




The image shows two overlapping forms from the PRI LEA (Leadership Engagement) toolkit. The top form is LEA 02, titled 'Disruptive Mandatory', and the bottom form is LEA 03, titled 'Gateway'. Both forms are designed for tracking engagement activities and are structured with columns for 'Type of engagement', 'Reason for interaction', and 'Status'. The 'Type of engagement' column includes categories like 'Individual/ internal staff engagements', 'Collaborative engagements', and 'Service provider engagements'. The 'Reason for interaction' column lists various reasons such as 'To support investment decision-making', 'To influence corporate practice', and 'To support investment decision-making in a company's ESG issues'. The 'Status' column includes checkboxes for 'Completed', 'In progress', and 'Not started'.

RI TRANSPARENCY REPORT

2013/14

California Public Employees' Retirement System CalPERS



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
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	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Private	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Private				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	✓	Private				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	✓	Private	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Private		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	✓	Private	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	-	n/a	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	-	n/a	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	-	n/a	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

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 engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Private	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Private	✓						
FI 06	Types of screening applied	✓	Public	✓						
FI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
FI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
FI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
FI 10	Description of ESG integration	🔒	n/a	✓						
FI 11	Review of ESG issues while researching companies/sectors	🔒	n/a	✓						
FI 12	Processes to ensure integration is based on robust analysis	🔒	n/a	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	✓	Public	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Private		✓					
FI 20	Engagement with government issuers	✓	Private		✓					

Direct – Private Equity				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PE 01	Breakdown of investments by strategy	✓	Private							✓
PE 02	Typical level of ownership	✓	Public							✓
PE 03	Description of approach to RI	✓	Private	✓					✓	
PE 04	Investment guidelines and RI	✓	Public		✓					
PE 05	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
PE 06	Formal commitments to RI	🔒	n/a				✓			
PE 07	Incorporating ESG issues when selecting investments	✓	Public	✓						
PE 08	ESG advice and research when selecting investments	✓	Private	✓						
PE 09	ESG issues in investment selection process	✓	Public	✓		✓				
PE 10	Types of ESG information considered in investment selection	✓	Private	✓		✓				
PE 11	Encouraging improvements in investees	✓	Private	✓	✓					
PE 12	ESG issues impact in selection process	✓	Private	✓						
PE 13	Proportion of companies monitored on their ESG performance	✓	Public		✓					
PE 14	Proportion of portfolio companies with sustainability policy	✓	Public		✓					
PE 15	Actions taken by portfolio companies to incorporate ESG issues into operations	✓	Private		✓					
PE 16	Type and frequency of reports received from portfolio companies	✓	Private		✓	✓				
PE 17	Disclosure of ESG issues in pre-exit	✓	Private		✓					
PE 18	ESG issues affected financial/ESG performance	✓	Private	✓	✓					
PE 19	Examples of ESG issues that affected your PE investments	✓	Private	✓		✓				
PE 20	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	
PE 21	Approach to disclosing ESG incidents	🔒	n/a						✓	

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Organisational Overview

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☒ 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 or endowment
- ☐ Development bank
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 02	Mandatory	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

2572

OO 03	Mandatory	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	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

30/06/2013

OO 04.2

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

	trillions	billions	millions	thousands	hundreds
Total AUM		257	009	000	000
Currency	USD				
Assets in USD		257	009	000	000

OO 04.3

Indicate the level of detail you would like to provide about your asset class mix.

- ☐ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- ☒ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06**Mandatory****Descriptive****General****OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☒ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	<10%
Fixed income – corporate	<10%	<10%
Fixed income – government	10-50%	<10%
Fixed income – other	<10%	0
Private debt	0	<10%
Private equity	<10%	<10%
Property	0	<10%
Infrastructure	0	<10%
Commodities	<10%	0
Hedge funds	0	<10%
Forestry	0	<10%
Farmland	0	0
Inclusive finance	0	0

Cash	<10%	0
Other (1), specify	0	<10%
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report	Voluntary to Disclose	Peering	General
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OO 07.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.
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	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Pooled fund(s)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	<i>100%</i>

OO 07.2	Indicate the proportion of your externally managed assets in fund-of-funds.
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	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08	Mandatory to Report	Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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California Public Employees' Retirement System (CalPERS), is the largest public pension fund in the United States and the second largest public purchaser of health benefits in the nation after the federal government. CalPERS administers retirement and health benefits to more than 1.6 million public employees, retirees, and their families and more than 3,000 employers. Our mission is to advance the financial and health security for all who participate in the System. We will fulfill this mission by creating and maintaining an environment that produces responsiveness to all those we serve. CalPERS work is underpinned by our Core Values - Quality, Respect, Accountability, Integrity, Openness, and Balance.

CalPERS Investment Beliefs

In September 2013, the CalPERS Board of Administration adopted a set of ten Investment Beliefs intended to provide a basis for strategic management of the investment portfolio, inform organizational priorities, and ensure alignment between the Board and CalPERS staff.

The Investment Beliefs are not a checklist to be applied to every decision. They are a guide for making decisions that often require balancing multiple, inter-related decision factors. They provide context for CalPERS actions, reflect CalPERS values, and acknowledge CalPERS responsibility to sustain its ability to pay benefits for generations.

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

Investment Office Purpose Statement

To be the leading public investment organization in the world by engaging the talents of our people and partners in executing innovative and sustainable investment strategies and products that generate superior risk adjusted returns to enhance the financial security for all who participate in our system.

Putting Principles into Practice

We have put in place significant reforms to increase the transparency and accountability of our governance. These include rigorous regulation of placement agents, strict limitations for both Board members and staff on gifts from business partners and a new 24-7 Ethics Helpline to identify fraud and waste. We have also established a Board Governance Committee responsible for managing governance protocols and policies in relation to the Board.

In 2011, we completed a comprehensive review of our governance policies and practices to ensure we meet current international best practice. CalPERS adopted 10 sweeping reforms to improve the effectiveness of our 13-member Board, its committees and governance processes, resulting in the

adoption of six Principles for Effective Public Pension Fund Governance.

As follow-on, in December 2013, the Board adopted a set of core competencies as another step towards greater accountability, transparency and ethics. The list of competencies includes more than 20 criteria focused on board governance, health care, pension plans, financial markets and communication.

As advocates for addressing environmental issues, we have made concerted efforts to improve the environmental footprint of our main buildings. We have a complex of three buildings which are LEED certified to Gold level. Since 2006 we have reported our greenhouse gas emissions and have reduced them by almost 30 percent since 2008 and also have 2,000 solar panels installed. Many of these savings result from our LEED certification program, which identified steps we could take to improve our performance.

We recognize that a diverse workforce enhances the way we do business and enables us to better serve our increasingly diverse customer base. Since 2003, CalPERS Diversity Outreach Program has worked to foster an inclusive environment through employee resource groups like the CalPERS Disability Advisory Council and the Diversity Outreach Committee. In 2009, our CEO created the Diversity Executive Steering Committee, and charged it with supporting development and implementation of enterprise initiatives and outreach efforts.

CalPERS Wellness Program promotes healthy lifestyles for employees by offering an onsite fitness center running 25 group exercise classes per week, wellness information and tools at a very low cost. We also provide an onsite day care center, offer a Career Services Program and an Alternative Commute Program.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.		
<div><input checked="" type="checkbox"/> We incorporate ESG issues into investment decisions on our internally managed assets</div> <div><input checked="" type="checkbox"/> We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes</div> <div><input checked="" type="checkbox"/> We engage with companies on ESG issues via our staff, collaborations or service providers</div> <div><input checked="" type="checkbox"/> We cast our (proxy) votes directly or via service providers</div> <div><input type="checkbox"/> None of the above</div>			
OO 10.2	Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.		
<div><input checked="" type="radio"/> Yes, our total listed equities are 10% or more of our total AUM</div> <div><input type="radio"/> No, our total listed equities are less than 10% of our total AUM</div>			
OO 11	Mandatory	Gateway	General

OO 11.1	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.
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- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☐ Fixed Income – other
- ☒ Private equity
- ☐ Commodities
- ☐ Cash
- ☐ None of the above

OO 11.2	Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.
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- ☐ Fixed income – corporate
- ☐ Fixed income – government
- ☐ Private debt
- ☒ Private equity
- ☒ Property
- ☒ Infrastructure
- ☒ Hedge funds
- ☐ Forestry
- ☐ Other (1)
- ☐ None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.
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Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

	Direct - Listed Equity incorporation
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- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government

Direct - Other asset classes with dedicated modules

- ☒ Private Equity

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities
- ☒ Private Equity
- ☒ Property
- ☒ Infrastructure
- ☒ Hedge funds

Closing module

- ☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 01.3

Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

CalPERS Total Fund Statement of Investment Policy

The purpose of this Policy, and each of CalPERS other investment policies (collectively the "Policies"), is to provide a framework for the management of CalPERS assets. The Policies outline objectives, benchmarks, restrictions and responsibilities so that the Investment Committee, Policy Subcommittee, Staff, consultants, managers, members and beneficiaries, and all CalPERS stakeholders clearly understand the objectives and policies of CalPERS investment program. The Policies also encourage effective communication, facilitate transparency and compliance, and provide a framework for reporting back to the Investment Committee, as appropriate.

