

# Introduction to Principles for Responsible Investment (PRI): CalPERS' History and Role

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## PRI | CalPERS' History and Role

- **Early 2005:** Invited by UN Secretary-General to join an investor working group to develop set of global best-practice principles for responsible investment
  - Coordinated by the United Nations Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact
- **March 2006:** Investment Committee voted to become one of original signatories to PRI
- **April 2006:** Principles were publicly launched, with signing ceremony at the New York Stock Exchange
  - 32 institutional investors, representing over \$2Trillion in AUM, formally signed the principles
  - CalPERS publicly committed to adopt and implement, where consistent with its fiduciary responsibilities
- **CalPERS continues to be represented on the UN PRI Board**

### Principle #1: We will incorporate ESG issues into investment analysis and decision-making processes

#### *Possible Actions:*

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

Source: <https://www.unpri.org/about/the-six-principles>

### Principle #2: We will be active owners and incorporate ESG issues into our ownership policies and practices

#### *Possible Actions:*

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

Source: <https://www.unpri.org/about/the-six-principles>

### Principle #3: We will seek appropriate disclosure on ESG issues by the entities in which we invest

#### *Possible Actions:*

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

Source: <https://www.unpri.org/about/the-six-principles>

### **Principle #4: We will promote acceptance and implementation of the Principles within the investment industry**

#### *Possible Actions:*

- Include Principles-related requirements in requests for proposals (RFPs)
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations
- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

Source: <https://www.unpri.org/about/the-six-principles>

### Principle #5: We will work together to enhance our effectiveness in implementing the Principles

#### *Possible Actions:*

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

Source: <https://www.unpri.org/about/the-six-principles>

### Principle #6: We will each report on our activities and progress towards implementing the Principles

#### *Possible Actions:*

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'[1] approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders

[1] The Comply or Explain approach requires signatories to report on how they implement the Principles, or provide an explanation where they do not comply with them.

Source: <https://www.unpri.org/about/the-six-principles>



Consistent with Principle #6, CalPERS reports annually on the following:

Category	Description
Organisational Overview	Basic information
Strategy and Governance	Policies, procedures, partnerships
Indirect- Manager Selection, Appointment and Monitoring	Similar to <i>Manager Expectations</i> , covers all asset classes
Direct- Listed Equity Incorporation	Integration in to Public Equity investment decisions
Direct- Listed Equity Active Ownership	Engagement in Public Equity
Direct – Fixed Income	Integration and engagement in Fixed Income

# PRI | 2017 PRI Assessment

## Summary Scorecard

AUM	Module Name	Your Score	Your Score	Median Score
	01. Strategy & Governance	A+		A
<b>Indirect - Manager Sel., App. &amp; Mon</b>				
10-50%	02. Listed Equity	A		B
<10%	03. Fixed Income - SSA	Not reported		
<10%	04. Fixed Income - Corporate Financial	Not reported		
<10%	05. Fixed Income - Corporate Non-Financial	Not reported		
<10%	07. Private Equity	A		B
<10%	08. Property	A		C
<10%	09. Infrastructure	A+		B
<b>Direct &amp; Active Ownership Modules</b>				
10-50%	10. Listed Equity - Incorporation	A+		A
10-50%	11. Listed Equity - Active Ownership	A+		B
<10%	12. Fixed Income - SSA	A		B
<10%	13. Fixed Income - Corporate Financial	A		B
<10%	14. Fixed Income - Corporate Non-Financial	A		B
<10%	15. Fixed Income - Securitised	C		E

Source: PRI Assessment Report 2017 California Public Employees' Retirement System CalPERS