending programs. This loan level information is available via electronic subscription services such as Bloomberg and eMBS.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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FI 03.1	Indicate how you ensure that your ESG research process is robust:
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- ☐ Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- ☐ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- ☐ Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- ☒ A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- ☐ Other, specify
- ☐ None of the above

FI 03.2	Describe how your ESG information or analysis is shared among your investment team.
----------------	--

- ☒ ESG information is held within a centralised database and is accessible to all investment staff
- ☒ ESG information is displayed on front office research platforms
- ☐ ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents
- ☒ Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- ☒ Records capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

FI 03.3	Additional information. [Optional]
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Our credit analysts use multiple sources of ESG data, including MSCI and Bloomberg. MSCI is used to evaluate ESG risk of companies and the securities they issue. ESG data is also utilized through centralized subscription services. Our banks and utility analysts use SNL Financial, which provides comprehensive data on Utility and Bank filings at Federal and State regulatory levels. MSCI scores are stored and accessible to portfolio managers and analysts on front office risk management platform (Aladdin).

Another integral resource is Covenant Review. Covenant Review is a database with Indentures and offerings of Investment Grade and High Yield Issuers, encompassing current and historical debt issues. Covenant Review legal analysis and data provides critical insight into understanding our rights as Bond Holders as stated in Bond Indentures.

Lastly, Rating Agencies (Moody's, S&P and Fitch) online subscription access provides the analysts with industry and issuer related analysis on a wide range of matters related to ESG.

Securitized portfolio managers and traders utilize sell-side research and Rating Agency reports as well as ESG data available via Bloomberg, eMBS and sell-side online research portals.

(A) Implementation: Screening

FI 04	Mandatory	Public	Gateway	PRI 1
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FI 04.1	Indicate the type of screening you conduct.
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Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	Securitised
Negative/exclusionary screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Positive/best-in-class screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Norms-based screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 04.2

Describe your approach to screening for internally managed active fixed income

We primarily use the integration strategy as it is consistent with our portfolio objective, which is to outperform our benchmark index while maintaining a high level of diversification within a risk-controlled environment. Integration of risk factors, including ESG risks where material, have always been a part of our credit analysis.

ESG factors are also incorporated into the evaluation of prepayment and credit risk exposures within securitized portfolios.

The primary reason we use the screening strategy is because of decisions made by our governing body which has excluded investments in the following: tobacco, firearms, thermal coal, Sudan and Iran. Screening can also be used in securitized portfolios to identify Rating Agency environmental scoring of CMBS deals and to identify social factors in residential MBS loan collateral.

FI 05

Voluntary

Public

Additional Assessed

PRI 1

FI 05.1

Provide examples of how ESG factors are included in your screening criteria.

☒ Example 1

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG factors
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary	
	Description of how ESG factors are used as the screening criteria
<p>Tobacco Screen: the tobacco screen applies to those firms with more than 51% of revenue, operating income or assets derived from or committed to the tobacco industry</p>	

☒ Example 2

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG factors
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary	
	Description of how ESG factors are used as the screening criteria
CalPERS is prohibited from investing in companies with specified business activities in Iran, per the California Public Divest from Iran Act	

☒ Example 3

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG factors
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary	
	Description of how ESG factors are used as the screening criteria
CalPERS is prohibited from investing in companies with specified business activities in Sudan, per the California Public Divest from Sudan Act	

☒ Example 4

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG factors
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance	
	Screening
<input checked="" type="checkbox"/> Negative/ exclusionary	
	Description of how ESG factors are used as the screening criteria
CalPERS is required to identify, engage, and potentially divest from companies meeting the definition of "thermal coal companies" as identified by the California Public Divestiture of Thermal Coal Companies Act	

☐ Example 5

FI 06	Mandatory	Public	Core Assessed	PRI 1
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FI 06.1	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.
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Type of screening	Checks
Negative/exclusionary screening	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

(C) Implementation: Integration

FI 10	Mandatory	Public	Descriptive	PRI 1
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FI 10.1

Describe your approach to integrating ESG into traditional financial analysis.