Next Steps - Develop Investment Beliefs

Adopted in September 2013 - CalPERS Board Investment Beliefs.

CalPERS investment goals are broad in nature. The overall objective of CalPERS investment program is 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.

Managing the CalPERS investment program requires exercising judgment in the face of considerable uncertainty. The Investment Beliefs provide a framework for exercising judgment and making investment decisions. Investment Beliefs:

- Provide a basis for strategic management of the investment portfolio
- Inform organizational priorities
- Ensure alignment between the Committee and Staff
- Become part of the CalPERS culture

Investment Beliefs also provide context for CalPERS actions. They reflect CalPERS values and acknowledge CalPERS responsibility to sustain its ability to pay benefits for generations. The Investment Beliefs also acknowledge the critical importance of a strong and durable economy in achieving CalPERS objectives. They also specifically address responsibility, sustainability, stakeholders and our own governance. The Investment Beliefs are not a checklist to be applied by rote to every decision. They are a guide for making judgmental decisions that often require balancing multiple, inter-related decision factors.

Investment Beliefs Policy

<http://www.calpers.ca.gov/eip-docs/investments/policies/invo-policy-statement/investment-beliefs.pdf>

CalPERS Investment Beliefs

<http://www.calpers.ca.gov/eip-docs/about/pubs/board-offsite.pdf>

OA 02**Mandatory****Core Assessed****PRI 6**

OA 02.1

Indicate if your responsible investment policy is publicly available.

☒ Yes**OA
02.2**

Provide a URL to your responsible investment policy.

URL

<http://www.calpers.ca.gov/eip-docs/investments/policies/invo-policy-statement/total-fund-statement.pdf>☐ No**OA 02.3**

Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes☒ Yes, all☐ Yes, some**OA
02.4**

List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
CalPERS Global Corporate Governance Principles	http://www.calpers-governance.org/docs-sof/principles/2011-11-14-global-principles-of-accountable-corp-gov.pdf
Global Proxy Voting Policy	http://www.calpers.ca.gov/eip-docs/investments/policies/shareowner/proxy-voting-policy/global-proxy-voting.pdf
Emerging Equity Markets Principles	http://www.calpers.ca.gov/eip-docs/investments/policies/inv-asset-classes/equity/ext-equity/emerging-egty-market-principles.pdf
Divestment Policy	http://www.calpers.ca.gov/eip-docs/investments/policies/invo-risk-mang/divestment.pdf
Responsible Contractor Program Policy	http://www.calpers.ca.gov/eip-docs/investments/policies/inv-asset-classes/real-estate/responsible-contractor.pdf
Neutrality Trial Responsible Contractor Policy	http://www.calpers.ca.gov/eip-docs/investments/policies/inv-asset-classes/real-estate/neut-trial-resp-cont-prog.pdf

☐ No

CalPERS believes ESG issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions and asset classes. CalPERS approach to sustainable investment is summarized below and a detailed overview is provided in the above listed 'Policy Inventory'.

Global Equity

Global Principles of Accountable Corporate Governance

The Principles, which are reviewed and approved annually by the CalPERS Board, create the framework by which CalPERS executes its proxy voting responsibilities, as well as providing a foundation for supporting the System's corporate governance initiatives. They set forth CalPERS expectations for companies across all markets from developed to emerging in order to establish the foundation for achieving long term sustainable investment returns through accountable corporate governance structures.

Global Proxy Voting Policy

Adopted in 2008, this Policy sets forth the investment policy for Global Equity with regards to proxy voting. This policy applies to the Global Governance engagement process and other governance initiatives. With a few situational exceptions, proxy votes are to be executed in a manner consistent with the Global Principles of Accountable Corporate Governance. CalPERS fiduciaries must vote proxies in a manner that is consistent with seeking risk adjusted investment returns.

Emerging Market Equity Principles

In 2009, the Board approved a new principles based approach to investing in the emerging markets in lieu of the existing country list and permissible equity market analysis. The new approach continues CalPERS policy of being a positive influence for improved practices in emerging markets, while increasing the opportunity set for CalPERS' managers and providing a potential reduction in the volatility of CalPERS emerging markets returns.

Corporate Governance Investment Program (CGIP)

CGIP focuses on highly concentrated portfolios and incorporates an active engagement strategy to unlock value through operational, strategic, and governance changes. Externally managed and co-invested funds within the CGIP must be managed in a fashion consistent with CalPERS Global Principles for Accountable Corporate Governance.

Divestment Policy

In 2000, the Board decided to divest from passively managed tobacco stocks and bonds. To date, CalPERS continues to uphold this decision. In response to state legislation on Sudan and Iran, CalPERS aims to mitigate financial and reputation risk related to investing in Sudan and Iran activity via engagement activities. Following the December 2012 tragedy at Sandy Hook Elementary School in Newtown, Connecticut, CalPERS reviewed its investments in manufacturers of assault weapons that are illegal for sale under California law. Upon review of all asset classes, and in accordance with the CalPERS divestment policy, investment staff identified approximately \$5 million invested in two firearms manufacturers, which CalPERS Board directed investment staff to divest from at the February 2013 Investment Committee meeting.

Real Estate

Responsible Property Investment Program

In April 2010, CalPERS IC approved the addition of new language in the Statement of Investment Policy for Real Estate that promotes responsible property investment by prohibiting investment strategies that rely on or result in eliminating rent regulated multifamily housing units; converting such units to market rate units; and raising rents above regulated levels as determined by appropriate governing authority.

Responsible Contractor Program (RCP)

CalPERS, through the Statement of Investment Policy for RCP, supports and encourages fair market 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 investments. Private Equity In 2009, CalPERS endorsed new principles proposed by the Institutional Limited Partners Association to promote stronger alignment of interests between limited and general partners in private equity partnerships. California Investments CalPERS actively invests in California-based investment opportunities. Please see link for details:

<http://www.calpers.ca.gov/index.jsp?bc=/investments/assets/califinvestments.xml>

Private Equity

In 2009, CalPERS endorsed new principles proposed by the Institutional Limited Partners Association to promote stronger alignment of interests between limited and general partners in private equity partnerships.

Restricting Private Equity (PE) Investments in Public Sector Outsourcers

The design of this Policy, together with the other policies governing PE investments, collectively ensure that the investors, managers, partners, consultants, or other participants selected by CalPERS take prudent and careful action while managing the Program. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this segment of the Program.

<http://www.calpers.ca.gov/eip-docs/investments/policies/inv-asset-classes/pe/restrict-pe-outsourcers.pdf>

California Investments

CalPERS actively invests in California-based investment opportunities. Please see link for details: <http://www.calpers.ca.gov/index.jsp?bc=/investments/assets/califinvestments.xml>

Shareowner Activities

Corporate Governance Director Nominations

This Policy sets forth the circumstances under which the California Public Employees' Retirement System (CalPERS) through its corporate governance activities identifies and considers candidates for nomination to the Board of Directors of a publicly traded corporation in which CalPERS invests.

<http://www.calpers.ca.gov/eip-docs/investments/policies/shareowner/corp-gov-dir-nom.pdf>

Representation on Corporate Boards of Directors

This Policy sets forth the circumstances under which the California Public Employees' Retirement System ("CalPERS") considers seeking representation on the board of directors of a corporation in which CalPERS invests. This Policy also acknowledges Board members' and Staff's rights to engage in corporate board activities outside of their roles with CalPERS, to the

extent those activities are compatible with their CalPERS roles.

<http://www.calpers.ca.gov/eip-docs/investments/policies/shareowner/represent-corp-brd-dirs.pdf>

Ethics Policies

Disclosure of Placement Agent Fees, Gifts, and Campaign Contributions

<http://www.calpers.ca.gov/eip-docs/investments/policies/ethics/disclosure-placement-agent-fees.pdf>

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
---------	--

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<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

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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☒ Yes

OA 04.2

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Our conflicts of interest policy is currently being challenged by the Office of Legislative Affairs as an underground regulation. CalPERS is moving forward with a regulatory process that mirrors the policy. The proposed regulation requires external investment resources, not just registered investment advisers, to identify their disclosable interests and respond to any CalPERS request within 15 business days. The Form ADV will serve as the primary disclosure document for registered investment advisers under the regulation.

