

# AODP Global Climate Risk Survey 2016

Response ID:161; 100143912 Data

## 2. Introduction

**AO\_ID**

AO0048

**Analyst**

**1. Please advise us of your intention to disclose. You may come back at a later date to complete the survey.**

Yes

## 5. Survey Respondent's Details

**2. Survey Respondent's Details**

First Name : Divya  
Last Name : Mankikar  
Role Title : Investment Officer III  
Email : Divya.Mankikar@calpers.ca.gov  
Phone : (916) 795-0668

## 6. Asset Owner Details

**2. Your Organisation's Details**

**Full Asset Owner Name**

California Public Employees' Retirement System

**Please add well known abbreviation, e.g. CalPERS**

CalPERS

**Parent Organisation**

**Name of Trustee Company**

**Country**

United States of America

**State / Region**

CA

**City / Town**

Sacramento

**Website**

www.calpers.ca.gov

7.

**3.0.1 - Which of the following best describes your organisation?**

**Please select from below options**

Pension fund

**Please select your pension fund type from below options**

Public sector/government fund

**What types of pension plans does your fund offer?**

Defined Benefit

8.

**4.0.2 - Key Persons**

	Full Name
Chief Executive Officer	Anne Stausboll
Chief Investment Officer	Ted Eliopoulos
Chief Financial Officer	Cheryl Eason
Chief Risk Officer	Vacant
Chairman	Rob Feckner
Trustee Chairman	Not available
Sustainability Officer	Divya Mankikar

9.

**5.0.3 - What was your total Assets Under Management at the end of your last financial reporting period?**

**AUM (full number)**

301,863,273,237

**Reporting currency**

USD

**Financial Reporting Period End (YYYY/MM/DD)**

2015/06/30

**6.0.4 - At the end of your last financial reporting period, what was your total Assets Under Management held in long term retirement savings funds or similar long term capital funds?**

11,167,103,295.21

**7.0.5 - Please indicate the value of your investments held in each of the following asset classes at the end of your last**

## reporting period.

Domestic equities : 83655024323

International equities : 74295782648

Property : 27450603615

Infrastructure : 2168716905

Hedge Funds : 1157476904

Fixed Income : 53061259455

Private Equity : 28957696942

Cash : 7501463578

Other : 23615248867

---

Total : 301863273237

**Comments:** Other assets include: Forestland, inflation, and other.

## 10.

### 8.0.6 - Please indicate, for each asset class, the percentage of your investments that were managed internally or by an associated internal group at the end of your last financial reporting period.

Domestic equities : 28%

International equities : 25%

Property : 9%

Infrastructure : 1%

Hedge Funds : 0%

Fixed Income : 18%

Private Equity : 10%

Cash : 2%

Other : 8%

### 9.0.7 - Please indicate the percentage of your portfolio held in passive investments.

39%

### 10.0.8 - Who are your primary external advisers on investments?

#### Please select from below options

Other: Wilshire Associates, and Pension Consulting Alliance (PCA) are the Board's advisors.

### 11.0.9 - Who are your primary proxy advisers?

NA - we vote our own shares by following the CalPERS Global Governance Principles.

### 12.0.10 - Who are your primary asset managers?

NA

## 12. Engaging with your stakeholders / members

### 2.1.01 - Please indicate whether you give permission for your response to be made publicly available or not.

#### Select one from below options

Yes, make my response publically available

#### Please specify questions you wish to withhold public disclosure

Please provide a reason for withholding public disclosure

3. 1.02 - Please indicate whether your response has been externally assured or verified and, if so, by whom?

Please select

No

13.

4. 1.03 - Have you disclosed to your members and/or stakeholders how climate change risk management solutions are integrated into your investment processes?

Select all applicable answers from below options

Yes, through newsletter/email - please provide link: <https://www.calpers.ca.gov/page/email-subscriptions>

Yes, through website - please provide link: <https://www.calpers.ca.gov/page/newsroom/calpers-news>

Yes, through social media (Facebook, twitter, etc.) - please provide details: We use social media to share articles in which CalPERS staff is featured speaking on climate change or climate action.