CalPERS' Fixed Income Corporate Investment Grade portfolio requires investment grade ratings by at least one of the nationally recognized statistical rating agencies (NRSRO). As such, companies in that portfolio are subject to ESG analysis of material risks by the rating agencies and internal CalPERS staff. CalPERS fixed income credit staff have access to and utilize MSCI's ESG database to identify, assess and quantify whether an ESG related risk is material to an issuer in the portfolio. Our analysts communicate ESG related risks to the Portfolio Managers when they are deemed material. On a quarterly basis, the Portfolio Managers and Analysts have a meeting to specifically discuss the highest ESG risk issuers in the portfolio.

FI 10.2

Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.

SSA

The CalPERS Fixed Income Sovereign Team conducts credit analysis through a process that evaluates both quantitative and qualitative factors. Quantitative factors include economic indicators to assess the country's ability to pay back and service its debt. Qualitative analyses are used to assess the country's willingness to meet creditor obligations. Willingness to repay debt is measured by policy continuity, governance, voice and accountability, freedom of press, labor rights, rule of law, judicial system effectiveness and efficiency, women's rights, GINI indicator, corruption indicator, ease of doing business, freedom of association, human rights, human development index, freedom of religion, etc.

Examples include:

Ease of Doing Business: An index developed by the World Bank Group. A higher ranking (a low numerical value) indicates better, usually simpler, regulations for businesses and stronger protections of property rights, and the opposite is true with regards to lower rankings (a high numerical value). The index is based on the average of ten sub-indices-starting a business, construction permits, getting electricity, property registration, access to credit, investor protection, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. World Bank empirical research shows a relationship between economic growth and improving ease of doing business.

Corruption Perception Index: An index composed by Transparency International starting in 1995 and released on an annual basis. It measures perceived levels of corruption that's determined by expert assessment and opinion surveys. The scale ranges from 100 (very clean) to 0 (highly corrupt) based on the misuse of public power for private gain.

Corporate (financial)

We have a dedicated team of credit analysts with industry specializations, and we apply a consistent approach to evaluating ESG risks. We look at the potential for ESG risk at both the parent and subsidiary level, for senior and subordinate debt, for long and short duration, and across multiple securities. We use corporate management team actions, quarterly and annual SEC filed financial statements, offering documents related to new securities issued, and other investor materials, including those of third party data providers and research subscriptions including MSCI, Bloomberg, and Covenant Review. Risk factors, including ESG risks where material, are systematically integrated into our credit analysis processes. We only invest where ESG risks are addressed, known, and factored into the security's price and yield. Once we invest in a security, the analyst monitors the security and issuer credit quality on an ongoing basis, while collectively, the Portfolio Managers and Analyst review High ESG risk portfolio exposures quarterly.

CalPERS' Credit Team advocates for ESG related matters by participating in the Credit Roundtable, an Investor led industry group that includes 30 of the largest pension plans, mutual funds and insurance companies, <http://www.creditroundtable.org/>.

This investor led organization advocates for Governance related issues for Corporate Bond investors. Past advocacy efforts include filing comments with the SEC, FDIC and Federal Reserve on proposed rules and regulations.

Also, we consider investments in green bonds if the security provides relative value and meets our portfolio guidelines. The corporate investment grade portfolio holds approximately \$170mm green bonds.

Corporate (non-financial)

We have a dedicated team of credit analysts with industry specializations, and we apply a consistent approach to evaluating ESG risks. We look at the potential for ESG risk at both the parent and subsidiary level, for senior and subordinate debt, for long and short duration, and across multiple securities. We use corporate management team actions, quarterly and annual SEC filed financial statements, offering documents related to new securities issued, and other investor materials, including those of third party data providers and research subscriptions including MSCI, Bloomberg, and Covenant Review. Integration of risk factors, including ESG risks where material, are systematically integrated into our credit analysis processes. We only invest where ESG risks are addressed, known, and factored into the security's price and yield. Once we invest in a security, we monitor the security and issuer credit quality at least quarterly.

Securitized

The Structured Securities portfolio team integrates environmental, social and governance factors into its mosaic portfolio management approach across exposures to CMBS, ABS and MBS.