☐ No

We have these additional policies that are designed to promote transparency and prevent external influences from unduly influencing CalPERS staff:

- CalPERS Gift Policy
- Undue Influence Policy
- Travel Transparency Policy
- Insider Trading Policy
- Personal Trading Policy

Healthcare Investment Initiative Inter-Program Conflict of Interest Protocol

This policy is related to the conflicts of interest between the CalPERS pension and health plans and establishes the following protocol:

- Monitor and identify Inter-Program Conflicts.
- Each Official is responsible for identifying and reporting Actual, Potential, and Perceived Inter-Program Conflicts of Interest to the Conflicts Officer.
- Each Official shall take steps to ensure such reporting, including without limitation, attending training by the Conflicts Officer contemplated by Section V.A.
- Private Equity will be responsible for assisting CalPERS Health Benefits Branch to identify Healthcare Investment Initiative investments.
- Once a Disclosable Interest has been reported to the Conflicts Officer, the Conflicts Officer may direct the Official to suspend further actions.

<http://www.calpers.ca.gov/eip-docs/investments/policies/ethics/hlth-invest-init-inter-prog-con.pdf>

Statement of Economic Interest

Certain investment 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. CalPERS also publishes all Form 700s from Portfolio Manager level and above on our website.

Insider Trading Policy

CalPERS also has a Restricted Company List as per CalPERS Insider Trading Policy

<http://www.calpers.ca.gov/eip-docs/investments/policies/ethics/insider-trading.pdf>

Objectives and strategies

OA 05

Mandatory

Gateway/Core Assessed

General

OA 05.1

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
☐ Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☒ Quarterly
☐ Biannually
☐ Annually
☐ Every two years or less
☐ It is not reviewed

☐ No

Governance and human resources

OA 08

Mandatory

Gateway/Core Assessed

General

OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
- ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), 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
- Senior Investment Officers

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

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

OA 10.2

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

- ☒ Asian Corporate Governance Association

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

- ☒ Basic
☐ Moderate
☐ Advanced

- ☐ Association for Sustainable & Responsible Investment in Asia
☒ Australian Council of Superannuation Investors

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

- ☒ Basic
☐ Moderate
☐ Advanced

- ☐ CDP Climate Change
☐ CDP Forests
☐ CDP Water
☐ CFA Institute Centre for Financial Market Integrity
☒ 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 has a close working relationship with CII which began with its involvement in founding the forum in the 1980s. Joe Dear, CalPERS Chief Investment Officer, served five years as CII's Board Chairman, retired 2012. Currently, Anne Simpson, Senior Portfolio Manager, Global Governance, serves on the CII Board.

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 & Auditing Informal Committee
- Regulatory Comment Letters
- Pension Fund Issues

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

CalPERS continues to collaborate with CII on various governance issues and attends its yearly Spring and Fall conferences where Staff may participate on panels and roundtable discussions.

- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☒ Global Investors Governance Network (GIGN)

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

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ 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.

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

☒ 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]

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.

CalPERS supports the following Ceres led projects:

- **INCR Working Groups**
- **Shareholder Initiative on Climate and Stability (SICS)** - Formerly Global Warming Shareholder Campaign.
- **21st Century Corporation: The Ceres Roadmap for Sustainability** - A practical roadmap for integrating sustainability into the DNA of business.
- **Investor-Business Roundtable for Sustainable Economy** - Companies, investors and labor groups to discuss global sustainability challenges.
- **14-Point Ceres Climate Change Governance Checklist** - In 2008, these points were incorporated into the CalPERS Global Principles of Accountable Corporate Governance.
- **Environmental Defense Fund** - In 2007, Ceres and a group of investors (including CalPERS) urged the SEC to issue requirements for disclosure of climate change risks in corporate filings.

☐ Local Authority Pension Fund Forum

☒ Principles for Responsible Investment

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

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

- ☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- ☐ 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]
--	--

Laurie Weir, Senior Portfolio Manager - Real Assets, sits on the Property Working Group Chair

- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify
- European Corporate Governance Institute (ECGI)

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

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

- ☒ 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]

In 2012, CalPERS was invited to join SASB's Standards Council.

The Initiative for Responsible Investment (IRI) convened a ~15 member external Standards Council that will be responsible for ensuring consistency, completeness and accuracy by reviewing, debating and approving the Sustainability Standards for corporate piloting and use. Council members will represent various investor types, analysts, NGOs, and regulators. The mission of the standards council is to ensure compliance of the standards setting process with ANSI guidance and SASB Principles.

☒ Other collaborative organisation/initiative, specify

RFK Center for Justice and Human Rights

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

- ☐ Basic
☒ Moderate
☐ Advanced

☒ Other collaborative organisation/initiative, specify

Ira M. Millstein Center for Global Markets and Corporate Ownership at the Columbia Law School

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 became a member of Colombia Center on Corporate Governance late 2012.

CalPERS Global Governance Senior Portfolio Manager Anne Simpson sits on the Advisory Board.

☐ No

OA 11

Mandatory

Core Assessed

PRI 4

OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

☒ Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☒ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☒ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☐ Other, specify

☐ No

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.

Overview

SAM 02

Mandatory

Core Assessed

PRI 4

SAM 02.1

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

☒ Yes

SAM 02.2

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

☒ We use investment consultants in our selection and appointment of external managers

Asset class

- ☐ Listed Equity (LE)
- ☐ Fixed income - corporate (FIC)
- ☐ Fixed income - government (FIG)
- ☒ Private equity (PE)
- ☐ Infrastructure (INF)
- ☒ Property (PR)
- ☐ Other asset classes

☒ We use investment consultants in our monitoring of external managers

Asset class

- ☐ Listed Equity (LE)
- ☐ Fixed income - corporate (FIC)
- ☐ Fixed income - government (FIG)
- ☐ Private equity (PE)
- ☐ Infrastructure (INF)
- ☒ Property (PR)
- ☐ Other asset classes

☒ We use fiduciary managers

Asset class

- ☐ Listed Equity (LE)
- ☐ Fixed income - corporate (FIC)
- ☐ Fixed income - government (FIG)
- ☐ Private equity (PE)
- ☐ Infrastructure (INF)
- ☒ Property (PR)
- ☐ Other asset classes

SAM 02.3	Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants and/or fiduciary managers.
-----------------	--

- ☒ Responsible investment is included in the selection process for investment consultants
- ☒ Consultants' responsibilities in relation to responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with them
- ☒ Responsible investment is considered when reviewing investment consultants' advice on manager selection and performance monitoring
- ☐ We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

☐ No

SAM 02.4	Additional information. [Optional]
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CalPERS Private Equity has moved away from using external consultants and relies on Investment Staff for most investment decisions. External consultants are occasionally used to provide specialized perspective to augment staff's primary work.

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

SAM 03	Mandatory	Gateway	General
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SAM 03.1	Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring
-----------------	--

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Hedge funds	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Private Equity

During initial due diligence, CalPERS inquires about a potential manager's policies for identifying and resolving ESG issues. On the monitoring side, the primary focus is on appropriate governance within Private Equity, including financial statement disclosure, conflict resolution and advisory committee process.

Infrastructure

During initial due diligence, CalPERS Infrastructure Program considers a series of factors associated with its Manager Selection, including ESG considerations and related inquiries about a potential manager's policies. CalPERS Infrastructure Program recognizes that long term investment returns may be impacted by risks and opportunities related to the three forms of capital, human, physical and financial.

Currently, CalPERS Infrastructure Program has annual discussions with its managers related to ESG activities and progress. The program is committed to researching and identifying appropriate reporting standards.

Global Equity

CalPERS Global Equity team recognizes the importance of environmental, social, and governance factors on the long-term health and sustainability of public companies. For emerging markets mandates, CalPERS requires its managers to accept and integrate the Emerging Equity Markets Principles as part of their investment process. These Principles include: Political Stability, Transparency, Productive Labor Practices, Corporate Social Responsibility and Long-Term Sustainability, Market Regulation and Liquidity, Capital Market Openness, Settlement Proficiency/Transaction Costs, and Appropriate Disclosure on environmental, social and governance issues..

During the initial due diligence, external managers are required to demonstrate how the Principles would be incorporated and their Appointment depends on their acceptance and ability to integrate the Principles into their investment decision making process. Staff monitors compliance with these Principles by reviewing annual reports as well as analyzing the risk characteristics of each emerging markets portfolio.

Absolute Return Strategies (Hedge funds)

CalPERS has developed a policy requiring Investment Managers within the Hedge Fund Program to vote proxies in a manner consistent with CalPERS principles (The Global Principles of Accountable Corporate Governance). Implementation of the policy is currently underway - steps that further display the CalPERS commitment of aligning investment interests with proxy voting responsibilities.