Other: Board agenda items, second total fund report – "Towards Sustainable Investment & Operations: Making Progress"

Please provide details

Please provide Facebook username : myCalPERS

Please provide twitter handle : CalPERS

Other - please provide details : Additional CalPERS related tweets can also be found through our CEO's twitter account: @AnneStausboll

**Comments:** Board and Committee Meetings, as well as webcasts, are open to the public. As part of the Investment Office educational presentation series – Tales of the Trade – the Cross Asset Class Team on Sustainable Investment coordinated a presentation on water risks: [https://www.youtube.com/playlist?list=PLIKoYJoLyluJUbxS5Y\\_QnOKIfpEsZaznf](https://www.youtube.com/playlist?list=PLIKoYJoLyluJUbxS5Y_QnOKIfpEsZaznf)

5. 1.04 - Do you correspond with your members/stakeholders regarding various climate change related campaigns?

Select one answer from below options

Yes, we provide this information voluntarily to our members/stakeholders

What climate change related campaigns have you responded to?

350/Fossil Fuel Free

Other Campaign: California Campaign SB 185 - Coal divestment legislation, Carbon Asset Risk Initiative, Aiming for A, various shareholder Resolutions

**Comments:** We had shareholder engagements during the development of the investment beliefs, which reference to diversity and climate change.

14. Engaging with internal stakeholders / building capacity

2. 1.06 - How are climate change issues integrated into your organisation's policy framework?

Select all applicable answers from below options

Dedicated section within ESG policy and/or responsible investment principles/statements  
Specific details included in Investment Policy/Strategy  
Included in other policy: CalPERS Investment Belief 4 & 9 specifically call out climate change.

**Please provide link to policy**

<https://www.calpers.ca.gov/docs/forms-publications/global-principles-corporate-governance.pdf>

**Comments:** In addition to internal policies, CalPERS also incorporates legislative and regulatory guidelines.

**3. Key Question**

**1.07 - Does your organisation have a dedicated ESG or sustainability officer whose responsibility includes integrating climate change risk management into the investment process?**

**Please select**

Yes

**Please indicate which part of the organisation this role sits in**

Investment Strategy (CIO)

**Comments:** CalPERS created the Governance and Sustainability subcommittee to advise and inform the Investment Strategy Group on the integration of the CalPERS Investment Beliefs, in particular environmental, social, and governance (ESG) risk and opportunity considerations within and across the Total Fund. Participants of this subcommittee include all asset classes (public and private), risk management and asset allocation, compliance, and the global governance program (lead).

**15. Engaging with investment managers / consultants / third parties**

**2. Key Question**

**1.08 - In the investment chain, who do you provide long term incentives or risk penalties to in order to specifically reduce your portfolio's exposure to climate change risks? Please select all that apply.**

Internal Portfolio Executives / Portfolio Managers

Other: We call for sustainability factors to be included in executives' pay targets in invested companies.

**Comments:**

**3. 1.09 - With regards to your consultant agreement (if you have an investment consultant), please describe how climate change risk is integrated into the arrangement.**

We don't use an external consultant and don't consider climate change risk in our SAA or manager selection

**Comments:** Not applicable - no climate change-related references. As part of the Manager Expectations projects, each asset class has built into the guidelines references to assess and incorporate ESG factors, including climate change risk, throughout the relationship with an investment manager.

**4. 1.10 - How does your investment consultant (or, internal investment executives, if no investment consultant is employed) factor climate change issues into their short listing process of investment managers?**

They review each investment manager's climate change policies

**Comments:**

**5. Key Question**

**1.11 - How do your current investment manager agreements incorporate climate change issues?**

They refer to our climate change policy

Through mandatory signatory status of initiatives such as CDP, PRI, etc. (Please provide further details): The Sustainable Investment Practice Guidelines asks whether our managers are signatories of the PRI.

Other (Please provide details): Internal and external staff is expected to follow the asset class specific Sustainable Investment Practice Guidelines

By incorporating longer investment horizons

They refer to our ESG policy

**Comments:** CalPERS investment decisions are guided by our Investment Beliefs, Global Governance Principles, and asset-class specific Manager Expectations document - all which consider climate change risk as an investment risk. Investment managers are required to follow our Global Governance Principles.