Environmental - Geographic data is used to assess climate-change related risk exposures to properties underlying CMBS and MBS. Rating agency reports provide environmental "scores" on commercial loans/properties backing non-agency CMBS. Agency CMBS deals issued from the GSEs' "Green Bond" programs can also be monitored for relative value portfolio positioning;

Social - Through its internal active management of the residential Agency MBS portfolio allocation, the Structured Securities team promotes enhanced consumer credit access, improved housing affordability and increased homeownership for underserved communities. Security collateral information and loan level detail available through Bloomberg and eMBS reveal portfolio holdings with high LTV, low FICO, high first time homebuyer concentration, rural property locations, veteran borrower, etc. loan characteristics (many of these loan collateral characteristics are associated with loans originated through lending programs targeting social factors: HomeReady, Home Possible, HFA low down payment programs, HARP, VA);

Governance -- In assessing the governance risk of issuers of mortgage securities, the CalPERS Structured Securities team monitors mortgage servicer behavior with regards to issuance and prepayment trends relative to the mortgage universe. Servicers that aggressively target borrowers for refinances or servicers that have streamlined procedures making refinances quicker result in more negatively convex loans and are avoided or valued less when bonds are trading at a premium. The structured products team researches trends and changes in servicer strategy and servicer technological advances via industry newsletters, Wall St. research, and periodic meetings with servicers. The Structured Securities team also monitors governance related topics in securitized space such as lien prioritization (i.e. the PACE - Property Assessed Clean Energy - ABS Program offers a lien for residential energy efficiency improvements that ranks senior to first mortgage lenders' secured interest).

FI 11	Mandatory	Public	Core Assessed	PRI 1
FI 11.1	Indicate how ESG information is typically used as part of your investment process.			

Select all that apply

	SSA	Corporate (financial)	Corporate (non- financial)	Securitised
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust the internal credit assessments of issuers.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify in Additional Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 12	Mandatory	Public	Additional Assessed	PRI 1
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FI 12.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
SSA	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (financial)	<input checked="" type="radio"/> Environmental <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all
Securitised	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input checked="" type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

FI 12.2

Please provide more detail on how you review E, S and/or G factors in your integration process.

SSA

The sovereign investment team regularly conducts surveillance and updates of quantitative and qualitative factors, using MSCI's database of ESG factor risks and factors outlined by the PRI, that affect risk and pricing of all its investments. Their surveillance process includes assessing changes in the ESG related quantitative factors highlighted in the investment selection process.

Corporate (financial)

As part of the ongoing surveillance of ESG risk factors, staff completes a quantitative and qualitative assessment of the Corporate Investment Grade portfolio vs the Barclays Long Liability Index on a quarterly basis using MSCI's database of ESG factor risks. This process seeks to identify those issuers in the portfolio displaying higher ESG factor risks than the industry group and which CalPERS portfolio is overweight vs the index. Once a high-risk issuer is identified, the assigned industry specialist credit analyst on the team will conduct research and diligence to understand/assess the risk, identify whether it's a known or unknown risk, determine whether it's a material financial risk, assess if management is seeking to reduce or mitigate the risk and whether the market is pricing in the risk. The credit analyst reports back his or her finding to the portfolio management team at the regularly scheduled quarterly industry review meeting.

Corporate (non-financial)

As part of the ongoing surveillance of ESG risk factors, staff completes a quantitative and qualitative assessment of the Corporate Investment Grade portfolio vs the Barclays Long Liability Index on a quarterly basis using MSCI's database of ESG factor risks. This process seeks to identify those issuers in the portfolio displaying higher ESG factor risks than the industry group and which CalPERS portfolio is overweight vs the index. Once a high-risk issuer is identified, the assigned industry specialist credit analyst on the team will conduct research and diligence to understand/assess the risk, identify whether it's a known or unknown risk, determine whether it's a material financial risk, assess if management is seeking to reduce or mitigate the risk and whether the market is pricing in the risk. The credit analyst reports back his or her finding to the portfolio management team at the regularly scheduled quarterly industry review meeting.