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

**SAM
04.1**

Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.

Listed equity (LE)

Type of strategy	As % of externally managed listed equity
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporatefixed income
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Fixed income - government (FIG)

Type of strategy	As % of externally managed government fixed income
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1	Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:
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	Active investment strategies
--	------------------------------

Active investment strategies	LE		
Screening	<input checked="" type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

SAM 05.2	Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.
-----------------	---

	LE	
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	
We require our external managers to engage on our behalf	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	

**SAM
05.3**

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

Selection

SAM 06

Mandatory

Core Assessed

PRI 1-6

**SAM
06.1**

Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:

General

	LE		
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>		
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input type="checkbox"/>		
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input type="checkbox"/>		
Discuss the type of ESG reporting you expect	<input type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>		
Other general aspects in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>		
Assess how the manager incentivises brokers to provide ESG research	<input type="checkbox"/>		
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>		
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>		
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

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

Risk and return, manager skill, performance attribution and cost.

Monitoring

SAM 08

Mandatory

Core Assessed

PRI 1

**SAM
08.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	LE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>		
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>		
Other general aspects of your monitoring, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Request information on ESG incorporation in specific investment decisions	<input checked="" type="checkbox"/>		
Other ways you monitor ESG incorporation, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
SAM 10.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:		
	General		

	PE	PR	INF
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment disclosure, including PRI reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other pre-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other post-investment aspects reviewed in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**SAM
10.2**

Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]

Private Equity

CalPERS Private Equity employs a standard set of sustainability questions within the due diligence process.

Infrastructure

In 2013, CalPERS Infrastructure program also implemented a standard set of sustainability questions during the due diligence process. CalPERS Infrastructure and Forestland Programs use a proprietary Manager Assessment Tool ("MAT") to evaluate investment opportunities from external managers. Infrastructure and Forestland staff score external managers based on a defined set of criteria, which includes ESG factors. Once an external manager passes the MAT, a due diligence questionnaire is sent to the external manager to complete. The questionnaire includes approximately ten questions specifically related to the external manager's ESG policies, practices and procedures.

Monitoring

SAM 12

Mandatory

Core Assessed

PRI 1-6

**SAM
12.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE	PR	INF
Include responsible investment as a standard agenda item at performance review meetings	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request examples of ESG issues identified within the portfolio and action taken in response	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request details of how ESG factors were considered when preparing to exit from investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ways ESG issues are monitored in the post-investment process, specify	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Real Estate

Annual Responsible Contractor Program (RCP) and Neutrality Trial RCP Policy Reports.

SAM 12.2

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

Infrastructure

The Infrastructure Program discusses ESG topics with managers annually at a minimum and is working on standardizing the process.

Outputs and outcomes

SAM 14

Mandatory to Report Voluntary to Disclose

Descriptive

PRI 1-6

SAM 14.1

Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.

%

35

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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☒ Yes, we disclose information publicly

	provide URL
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<http://www.calpers.ca.gov/eip-docs/about/committee-meetings/agendas/invest/201312/item06d-00.pdf>

	provide URL
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<http://www.calpers.ca.gov/eip-docs/about/committee-meetings/agendas/invest/201312/item06d-00.pdf>

SAM 16.2	Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.
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☒ Yes

SAM 16.3	Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.
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☐ How responsible investment considerations are included in manager selection, appointment and monitoring processes

☒ Details of the responsible investment activities carried out by managers on your behalf

☒ E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership

☐ Other, specify

☐ No

☐ Yes, we disclose information to clients/beneficiaries only

☐ We do not proactively disclose information to the public and/or clients/beneficiaries

Real Estate

CalPERS Real Assets makes its investment policy available online:

Statement of Investment Policy for Real Assets

<http://www.calpers.ca.gov/eip-docs/investments/policies/inv-asset-classes/real-estate/real-assets-full-policy.pdf>

CalPERS Real Estate Annual Responsible Contractor Program Report is presented to the CalPERS board every year and made available publicly. The CalPERS Statement of Investment Policy is publicly available on the CalPERS website as is a Real Estate Program Annual Review.

Additional Annual Responsible Contractor Program Reports for the Fiscal Year 2012-13 are below:

Policy Memo for Annual Responsible Contractor Program Report

<http://www.calpers.ca.gov/eip-docs/about/board-cal-agenda/agendas/invest/201212/item11c-00.pdf>

Investment Manager Combined Compliance Report

<http://www.calpers.ca.gov/eip-docs/about/committee-meetings/agendas/invest/201312/item06d-01.pdf>

Housing Program - Voluntary Participation Report

<http://www.calpers.ca.gov/eip-docs/about/committee-meetings/agendas/invest/201312/item06d-02.pdf>

Bidding Notification Method & Contact Sheet

<http://www.calpers.ca.gov/eip-docs/about/committee-meetings/agendas/invest/201312/item06d-03.pdf>

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.

Overview

LEI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

☒ Passive

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

☒ Active – quantitative (quant)

% of internally managed listed equities

- ☐ <10%
- ☒ 10-50%
- ☐ >50%

☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☒ 10-50%
- ☐ >50%

LEI 02

Voluntary

Descriptive

PRI 1

Emerging Equity Markets Principles

Until 2007, we did not invest in a large number of emerging markets due to risks that we might invest in companies or other entities that abuse labor or violate human rights. We had a "Permissible Country List" that in effect screened out any equity investment in countries included on the list. We reviewed this approach in 2007 and concluded that it hurt our returns by reducing our investable universe and reduced our ability to be a positive influence on these markets. We found it would be more effective to exclude individual companies, rather than entire countries.

Where possible, we use engagement to improve standards and generate enhanced performance. This led to the establishment of our Emerging Equity Market Principles, which state our basic requirements in terms of productive labor practices, transparency, political stability, corporate social responsibility, market regulation, transaction costs and capital market openness. Each year, we ask a third party to analyze the emerging market companies we invest in to ensure that there has been no infringement of these principles. This approach has led us to greatly increase our investments in emerging market countries.

Exclusionary Screening

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

Divestment Tobacco - In 2000, the CalPERS Board itself decided to divest from passively managed tobacco stocks and bonds. This decision was based on a portfolio risk and return analysis, including a review of the litigation, regulatory, and reputational risks that could affect the long term sustainability of the tobacco industry.

Divestment Policy Sudan & Iran Acts - In response to state legislation, CalPERS aims to mitigate financial and reputational risk related to investing in Sudan and Iran activity via engagement activities. CalPERS Total Fund Divestment policy, which applies to Global Equity investments, states the Fund's preference for constructive engagement over divesting.

The Iran Act, implemented in 2007, requires that CalPERS identify, monitor, and ultimately divest from companies in the international nuclear, defense, oil and gas sectors, subject to the plan's fiduciary duty, which requires that risks and returns take primacy.

The Sudan Act, implemented in 2008, requires that CalPERS identify, monitor, and ultimately divest from companies with business activities in Sudan, unless exempt on humanitarian grounds, subject to the plan's fiduciary duty which requires that risks and returns take primacy.

CalPERS continues to actively engage companies as required by the Sudan and Iran Acts and track significant progress towards portfolios companies withdrawing from Sudan and Iran.

Holocaust Era and Northern Ireland - California State Law requires that CalPERS monitor and annually report on investment holdings in companies and their affiliates that do business in California and that owe compensation to victims of slave or forced labor during World War II. State Law further requires that CalPERS investigate and annually report to the Legislature on the extent to which United States and international corporations operating in Northern Ireland, in which CalPERS assets are invested are adhering to the principles of nondiscrimination in employment and freedom of workplace opportunity in compliance with the laws of Northern Ireland.

Divestment Assault Weapon Manufacturers - Following the December 2012 tragedy at Sandy Hook Elementary School in Newtown, Connecticut, CalPERS reviewed its investments in manufacturers of assault weapons that are illegal for sale under California law. Upon review of all asset classes, and in

accordance with the CalPERS divestment policy, investment staff identified approximately \$5 million invested in two firearms manufacturers, which CalPERS Board directed investment staff to divest from at the February 2013 Investment Committee meeting.

Positive Screening

In 2010, CalPERS allocated \$500 million to an internally managed public stocks environmental index fund. This strategy is modeled on the HSBC Global Climate Change Benchmark Index and invests in approximately 380 securities around the world that derive a material portion of their revenues from environmentally friendly sectors such as low-carbon energy production, energy efficiency management and carbon-trading.