#### 6. 1.12 - Do you engage with credit ratings agencies regarding their climate risk strategies?

**Comments:** Not applicable – we seek fundamental reform of the CRA model, which is conflicted and contributed in no small measure to the financial crisis

## 16. Engaging with companies

#### 2. 1.14 - Do you have an engagement policy that includes how you engage with investee companies around climate change issues?

Please select

Yes

Please provide a link to this policy

<https://www.calpers.ca.gov/docs/forms-publications/global-principles-corporate-governance.pdf>

#### New Analysis Question

#### 3. 1.15 - Have you reviewed your advisors / managers / company recommendations on any climate change related resolutions?

Asset Manager recommendations

Proxy recommendation

Company recommendations

**Comments:**

#### 4. 1.16 - Does your proxy voting policy (or your proxy voting advisor's policy) include direction on climate change issues?

Please select one from below options.

Yes - our own policy includes direction to vote in support of positive climate change initiatives

**Comments:** CalPERS retain voting rights on all shares owned. CalPERS proxy voting responsibilities cover a wide range of corporate governance issues centered around various management and shareowner proposals. Specific voting topics may include board quality, investor rights, compensation, corporate reporting, capital structure, and environmental and social related issues.

## 5. Key Question

#### 1.17 - Do you make proxy voting record publicly available?

Select one from below options

It is publicly available - and it has examples of our climate change related voting

Please provide link

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

**Please provide brief details of voting record on climate change**

We supported 85 environmental/climate change resolutions over the reporting period.

**6. 1.18 - When is your proxy voting record publicly available?**

within one week

**Comments:** All votes are posted for the CalPERS portfolio on individual meeting dates. Votes will be disclosed in advanced of meetings.

**7. 1.19 - In the 2015-16 AGM seasons, do you intend to disclose your voting intentions to your members or stakeholders in advance of the AGMs?**

Yes - we provide this information to members/stakeholders

**Comments:**

**17.**

**8. 1.20 - Have you engaged with policymakers or regulators on climate change related issues over the last year?**

Yes, with 5 or more policymakers or regulators

**Comments:**

**9. On what issues have you engaged with policymakers or regulators over the last year?**

	Issue	Policymaker/regulator name	Please provide details (if other)
#1	Other	EPA	Support of EPA Clean Power Plan
#2	Corporate disclosure and accounting	SEC	
#3	Investment regulation and disclosure	PCAOB	
#4	Other	UNFCCC	Repeated support for strong Paris agreement
#5	Corporate disclosure and accounting	IFRS	

**10. 1.21 - Have you engaged with any sector regarding its share of the carbon budget and the need to support policy in order to survive a carbon tightening period?**

**Please select**

Yes

**Please provide details**

Carbon Asset Risk Initiative

**11. Key Question**

**1.22 - Did you support any filed shareholder resolutions related to climate change in the last reporting period?**

**Please select**

Yes

**Select from below options**

BP 'Aiming for A' resolution  
Shell 'Aiming for A' resolution  
ExxonMobil: add independent board member w/ environmental expertise  
ExxonMobil: GHG emissions reduction goals  
Chevron capex reduction / increased dividends resolution  
Other #1  
Other #2  
Other #3  
Other #4  
Other #5

**For other, please provide company name, stock exchange, ticker, resolution number and detail on the resolution proposed**

	Company name	Stock exchange	Ticker	Resolution number	Details on the resolution proposed
#1	Anadarko Petroleum Corp	NYSE	APC	14	Shareholder Proposal Regarding Carbon Asset Risk Report
#2	Chevron	NYSE	CVX	23	Regarding Environmental Expertise on Board
#3	EOG Resources	NYSE	EOG	11	Regarding Methane Emissions Reporting and Reduction Target
#4	Marathon Oil Corporation	NYSE	MRO	12	Regarding Report on Response to Climate Change Policy
#5	Valero Energy Corp	NYSE	VLO	13	Regarding Greenhouse Gas Emissions Reporting and Reduction Targets

**12. Key Question**

**1.23 - Have you successfully engaged with companies on climate change related issues over the last year, resulting in demonstrable achievements?**

Successfully engaged with 2 companies/issues

**Comments:**

**13. What were the most notable and demonstrable key achievements of your climate change related engagement activities in this period? Defined as the company you are engaging with agrees to.**

	Company	Achievement
#1	BP	Disclosure
#2	Shell	Disclosure
#3		
#4		
#5		
#6		
#7		
#8		
#9		
#10		

**Comments:** CalPERS worked in collaboration with "Aiming for A" to push for better disclosure and transparency on climate change strategy from oil and gas company .