Securitized

Rating Agency reports provide environmental "scores" (when available) on new issue non-Agency CMBS. Agency CMBS "Green Bond" new issues can also be continually monitored for relative value vs. the Structured Securities investable portfolio opportunity set. As the prepayment risk and return profile of the Agency MBS index changes with market forces over time, social factors (e.g. first time homebuyer, high LTV/low down payment, low FICO, etc.) are monitored in Agency MBS portfolio holdings when determining desired active allocations. Governance issues are reviewed periodically specific to the underwriting process. We consider financing for green projects (PACE program for instance) as long as they do not violate any lien prioritization positions on our current securities and/or portfolio.

Fixed income - Engagement

FI 14	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
FI 14.1	Indicate the proportion of your fixed income assets on which you engage. Please exclude any engagements carried out solely in your capacity as a shareholder.			

Category	Proportion of assets
Corporate (financial)	<p> <input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input checked="" type="radio"/> More than 0%, less than 5% </p> <div> FI 14.2 Indicate your motivations for conducting engagement (Corporate, Financial fixed income assets) </div> <p> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </p>
Corporate (non-financial)	<p> <input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input checked="" type="radio"/> More than 0%, less than 5% </p> <div> FI 14.2 Indicate your motivations for conducting engagement (Corporate, non-financial fixed income assets) </div> <p> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </p>
Securitised	<p> <input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input checked="" type="radio"/> More than 0%, less than 5% </p> <div> FI 14.2 Indicate your motivations for conducting engagement (Securitized fixed income assets). </div> <p> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </p>

FI 15	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

FI 15.1
Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.)

Select all that apply

Type of engagement		Corporate (financial)	Corporate (non-financial)	Securitised
Individual/Internal staff engagements		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Collaborative engagements		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Service provider engagements		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 15.2

Indicate how your organisation prioritises engagements with issuers.

Select all that apply

		Corporate (financial)	Corporate (non-financial)	Securitised
Size of holdings		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Credit quality of the issuer		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Duration of holdings		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of transparency on ESG		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specific markets and/or sectors		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specific ESG themes		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Issuers in the lowest ranks of ESG benchmarks		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Issuers in the highest ranks of ESG benchmarks		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specific issues considered priorities for the investor based on input from clients and beneficiaries		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

If 'other' has been selected, please give a description

potential impact on portfolio

FI 15.3

Indicate when your organisation conducts engagements with issuers.

Select all that apply

	Corporate (financial)	Corporate (non- financial)	Securitised
We engage pre-investment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We engage post-investment.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage proactively in anticipation of specific ESG risks and/or opportunities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We engage in reaction to ESG issues that have already affected the issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage prior to ESG-related divestments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 15.4

Indicate what your organisation conducts engagements with issuers on.

Select all that apply

	Corporate (financial)	Corporate (non- financial)	Securitised
We engage on ESG risks and opportunities affecting a specific bond issuer or its issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage on ESG risks and opportunities affecting the entire industry or region that the issuer belongs to.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage on specific ESG themes across issuers and industries (e.g., human rights).	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 15.5

Indicate how your organisation ensures that information and insights collected through engagement can feed into the investment decision-making process.

Select all that apply

	Corporate (financial)	Corporate (non-financial)	Securitised
Ensuring regular cross-team meetings and presentations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sharing engagement data across platforms that is accessible to ESG and investment teams.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Encouraging ESG and investment teams to join engagement meetings and roadshows.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Delegating some engagement dialogue to portfolio managers/credit analysts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Involving portfolio managers when defining an engagement programme and developing engagement decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Establishing mechanisms to rebalance portfolio holdings based on levels of interaction and outcomes of engagements.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Considering active ownership as a mechanism to assess potential future investments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We do not ensure that information and insights collected through engagement can feed into the investment decision-making process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 16	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1,2
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FI 16.1	Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.
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- ☐ Yes
☒ No

Outputs and outcomes

FI 17	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	General
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FI 17.1	Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or performance.
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Select all that apply

	SSA	Corporate (financial)	Corporate (non-financial)	Securitised
We measure whether incorporating ESG impacts portfolio risk.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We measure whether incorporating ESG impacts portfolio returns.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We measure the ESG performance/profile of portfolios (relative to the benchmark).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 17.2

Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]