Direct Engagement

Focus List Program - At the heart of CalPERS engagement on corporate governance is our Focus List Program. Each year, we identify companies in our U.S. portfolio that we believe are significantly underperforming on both stock returns and governance factors such as board quality, poison pills, staggered boards, lack of independent directors, alignment of interest concerning shareowner rights, and executive compensation or risk management of environmental and social issues. Those companies are placed on our Focus List and we then engage directly with them and, where necessary, follow up by submitting shareowner proposals.

In 2012, we initiated a program to monetize the Focus List. Each year, after the Board approves staff recommendations for Focus List companies, we purchase securities for those companies in a separate portfolio. New Focus List companies are added to the portfolio each year, and the portfolio is rebalanced so that our holdings remain equally weighted. The purpose of monetizing the Focus List is to replicate the Wilshire studies - using actual funds to demonstrate and measure the "CalPERS Effect." Monetizing the Focus List also allows us to realize a return on the increased value that typically occurs following our engagements. Thus far, the portfolio has outperformed its FTSE U.S. Large Cap ex-Tobacco benchmark. The Focus List portfolio is a long-term strategy that currently calls for holding companies for 5 years.

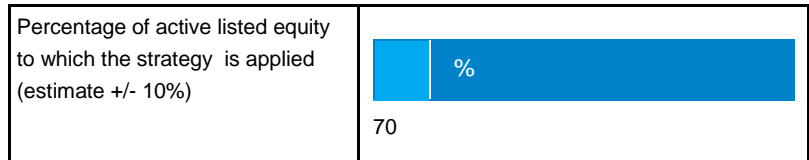
ESG incorporation in actively managed listed equities

Implementation processes

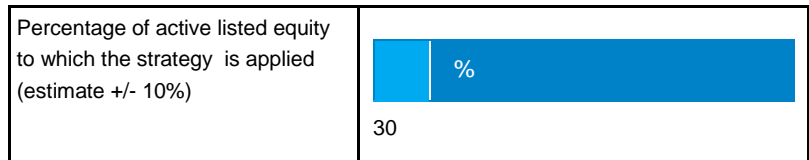
LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.		

ESG incorporation strategy (select all that apply)

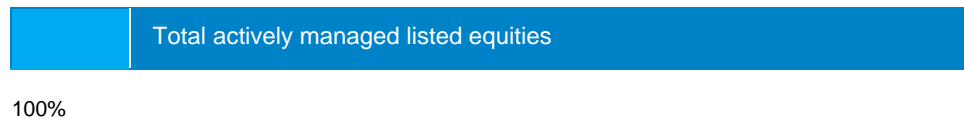
☒ Screening alone (i.e. not combined with any other strategies)



- ☐ Thematic alone (i.e. not combined with any other strategies)
☐ Integration alone (i.e. not combined with any other strategies)
☒ Screening + Integration strategies



- ☐ Thematic + integration strategies
☐ Screening + thematic strategies
☐ All three strategies combined
☐ No incorporation strategies applied



Emerging Markets Principles

Until 2007, we did not invest in a large number of emerging markets due to risks that we might invest in companies or other entities that abuse labor or violate human rights. We had a "Permissible Country List" that in effect screened out any equity investment in countries included on the list. We reviewed this approach in 2007 and concluded that it hurt our returns by reducing our investable universe and reduced our ability to be a positive influence on these markets. We found it would be more effective to exclude individual companies, rather than entire countries.

Where possible, we use engagement to improve standards and generate enhanced performance. This led to the establishment of our Emerging Equity Market Principles, which state our basic requirements in terms of productive labor practices, transparency, political stability, corporate social responsibility, market regulation, transaction costs and capital market openness. Each year, we ask a third party to analyze the emerging market companies we invest in to ensure that there has been no infringement of these principles. This approach has led us to greatly increase our investments in emerging market countries.

Exclusionary Screening

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

Divestment Tobacco - In 2000, the CalPERS Board itself decided to divest from passively managed tobacco stocks and bonds. This decision was based on a portfolio risk and return analysis, including a review of the litigation, regulatory, and reputational risks that could affect the long term sustainability of the tobacco industry.

Divestment Policy Sudan & Iran Acts- In response to state legislation, CalPERS aims to mitigate financial and reputational risk related to investing in Sudan and Iran activity via engagement activities. CalPERS Total Fund Divestment policy, which applies to Global Equity investments, states the Fund's preference for constructive engagement over divesting.

The Iran Act, implemented in 2007, requires that CalPERS identify, monitor, and ultimately divest from companies in the international nuclear, defense, oil and gas sectors, subject to the plan's fiduciary duty, which requires that risks and returns take primacy.

The Sudan Act, implemented in 2008, requires that CalPERS identify, monitor, and ultimately divest from companies with business activities in Sudan, unless exempt on humanitarian grounds, subject to the plan's fiduciary duty which requires that risks and returns take primacy.

CalPERS continues to actively engage companies as required by the Sudan and Iran Acts and track significant progress towards portfolios companies withdrawing from Sudan and Iran.

Holocaust Era and Northern Ireland- California State Law requires that CalPERS monitor and annually report on investment holdings in companies and their affiliates that do business in California and that owe compensation to victims of slave or forced labor during World War II. State Law further requires that CalPERS investigate and annually report to the Legislature on the extent to which United States and international

corporations operating in Northern Ireland, in which CalPERS assets are invested are adhering to the principles of nondiscrimination in employment and freedom of workplace opportunity in compliance with the laws of Northern Ireland.

Divestment Assault Weapon Manufacturers - Following the December 2012 tragedy at Sandy Hook Elementary School in Newtown, Connecticut, CalPERS reviewed its investments in manufacturers of assault weapons that are illegal for sale under California law. Upon review of all asset classes, and in accordance with the CalPERS divestment policy, investment staff identified approximately \$5 million invested in two firearms manufacturers, which CalPERS Board directed investment staff to divest from at the February 2013 Investment Committee meeting.

Positive Screening

In 2010, CalPERS allocated \$500 million to an internally managed public stocks environmental index fund. This strategy is modeled on the HSBC Global Climate Change Benchmark Index and invests in approximately 380 securities around the world that derive a material portion of their revenues from environmentally friendly sectors such as low-carbon energy production, energy efficiency management and carbon-trading.

Direct Engagement

Focus List Program- At the heart of CalPERS engagement on corporate governance is our Focus List Program. Each year, we identify companies in our U.S. portfolio that we believe are significantly underperforming on both stock returns and governance factors such as board quality, poison pills, staggered boards, lack of independent directors, alignment of interest concerning shareowner rights, and executive compensation or risk management of environmental and social issues. Those companies are placed on our Focus List and we then engage directly with them and, where necessary, follow up by submitting shareowner proposals.

In 2012, we initiated a program to monetize the Focus List. Each year, after the Board approves staff recommendations for Focus List companies, we purchase securities for those companies in a separate portfolio. New Focus List companies are added to the portfolio each year, and the portfolio is rebalanced so that our holdings remain equally weighted. The purpose of monetizing the Focus List is to replicate the Wilshire studies - using actual funds to demonstrate and measure the "CalPERS Effect." Monetizing the Focus List also allows us to realize a return on the increased value that typically occurs following our engagements. Thus far, the portfolio has outperformed its FTSE U.S. Large Cap ex-Tobacco benchmark. The Focus List portfolio is a long-term strategy that currently calls for holding companies for 5 years.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
LEI 06.1	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

CalPERS Global Equity has many portfolios with distinct strategies. We have exclusions at the Global Equity level that cover all of our portfolios as well as emerging strategies that have exclusionary screens.

Our overarching exclusions are:

Divestment Tobacco

In 2000, the CalPERS Board itself decided to divest from passively managed tobacco stocks and bonds. This decision was based on a portfolio risk return analysis, including a review of the litigation, regulatory, and reputational risks that could affect the long term sustainability of the tobacco industry.

Divestment Policy Sudan & Iran Acts

The Sudan Act requires that CalPERS identify, monitor, and ultimately divest from companies with business activities in Sudan, unless exempt on humanitarian grounds, subject to the plan's fiduciary duty which requires that risks and returns take primacy.

CalPERS diligently and comprehensively implemented the requirements of the Iran Act since January 2007. The Iran Act requires that CalPERS identify, monitor, and ultimately divest from companies in the international nuclear, defense, oil and gas sectors, subject to the plan's fiduciary duty which requires that risks and returns take primacy.

CalPERS diligently and comprehensively implemented the requirements of the Iran Act since January 1, 2008. CalPERS continues to actively engage companies as required by the Sudan and Iran Acts and track significant progress towards portfolios companies withdrawing from Sudan and Iran.