18.

---

**14. Key Question**

1.24 - How many climate change related resolutions do you intend to file, co-file, lead or support in 2015/2016 AGM season?

3

**Comments:**

15. Please provide details of the resolutions you intend to file, co-file, lead or support.

	Role	Company name	Resolution type	Additional comments
#1	Co-file	Anglo	Disclosure	
#2	Co-file	Glencore	Disclosure	
#3	Co-file	Rio Tinto	Disclosure	
#4				
#5				
#6				
#7				
#8				
#9				
#10				

**Comments:** CalPERS expects to file 18 shareowner proposals requesting climate change impact assessments. Additionally, CalPERS will support partner funds who have filed approximately 17 proxy access proposals at companies with climate change related concerns.

## 19.

### 16. 1.25 - Please select all of the collaborative engagement initiatives and/or industry associations you participate in.

Carbon Disclosure Project (CDP)  
Principles for Responsible Investment (PRI)  
Institutional Investors Group on Climate Change (IIGCC)  
International Corporate Governance Network (ICGN)  
Investor Group on Climate Change, Australia/New Zealand (IGCC)  
Investor Network on Climate Risk (INCR)  
United Nations Environmental Program Finance Initiative (UNEPFI)  
Montreal Pledge  
Other (please specify): Asian Corporate Governance Association (ACGA), Ceres, Council of Institutional Investors, Credit Roundtable, Greenprint Foundation, Institutional Limited Partners Association (ILPA) and the Pacific Pension Institute, GRESB - Infrastructure

**Comments:**

## 21.

### 2. 2.01 - Have your policies, principles, statements or board directives suggested / acknowledged the limitations of any of the following in managing climate risk? Please provide link(s)

#### Select all applicable answers from below options

VaR measurements  
Indexation  
Other - Please provide details: We also acknowledge limitations of traditional asset allocation models (see our Asset Liability Management workshop), and other risk management tools, such as tracking error and volatility, to track climate change risk

**Detailed information on any of the above selected (link/s)**

<https://www.calpers.ca.gov/docs/board-agendas/201306/invest/workshop-item01-06.pdf>

**Comments:** Our Investment Beliefs state that risk for CalPERS is multifaceted and not captured by traditional tools such as tracking error and volatility. With respect to indexation, CalPERS actively manages our indices and has the HSBC tilt on climate change in place.

**3. 2.02 - Have you assessed the current losses due to climate change and/or carbon related investments in your portfolio to date?**

Yes, we have assessed the fossil fuel commodity price related losses

**Comments:**

**4. 2.03 - What factors to you believe are contributing to fluctuations in carbon related investments?**

- Implemented climate risk related regulation
- Anticipated climate risk related regulation
- Impact of carbon pricing
- Impact of developments in renewable energy technologies
- Oversupply in the commodity market

**Comments:**

22.

**5. Key Question**

**2.04 - Do you measure portfolio-level risk associated with physical impacts relating to climate change?**

**Select from below options**

Yes, we measure physical impact risks within the following asset classes, representing approximately [x]% of total portfolio AUM

**Please select % range from dropdown**

1% - 25%

**Please select all asset classes that apply**

Property

**Comments:** For our Real Estate program, we assess physical risks, such as flooding and wind that pertain to Climate Change, as part of our insurance program for the real estate assets, approx. \$20 Billion, for which we procure insurance.

**6. Key Question**

**2.05 - Do you measure portfolio-level climate change risks associated with potential stranded assets?**

**Select from below options**

No, we expect our managers to measure and manage these risks at the asset levels

**Please select % range from dropdown**

**Please select all asset classes that apply**

23.