We consider ESG factors as a component of assessing credit risk. While not strictly measured, incorporation of ESG related issues can affect portfolio positioning within industries. For example, within the Utilities sector we tend to favor transmission & distribution companies over integrated utilities with generation, which have similar bond yields but higher long-term carbon transition risk. Portfolio construction also incorporates screens which exclude the Tobacco industry

The Structured Securities team considers ESG factors as a component of assessing credit risk on non-agency CMBS and RMBS portfolio holdings and as a component of assessing prepayment risk on agency MBS portfolio holdings. Portfolio construction involves screens for loan collateral characteristics with social factors that impact the prepayment risk and return profile of Agency MBS pools. Environmental scoring from Rating Agencies is available on new issue CMBS and screening can also be used for ongoing surveillance of relative value in Agency CMBS "Green Bond" issuance.

FI 18

Voluntary

Public

Descriptive

PRI 1,2

FI 18.1

Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.

☒ Example 1

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG issue and explanation
<p>On January 28, 2019, Vale's upstream tailings dam, Dam 1, located at its Feijao mine in Brumadinho, Minas Gerais (Brazil) collapsed and released approximately 12 million cubic meters of iron ore tailings. The wave of tailings reached the Company's administrative area and part of the Vila Ferteco community resulting in the deaths of 270 people. Moreover, the tailings entered the Paraopeba River which feeds the much larger Sao Francisco River destroying vegetation and aquatic life according to the Geological Survey of Brazil. Vale will face enormous civil penalties and remediation costs as a result of the disaster which could potentially pressure credit metrics.</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>Eliminated exposure to Vale SA due to potential credit impact from environmental costs and civil penalties combined with a poor track record on ESG issues.</p>	

☒ Example 2

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG issue and explanation
<p>Duke Energy had been facing rising costs from coal ash excavation driven by more stringent environmental regulations. There will likely continue to be regulatory lag in the recovery of these costs. In some cases, regulatory recovery of certain coal ash costs has been denied. Environmental costs of coal ash remediation and potential lag in cost recovery may pressure credit metrics and ratings</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>Reduced exposure to Duke Energy due to potential credit impact from environmental costs and relative value</p>	

☒ Example 3

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG issue and explanation
<p>Wildfires in California have become more common and more severe due to climate change and population growth in fire-prone areas. California utilities are vulnerable to wildfire liabilities because of the state's legal doctrine of inverse condemnation that holds utilities liable for wildfire costs, regardless of the reasonableness of their conduct. New law improves utilities' liquidity and enhances their ability to recover wildfire costs from ratepayers.</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>Reduced exposure to Edison International following spread compression as the climate change impact on future wildfires is difficult to predict and wildfire legislation designed to help protect utility credit quality carries implementation risk.</p>	

☒ Example 4

	Type of fixed income
<input type="checkbox"/> SSA <input type="checkbox"/> Corporate (financial) <input checked="" type="checkbox"/> Corporate (non-financial) <input type="checkbox"/> Securitised	
	ESG issue and explanation
<p>Wildfires in California have become more common and more severe due to climate change and population growth in fire-prone areas. Prior to the passage of California Assembly Bill (AB) 1054, wildfires presented a material credit risk to PG&E, including an almost unlimited risk of wildfire liabilities. The 2017-2018 Northern California wildfires created a potential for \$30bn in claims. Ultimately, the funding model for PG&E's wildfire liabilities broke down as the size of those liabilities increased, the list of potential violations grew and market access weakened. Regulatory/legislative relief was unclear at this time and credit ratings were under pressure.</p>	
	RI strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Engagement	
	Impact on investment decision or performance
<p>CalPERS sold all PG&E debt holdings ahead of the company's bankruptcy filing. This outcome contributed 4bps to the active total return of the portfolio</p>	

☐ Example 5

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Confidence building measures

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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CM1 01.1 Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- ☐ Third party assurance over selected responses from this year's PRI Transparency Report
- ☐ Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- ☐ Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- ☐ Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- ☐ Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
- ☒ Other, specify
Managing Investment Directors of each asset class and the Managing Investment Director of Sustainable Investments reviewed the PRI Report
- ☐ None of the above

CM1 02	Mandatory	Public	Descriptive	General
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CM1 02.1 We undertook third party assurance on last year's PRI Transparency Report

- ☐ Whole PRI Transparency Report was assured last year
- ☒ Selected data was assured in last year's PRI Transparency Report
- ☐ We did not assure last year's PRI Transparency report
- ☐ None of the above, we were in our preparation year and did not report last year.