Holocaust Era and Northern Ireland

State of California Law, Chapter 216, Statutes of 1999 (representing unmodified law), requires CalPERS to monitor and annually report on investment holdings in companies and their affiliates that do business in California and that owe compensation to victims of slave or forced labor during World War II. State of CA Government Code 7513.5 requires CalPERS to investigate and annually report to the Legislature on the extent to which United States and international corporations operating in Northern Ireland, in which CalPERS assets are invested are adhering to the principles of nondiscrimination in employment and freedom of workplace opportunity in compliance with the laws of Northern Ireland.

Divestment Assault Weapon Manufacturers

Following the December 2012 tragedy at Sandy Hook Elementary School in Newtown, Connecticut, CalPERS reviewed its investments in manufacturers of assault weapons that are illegal for sale under California law. Upon review of all asset classes, and in accordance with the CalPERS divestment policy, investment staff identified approximately \$5 million invested in two firearms manufacturers, which CalPERS Board directed investment staff to divest from at the February 2013

Investment Committee meeting.

Emerging Markets Principles

Until 2007, we did not invest in a large number of emerging markets due to risks that we might invest in companies or other entities that abuse labor or violate human rights. We had a "Permissible Country List" that in effect screened out any equity investment in these countries. We reviewed this approach in 2007 and concluded that it both hurt our returns by reducing our investable universe and reduced our ability to be a positive influence on these markets. We found it would be more effective to exclude individual companies, rather than entire countries.

Where possible, we use engagement to improve standards and generate enhanced performance. This led to the establishment of our Emerging Equity Market Principles, which state our basic requirements in terms of productive labor practices, transparency, political stability, corporate social responsibility, market regulation, transaction costs and capital market openness. Each year, we ask a third party to analyze the emerging market companies we invest in to ensure that there has been no infringement of these principles. This approach has led us to greatly increase our investments in emerging market countries.

☒ Positive/best-in-class screening

Screened by

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

	Description
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Climate Change Index

In 2010, CalPERS allocated \$500 million to an internally managed public stocks environmental index fund. This strategy is modeled on the HSBC Global Climate Change Benchmark Index and invests in approximately 380 securities around the world that derive a material portion of their revenues from environmentally friendly sectors such as low-carbon energy production, energy efficiency management and carbon-trading.

☐ Norms-based screening

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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Screening criteria are based on a number of factors. The Tobacco screen resulted from a Board decision that was based upon a portfolio risk and return analysis, including a review of the litigation, regulatory, and reputational risks that could affect the long term sustainability of the tobacco industry.

Iran, Sudan, Northern Ireland and Holocaust screens are driven by legislative mandates and state law. Holdings in companies that operate in these regions are monitored through a monthly report provided by a third party. Reports are provided to the public annually through Board agenda items, which can be accessed on the CalPERS website.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.
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- ☒ 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
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☐ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

(C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1
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Cross-Asset Class Sustainable Investment Team

In June 2010, the Cross-Asset Class Sustainable Investment Team was established as an internal resource for investment professionals representing internal staff from Global Equity, Fixed Income, Private Equity, Real Assets, Risk Management, Investment Compliance and Operational Risk and the Investment Servicing Division.

The team meets regularly to develop strategy and implementation plans for sustainable investment integration across the Total Fund. The team's initiatives include: a speaker series, distribution of sustainable investment information, facilitation of best practice sharing and dialogue on sustainable investment, and selection of appropriate training programs. The team is also currently working on practices for the various asset classes and programs for integrating sustainability considerations throughout the investment lifecycle of the relationship with internal and external managers.

ESG Board Workshop

In August 2011, CalPERS Investment Committee held a workshop to examine how best to integrate ESG factors into the Pension Fund's investment process. We benchmarked our responsible investment activities to leading global peers and conducted a comprehensive review of relevant literature, academic research, and publicly available information to identify best of class practices of ESG integration across asset classes. In the reports entitled, Responsible Investment's Second Decade: Summary and Responsible Investment's Next Decade, prevailing and forward looking practices on ESG integration and RI reporting are outlined, characteristics regarding internal structure, policies, reporting, and asset class specific activities that are implemented by peers are categorized, and areas of ESG opportunity for CalPERS are additionally summarized.

Sustainable Investment Research Initiative (SIRI): Review of Evidence

CalPERS launched SIRI to drive innovative thought leadership to inform and advance our understanding of sustainability factors and the impact they may have on companies, markets, and investment intermediaries from the perspective of a large, global, long-term, and multi-class institutional asset owner.

Sustainability issues range from climate change, labor practices and human rights, to executive compensation. CalPERS has framed this agenda through our sustainable value creation framework built upon the effective management of the three forms of capital: financial, physical and human. Board and staff discussions in relation to the Investment Beliefs development process have highlighted the need for a review of evidence to provide clarity on the definition of sustainability and its potential impact on investment risk and return across the portfolio.

As an investor, we believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, and asset classes through time. But what we have lacked is an independent appraisal of the existing body of academic research and an identification of potential gaps for further inquiry.

As part of this important initiative, we partnered with the UC Davis Graduate School of Management (UC Davis) to conduct a comprehensive review of evidence comprising of a bibliography of over 500 academic studies on sustainability factors and seven selected papers, from over 90 submissions, for a rigorous academic debate at the inaugural *Sustainability & Finance* Symposium, co-chaired by Columbia Law School, on

June 7, 2013.

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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☒ We disclose it publicly

Provide URL

<http://www.calpers.ca.gov/eip-docs/about/pubs/esg-report-2012.pdf>

Provide URL

<http://www.calpers.ca.gov/eip-docs/about/committee-meetings/agendas/invest/201310/item09a-01.pdf>

LEI 18.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

LEI 18.3

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

☒ Broad approach to ESG incorporation

☐ Detailed explanation of ESG incorporation strategy used

LEI 18.4

Indicate how frequently you typically report this information.

☐ Quarterly or more frequently

☒ Between quarterly and annually

☐ Less frequently than annually

☐ Other, specify

☐ No

☐ We disclose it to clients and/or beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

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.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
LEA 01.1	Provide a brief overview of your organisation's approach to engagement.		

Company engagement is a vital area of CalPERS governance work. In fact, we have a dedicated work stream devoted entirely to this effort. During 2012-13, our "Corporate Engagement" activities were grouped into seven distinct buckets: 1) Focus List Program, 2) Majority Vote Initiative, 3) Conflict Affected Company Initiative, 4) Sudan-Iran Company Engagement, 5) Proxy Voting Outreach, 6) Executive Compensation Advisory Vote Outreach, and 7) Ad-hoc Company Engagements.

At the heart of our engagement on corporate governance is our Focus List Program. This Program is the most resource intensive of the group and focuses upon in-depth analysis and discussion with Boards of Directors and senior management on issues of particular concern. Through the Focus List Program, we identify companies in our U.S. portfolio that we believe are significantly underperforming on both stock returns and governance factors such as board quality, poison pills, staggered boards, lack of independent directors, alignment of interest concerning shareowner rights and executive compensation or risk management of environmental and social issues. We then engage directly with them and, where necessary, follow up by submitting shareowner proposals. The Focus List Program is about improving financial performance on an investment over and against the market.

LEA 02	Mandatory	Gateway	PRI 1,2,3
LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.		

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify To improve performance <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify To improve performance <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
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LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☒ Yes

LEA
03.2

Describe how you identify and prioritise engagements.

CalPERS corporate engagement process has the overarching objective of improving alignment of interest between providers of capital and company management. It is CalPERS view that improved alignment of interest will enable the fund to fulfill its fiduciary duty to achieve sustainable risk adjusted returns. CalPERS uses the following prioritization framework when considering whether to engage on an issue:

- **Principles and Policy** - to what extent is the issue supported by CalPERS Investment Beliefs, Principles of Accountable Corporate Governance or other Investment Policy?
- **Materiality** - does the issue have the potential for an impact on portfolio risk or return?
- **Definition and Likelihood of Success** - is success likely, in that CalPERS action will influence an outcome which can be measured? Can we partner with others to achieve success or would someone else be more suited to carry the issue?
- **Capacity** - does CalPERS have the expertise, resources and standing to influence an outcome?

CalPERS engagement activity is market wide, which can be considered as a strategy for improving the quality of beta in the portfolio. CalPERS also has company specific engagement, which can be viewed as a strategy for addressing alpha related risk. Compliance is a requirement and mitigates both financial and reputational risks for CalPERS.

☐ No

LEA 04

Mandatory

Core Assessed

PRI 2

LEA
04.1

Indicate if you define specific objectives for your engagement activities.

- ☒ Yes
- ☒ Yes, for all engagement activities
 - ☐ Yes, for the majority of engagement activities
 - ☐ Yes, for a minority of engagement activities
- ☐ No

LEA
04.2

Indicate if you monitor the actions that companies take following your engagements.