**7. Key Question**

**2.06 - Have you calculated your portfolio emissions intensity for scope 1 (Direct) emissions?**

**Select from below options**

Yes, in certain asset classes

**Please provide tCo2e/US\$bn revenue**

Domestic equities: : .192

International equities: : .241

**Comments:** CalPERS will carry out a carbon footprint for all other asset classes (eg. Fixed income, real assets, and private equity)

**8. Key Question**

**2.07 - What is your Scope 1 emissions intensity performance against MSCI ACWI benchmark?**

**Comments:** Not applicable - we did not benchmark our portfolio against the MSCI ACWI.

**9. Key Question**

**2.08 - Does your organisation currently have an emissions intensity reduction target for the investment portfolio over the next year?**

**Please select**

No

**Comments:** The analysis from the footprint gives CalPERS insights into priority firms to engage with and how portfolio firms are managing their carbon emissions. We are also working to align the portfolio with the Paris Agreement.

**10. 2.09 - How does your organisation calculate your portfolio-level carbon liabilities or stranded asset levels at a variety of direct or intrinsic carbon prices / scenarios?**

We ensure our managers and advisors do this

**Comments:**

**11. 2.10 - Do you think it is necessary to have a forward looking base case for climate change from which to design a risk mitigation strategy?**

Yes we use a certain trajectory (Please provide details of trajectory used): We are engaging portfolio firms on how they are aligning their business models with a 2 degrees trajectory.

**Comments:**

24.

**12. 2.11 - What percentage of your total portfolio was invested in high carbon or high climate impact sector assets?**

**Please select % of AUM range from dropdown**

1%-24%

**Please provide percentages for each asset class, if known**

Property: : 2.8%

Fixed income: : 7.6%  
Domestic equities: : 6.1%  
International equities: : 7.1%

**Please provide details if another method of identifying high carbon assets/investments is used**

**Comments:** As of June, 2015, approximately 2.8% of the Real Assets portfolio is invested in a combination of fossil fuel power plants, oil and gas pipelines and storage. This number conservatively includes natural gas assets, some of which are the most efficient in the market in which they operate.

**13. Key Question**

**2.12 - Does your fund allocate a portfolio risk premium to allow better mitigation of climate risk?**

**Please select**

No

**Comments:** As of June, 2015, approximately 2.8% of the Real Assets portfolio is invested in a combination of fossil fuel power plants, oil and gas pipelines and storage. This number conservatively includes natural gas assets, some of which are the most efficient in the market in which they operate.

**14. 2.13 - Has your fund considered the probabilities and uncertainties associated with any of the possible following pathways to the low carbon economy?**

- Pro-active policy by governments (e.g. US Congress) towards stringent carbon pricing
- Momentum through regional regulatory measures (eg EPA's,) and regulatory convergence (eg emission trading scheme connections)
- Re-active policy in response to extreme physical events (eg Hurricane Sandy, wheatbelt droughts etc)
- No, but we have used other broad scenarios to help us assess the risks

**Comments:**

26.

**2. Key Question**

**3.01 - What range of climate change-related portfolio risk mitigation action do you undertake?**

- Use of carbon optimised equity indexes
- Investment in adaptation assets (flood barriers, sea walls etc.)
- Negative screens (or positive inclusion criteria) on selected investment options
- Low carbon investments e.g. carbon bonds
- Fund manager mandate guidance

**Comments:**

27.

**3. Key Question**

**3.02 - What is the total value of investments in low carbon assets in your portfolio in the following areas (across all asset classes)?**

**Please provide the total amount invested in low-carbon assets**

7,037,200,000

**Please indicate which of the following low-carbon asset categories you invest in and, where possible, please provide**

**the amount you have invested**

Renewable energy companies: 435000000  
Other clean technology investments:  
Carbon offset assets (e.g. forestation, sinks): 2200000000  
Energy efficiency companies/investments: 3469200000  
Low-carbon financial products: 633000000  
Other: 300000000

**Please provide details (if other)**

**Please provide the approximate [x]% of total portfolio AUM represented by the selected asset classes  
(Please select % range from dropdown)**

**Comments:** There are at least \$3.7 Billion of low carbon assets in the Real Assets portfolio. This numbers includes \$3.4 Billion of LEED Office Buildings as well as renewable energy development and operating assets.

28.

**4. Key Question**

**3.03 - Do you make a specific allocation in your portfolio for climate change related investments as part of an overall hedging strategy?**

Select one answer from below options

No

**Please specify the value allocated within these asset classes:**

**Please provide the approximate [x]% of total portfolio AUM represented by the selected asset classes  
(Please select % range from dropdown)**

30. Feedback Page

**2. Please provide feedback.**