CM1 02.2 Whole report was assured in last year's PRI Transparency Report

Who has conducted the assurance

CalPERS Board Consultants

Assurance standard used

- ☐ ISAE/ ASEA 3000
- ☐ ISAE 3402
- ☐ ISO standard
- ☐ AAF01/06
- ☐ AA1000AS
- ☐ IFC performance standards
- ☐ ASAE 3410 Assurance Engagements on Greenhouse Gas Statements.
- ☐ National standard
- ☒ Other

Specify

Select data within the PRI Assessment is required to be reviewed throughout the year by CalPERS Board consultants per CalPERS Total Fund Policy. <https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

Level of assurance sought

- ☒ Limited or equivalent
- ☐ Reasonable or equivalent

Link to external assurance provider's report
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https://www.calpers.ca.gov/docs/board-agendas/201803/invest/item06a-01_a.pdf

CM1 02.2	Selected data was assured in last year's PRI Transparency Report
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What data has been assured

- ☒ Financial and organisational data
- ☒ Data related to RI activities
- ☒ RI policies
- ☒ RI processes (e.g. engagement process)
- ☒ ESG operational data of the portfolio
- ☒ Other

Specify

Select data within the PRI Assessment is required to be reviewed throughout the year by CalPERS Board consultants per CalPERS Total Fund Policy. <https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

	Relevant modules
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- ☒ Organisational Overview
- ☒ Strategy and Governance
- ☒ Indirect – Manager Selection, Appointment and Monitoring
- ☒ Direct - Listed Equity Incorporation
- ☒ Direct - Listed Equity Active Ownership
- ☒ Direct - Fixed Income

CM1 03	Mandatory	Public	Descriptive	General
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CM1 03.1	We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:
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- ☐ We adhere to an RI certification or labelling scheme
- ☐ We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ☐ ESG audit of holdings
- ☒ Other, specify
CalPERS' Board consultants provide opinions on select data within the PRI Report per CalPERS' Total Fund Investment Policy.
- ☐ None of the above

CM1 04	Mandatory	Public	Descriptive	General
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CM1 04.1	Do you plan to conduct third party assurance of this year's PRI Transparency report?
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- ☐ Whole PRI Transparency Report will be assured
- ☒ Selected data will be assured

CM1 04.2b	Selected data will be assured
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	What data will be assured
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- ☒ Financial and organisational data
- ☒ Data related to RI activities
- ☒ RI policies
- ☒ RI processes (e.g. engagement process)
- ☒ ESG operational data of the portfolio
- ☒ Other

	Specify
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Select data within the PRI Assessment is required to be reviewed throughout the year by CalPERS' Board Consultants per CalPERS' Total Fund Policy.
<https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

Relevant modules

- ☒ Organisational Overview
- ☒ Strategy and Governance
- ☒ Indirect – Manager Selection, Appointment and Monitoring
- ☒ Direct - Listed Equity Incorporation
- ☒ Direct - Listed Equity Active Ownership
- ☒ Direct - Fixed Income

☐ We do not plan to assure this year's PRI Transparency report

CM1 04.2a

Provide details related to the assurance that will be conducted

Expected date the assurance will be complete

07/01/2020

Who will conduct the assurance

CalPERS' Board Consultants - Wilshire.

Assurance standard to be used

- ☐ ISAE/ ASEA 3000
- ☐ ISAE 3402
- ☐ ISO standard
- ☐ AAF01/06
- ☐ AA1000AS
- ☐ IFC performance standards
- ☐ ASAE 3410 Assurance Engagements on Greenhouse Gas Statements.
- ☐ National standard
- ☒ Other

Specify

Select data within the PRI Assessment is required to be reviewed throughout the year by CalPERS' Board Consultants per CalPERS' Total Fund Policy. <https://www.calpers.ca.gov/page/investments/about-investment-office/policies>

Level of assurance sought

- ☐ Limited or equivalent
- ☒ Reasonable or equivalent