- ☒ Yes
- ☒ Yes, in all cases
 - ☐ Yes, in the majority of cases
 - ☐ Yes, in the minority of cases

**LEA
04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

CalPERS participates in informational dialogue and discussions with portfolio companies concerning ESG issues to gather information and monitor ESG performance on an on-going basis. 'Monitoring' engagements may include face-to-face meetings, written communication, and conference calls with board representatives, senior management, and investor relations. The intensity of engagements vary based on the respective ESG issue and thus may include a single letter or multiple letters, meetings, and calls with a company. In some cases this may lead to filing proposals and occasionally legal action. 'Monitoring' engagement discussions are coordinated through various means and relationships such as through our proxy voting activities, engagements arranged with co-investors, groups where CalPERS frequently participates such as Ceres, CII, ICGN, ACGA, or forums organized by academic, non-profit entities or government sponsored organizations. All engagements are carried out by Global Governance staff.

Focus List

Wilshire, the Board's consultant, conducts an analysis each year, which evaluates CalPERS corporate governance effectiveness by measuring the performance of the stocks of all companies targeted by CalPERS from 1999 on. The study examines the performance of all companies engaged - both "Focus List" companies and those that were engaged privately and were never officially named to the "Focus List."

☐ No

Process for engagements conducted via collaborations

LEA 05

Mandatory

Core Assessed

PRI 2

**LEA
05.1**

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

☒ Yes

**LEA
05.2**

Describe how you identify and prioritise collaborative engagements.

Given the number of investor network opportunities, we need clear criteria for prioritizing our participation which can be clearly linked to Investment Office strategic priorities and for deciding what type of role CalPERS should play.

11. **Principles** - To what extent does the network advocate CalPERS Global Principles of Accountable Corporate Governance?
12. **Sustainable Investment** - To what extent is the network mission aligned with CalPERS integration of financial, human and physical capital considerations into investment decision making? Financial Capital: To ensure alignment of interest over equity, debt, public, and private investments.
13. Human Capital (Social): Includes health, safety, and labor practices.
14. Physical Capital (Environment): Includes managing risk posed by climate change.
- 15.
16. **Materiality** - Will CalPERS leadership or participation have the potential for a meaningful impact on the Total Fund? Asset Class: Relevant to improving portfolio returns or reducing risk for one or more asset classes.
17. Geographic Exposure: Relevant to CalPERS global asset allocation.
- 18.
19. **Global Governance Priorities** - To what extent is the network mission aligned with shareowner rights, board quality and diversity, incentive structures, corporate reporting, or regulatory effectiveness.
20. **Capacity** - Do we have the expertise and resources to influence a meaningful outcome?6.Cost Effectiveness - Will fees and expenses related to CalPERS membership be within approved annual budgets?
21. **Definition and Likelihood of Success** - Successful outcomes can be derived from investment performance, thought leadership, proxy vote results, and regulatory action to protect investors. Is there a likelihood of success that CalPERS action will influence an outcome which can be measured? Can we partner with others to achieve success?

☐ No

LEA 06

Mandatory

Core Assessed

PRI 2

**LEA
06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

- ☒ Yes
- ☐ Yes, for all collaborative engagement activities
 - ☐ Yes, for the majority of collaborative engagement activities
 - ☐ Yes, for a minority of collaborative engagement activities
- ☐ No

**LEA
06.2**

Indicate if you monitor the actions companies take following your collaborative engagements.

- ☒ Yes
- ☐ Yes, in all cases
 - ☐ Yes, in the majority of cases
 - ☒ Yes, in the minority of cases

**LEA
06.3**

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

CalPERS often participates in conference calls discussing issues, progress and next steps. Engagements may also involve in person meetings or requesting action through joint letters. There may be some overlap of companies we're engaging directly that happen to fall within another collaborative engagement - these cases we monitor and evaluate in depth. Our partners monitor and track the progress of all companies involved in the collaborative engagement, but these are not always tracked internally by CalPERS. We've also established an Institutional Relations work stream within the Global Governance Program for handling the prioritization, coordination and overall relationship management with the various organizations we partner with.

☐ No

Process for engagements conducted with/on your behalf by service providers

LEA 07

Mandatory

Core Assessed

PRI 2,4

**LEA
07.1**

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

☒ Yes

**LEA
07.2**

Indicate what role you play in engagements that your service provider conducts on your behalf.

- ☒ Specify the issues for the engagement
- ☒ Specify the objectives for the engagement
- ☒ Select the companies to be engaged with
- ☒ Participate directly in the engagements with your service provider
- ☒ Actively monitor and review the activities of the service provider
- ☐ Other, specify

☐ No

LEA 08

Mandatory

Core Assessed

PRI 2,6

**LEA
08.1**

Indicate whether you monitor and/or discuss the following information provided to you by your service provider

Please select all that apply

- ☒ The subject (or ESG issue(s)) of engagement
- ☒ The objectives of the engagement
- ☒ The rationale for engagement
- ☒ The frequency/intensity of interactions with companies
- ☒ Progress towards achieving engagement goals
- ☒ Outcomes that have been achieved from the engagement
- ☒ Next steps for engagement activity
- ☐ Other, specify
- ☐ None of the above

General processes for all three groups of engagers

LEA 10

Mandatory

Gateway/Core Assessed

PRI 2

**LEA
10.1**

Indicate if you track the number of companies you engage with.

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"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input checked="" type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input 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 checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

Outputs and outcomes

LEA 11

Mandatory to Report Voluntary to Disclose

Core Assessed

PRI 2

**LEA
11.1**

Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	428
Collaborative engagements	1903
Service provider engagements	6

**LEA
11.2**

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

**LEA
11.3**

Indicate what percentage of your collaborative engagements you were a leading organisation during the reporting year. [Optional]

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

LEA 11.4 Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]

Type of engagement	% High involvement
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

Communication

LEA 15 **Mandatory** **Core Assessed** **PRI 2,6**

LEA 15.1 Indicate whether your organisation proactively discloses information on its engagements.

☒ We disclose it publicly

please provide URL

<http://www.calpers-governance.org/focuslist/focuslist>

LEA 15.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

LEA 15.3 Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

Engagement information disclosed

- ☒ Details of the selections, priorities and specific goals of engagement
- ☐ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☒ Breakdown of engagements by region
- ☒ An assessment of the current status of the engagement
- ☒ Outcomes that have been achieved from the engagement
- ☒ Other information

CalPERS provides an overview of corporate engagement activities via our website and sustainable investment report. Security details are not disclosed as per our confidential approach.

**LEA
15.4**

Indicate how frequently you typically report engagements information.

- ☐ Disclosed continuously (prior and post engagements)
- ☒ Disclosed quarterly
- ☐ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

**LEA
15.6**

Additional information. [Optional]

Focus List companies are excluded for public disclosure as they are confidential engagements.

(Proxy) voting and shareholder resolutions

Overview

LEA 16

Voluntary

Descriptive

PRI 2

**LEA
16.1**

Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

Every year, we use our shareowner voting rights to ensure our interest and values are aligned with companies across the 47 markets that we invest in. In 2012, CalPERS cast votes at more than 9,000 companies around the world, and voted on a total of 450 shareowner proposals in the United States. We voted "For" the proposal 83 percent of the time.

Adopted in 2008, CalPERS Global Proxy Voting Policy sets forth the investment policy for Global Equity with regards to proxy voting. In addition, this policy applies to the Global Governance engagement process and other governance initiatives. With a few situational exceptions, proxy votes are to be executed in a manner consistent with the Global Principles of Accountable Corporate Governance. CalPERS fiduciaries must vote proxies in a manner that is consistent with achieving risk-adjusted returns. Staff cast votes according to CalPERS Global Proxy Voting Policy as opposed to following proxy advisory firm recommendations.

CalPERS utilizes proxy voting research as a resource in determining how to vote, but internal staff (the Global Governance Team) is responsible for executing votes. To align our interests with those of the companies we own, we need to ensure we have the full complement of rights as shareowners. Three areas CalPERS has been especially active on in recent years have been, board accountability, the adoption of majority voting standards, and "say on pay" reforms.

Majority voting is a simple system under which board directors must get a majority of votes cast by shareowners in order to win or retain their seats. Although this may seem a common and straightforward electoral system, many elections to corporate boards are held under the "plurality" model - which allows directors to be elected with a single vote, regardless of the number of votes "withheld."

When CalPERS does not vote this is typically due to market barriers such as share blocking.

Process

LEA 17

Mandatory

Descriptive

PRI 2

**LEA
17.1**

Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

☒ We use our own research or voting team and make our own voting decisions without the use of service providers.

