



Investment Committee

Agenda Item 5e

June 10, 2024

Item Name: Implementation of Labor Principles

Program: Sustainable Investments

Item Type: Information

Executive Summary

This item will provide the Investment Committee with an update on the implementation of the CalPERS Labor Principles. The item will cover the process to date, highlight the attestation portal, the attestation status for current managers, and the implementation for new allocations. The item will also provide methods for accountability and go through the steps if a potential Labor Principles violation is identified. Staff will provide regular updates to CalPERS Board as part of CalPERS Sustainable Investments 2030 Strategy progress update in November each year.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan goals to strengthen the long-term sustainability of the pension fund and cultivate risk-intelligent decisions.

Investment Beliefs

The CalPERS Labor Principles support the following Investment Beliefs:

Investment Belief 3 – Investment decision may reflect wider stakeholder views, provided they are consistent with CalPERS' fiduciary duty to members and beneficiaries.

Investment Belief 4 – Long-term value creation requires effective management of three forms of capital: financial, physical, and human.

Background

CalPERS has had existing and well-established coverage of Labor Principles across various documents (e.g., in Governance & Sustainability Principles and Investment Beliefs). In July 2023, an assessment of CalPERS coverage of labor was discussed. In September, staff

presented a draft of the CalPERS Labor Principles based on existing CalPERS language on labor and on industry leading labor frameworks. In November, CalPERS Board approved the CalPERS Labor Principles and staff indicated to the Board that an investment manager attestation process would be developed.

Analysis

- CalPERS regularly reviews evolving labor frameworks and best practice standards, such as the International Labour Organization (ILO), the American Investment Council (AIC), and others.
- Communication of CalPERS Labor Principles to CalPERS current and future investment managers is necessary. Notifying CalPERS managers and developing an attestation process helps provide more effective communication and awareness of CalPERS views and expectations.
- By having investment managers attest to their broad alignment with the CalPERS Labor Principles, it can serve as a mitigation tool that will hopefully decrease labor issues.

Budget and Fiscal Impacts

Existing resources have been identified to implement the administration of CalPERS Labor Principles.

Benefits and Risks

The benefits of developing the CalPERS Labor Principles, notifying CalPERS managers, and administering an attestation process is that it helps provide more effective communication and awareness of CalPERS views and expectations and can help serve as a mitigation tool that will hopefully decrease labor issues.

Attachments

Attachment 1 – Implementation of Labor Principles - PPT

Peter Cashion
Managing Investment Director
Sustainable Investments

Tamara Sells
Associate Investment Manager
Sustainable Investments

Michael Cohen
Chief Operating Investment Officer

Daniel Booth
Deputy Chief Investment Officer

Dan Bienvenue
Interim Chief Investment Officer