Based primarily on

- ☐ our own voting policy
- ☐ our clients requests or policy
- ☒ other, explain

CalPERS proxy votes are to be executed consistent with CalPERS Principles of Accountable Corporate Governance. However, CalPERS does use research from proxy advisory firms.

- ☐ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
----------	---

- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
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Global Governance staff post, for CalPERS top 300 US domestic holdings, CalPERS vote prior to the AGM and also provide notification to companies on high profile votes. On an annual basis, after votes are cast, staff post CalPERS votes for the entire portfolio. Through our say on pay letter writing campaign, CalPERS successfully communicated our "Against" votes to 231 U.S. companies. CalPERS engagement efforts highlight us voting "FOR" 87 companies where votes had previously been cast "AGAINST" - a demonstration of positive change with portfolio company compensation practices.

Global Proxy Voting Principles explains our voting rationale and is revised annually by CalPERS Board. It is available on our website: <http://www.calpers-governance.org/proxyvoting/home>

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
----------	---

- ☒ 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

LEA 22.2	If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]
-----------------	--

There are few instances when CalPERS will not vote our entire position. When we do not vote it is typically due to market barriers such as share blocking and securities lending (CalPERS does have the ability to recall shares if necessary).

- ☐ We do not track or collect this information

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1	Indicate if your organisation proactively discloses information on your voting activities.
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- ☒ We disclose it publicly

	provide URL
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<http://www.calpers-governance.org/proxyvoting/proxy/home>

LEA 26.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- ☒ Yes

LEA 26.3	Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.
-----------------	--

	Indicate how much of your voting record you disclose
--	--

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

LEA
26.4

Indicate how frequently you typically report voting information.

- ☐ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☐ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☒ Other, specify

Post our top 300 US domestic holdings on our website. On an annual basis, after votes are cast, CalPERS votes for the entire portfolio.

- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

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Overview

FI 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

PRI 1

FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – corporate

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - corporate

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

Fixed income – government

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - government

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

Credit quality	Fixed Income - Corporate	Fixed Income - Government
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

FI 02.2

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate	Fixed Income - Government
Primary market (new issues)	<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%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" 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%

ESG incorporation in actively managed fixed income

Fixed Income - Corporate

Implementation processes

FI 04

Mandatory

Gateway/Core Assessed

PRI 1

FI 04.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

☒ Screening alone (i.e. not combined with any other strategies)

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #0070C0; position: relative;"> <div style="position: absolute; right: 5px; top: 5px;">%</div> </div>
	100

- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

	Total actively managed fixed income - corporate
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100%

FI 04.2	Describe your primary reasons for choosing a particular incorporation strategy.
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In 2000, the CalPERS Board decided to divest from passively managed tobacco stocks and bonds. This decision was based on a portfolio risk return analysis, including a review of the litigation, regulatory, and reputational risks that could affect the long term sustainability of the tobacco industry. To date, CalPERS continues to uphold this decision.

(A) Implementation: Screening

FI 06	Mandatory	Descriptive	PRI 1
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FI 06.1	Indicate and describe the type of screening you apply to your internally managed active corporate fixed income investments.
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Type of screening

☒ Negative/exclusionary screening

Screened by

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

	Description
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Tobacco exclusion.

- ☐ Positive/best-in-class screening
- ☐ Norms-based screening

FI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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In 2000, the CalPERS Board decided to divest from passively managed tobacco stocks and bonds. This decision was based on a portfolio risk return analysis, including a review of the litigation, regulatory, and reputational risks that could affect the long term sustainability of the tobacco industry. To date, CalPERS continues to uphold this decision.

FI 07	Mandatory	Core Assessed	PRI 1
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FI 07.1	Indicate which processes your organisation uses to ensure that screening in corporate fixed income is based on robust analysis.
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- ☐ Comprehensive research is undertaken or sourced to determine issuers' ESG performance
- ☐ Issuers 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 issuers to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☐ Information on ESG issues and/or ratings is updated regularly to ensure that portfolio holdings comply with fund policies
- ☐ A committee or body with representatives independent of the individuals who conduct ESG research reviews some or all screening decisions
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☒ Other, specify

Based on the Divestment Policy, all Tobacco companies are excluded.
- ☐ None of the above

Fixed income - Government

FI 13	Mandatory	Core Assessed	PRI 1
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FI 13.1	Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments.
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☒ Yes

FI 13.2	Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making.
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- ☒ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☐ >90%

FI 13.3	Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

☐ No

Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
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FI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
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☒ We disclose it publicly

Provide URL

<http://www.calpers.ca.gov/eip-docs/about/board-cal-agenda/agendas/invest/201210/item07b-01.pdf>

FI 18.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

FI 18.3

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

☒ Broad approach to ESG incorporation

☐ Detailed explanation of ESG incorporation strategy used

FI 18.4

Indicate how frequently you typically report this information.

☐ Quarterly or more frequently

☐ Between quarterly and annually

☒ Less frequently than annually

☐ Other, specify

☐ No

☐ We disclose it to clients/beneficiaries only

☐ We do not proactively disclose it to the public and/or clients/beneficiaries

California Public Employees' Retirement System CalPERS

Reported Information

Public version

Direct – Private Equity

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

PE 02

Mandatory to Report Voluntary to Disclose

Peering

General

PE 02.1

Indicate the level of ownership you typically hold in your private equity investments.

- ☐ a majority stake (>50%)
- ☐ 50% stake
- ☐ a significant minority stake (between 10-50%)
- ☐ a minority stake (<10%)
- ☒ a mix of ownership stakes

PE 04

Mandatory

Core Assessed

PRI 2

PE 04.1

Indicate if your organisation's investment guidelines for private equity refer to responsible investment.

- ☒ Our investment guidelines do refer to responsible investment
- ☐ Our investment guidelines do not refer to responsible investment
- ☐ We do not have investment guidelines

Pre-investment (selection)

PE 07

Mandatory

Gateway

PRI 1

PE 07.1

Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.

- ☒ Yes

PE 07.2

Describe your organisation's approach to incorporating ESG issues in private equity investment selection. [Optional]

Private Equity

CalPERS PE incorporates ESG principles into our due diligence process through our Due Diligence Questionnaire (DDQ) and our Manager screening process.

Infrastructure and Forestland

CalPERS Infrastructure and Forestland Programs use a Manager Assessment Tool ("MAT") to evaluate investment opportunities from external managers. Infrastructure and Forestland staff score external managers based on a defined set of criteria, which includes ESG factors. Once an external manager passes the MAT, Infrastructure and Forestland Programs will send a due diligence questionnaire to the external manager to complete. The questionnaire include approximately ten questions specifically related to the external manager's ESG policies, practices and procedures.

☐ No

PE 09**Mandatory****Core Assessed****PRI 1,3****PE 09.1**

Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.

ESG issues

☒ Environmental

List up to three typical examples of environmental issues

Natural resource availability

Climate change

☒ Social

List up to three typical examples of social issues

Health and safety

Fair Labor Practices

☒ Governance

List up to three typical examples of governance issues

Fund manager terms and conditions

Executive compensation

Post-investment (monitoring and active ownership)**PE 13****Mandatory****Gateway/Core Assessed****PRI 2**

PE 13.1	Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.
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☒ Yes

PE 13.2	Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year.
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- ☒ >90% of portfolio companies
- ☐ 51-90% of portfolio companies
- ☐ 10-50% of portfolio companies
- ☐ <10% of portfolio companies

(in terms of total number of portfolio companies)

PE 13.3	Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue.
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ESG issues

- ☐ Environmental
- ☐ Social
- ☐ Governance
- ☒ We do not set and/or monitor against targets

☐ No

PE 13.4	Additional information. [Optional]
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CalPERS Private Equity Program

CalPERS PE does not actively monitor ESG issues post-close.

CalPERS Infrastructure Program

CalPERS Infrastructure Program recognizes that long term investment returns may be impacted by risks and opportunities related the environment, social and governance factors. CalPERS staff monitor its internal infrastructure assets for ESG factors using the following practices and tools: Annual ESG calls with external managers to discuss ESG activity and progress of specific asset holdings. Additionally, per the CalPERS Total Fund IESG Initiative, the program has committed, among others, to: 1) continue to research and identify appropriate reporting standards and 2) utilize investment and manage reporting to track and report ESG progress.

PE 14	Mandatory	Core Assessed	PRI 2
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PE 14.1

Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).

☐ Yes

☒ No

Communication

PE 20

Mandatory

Core Assessed

PRI 6

PE 20.1

Indicate whether your organisation proactively discloses ESG information on your private equity investments.

☐ Disclose publicly

☐ Disclose to investor clients (LPs)/beneficiaries only

☒ No proactive disclosure to the public or to clients (LPs)/beneficiaries