

CalPERS Northern Ireland Portfolio Screening Report

Executive Summary

Non-U.S. and U.S. Companies and Fair Employment in Northern Ireland: Synopsis of 2011 Survey and Findings

Non-U.S. Companies

Starting in November 2011, MSCI ESG Research sent its annual *Survey on Operations in Northern Ireland* to corporate officials at 144 non-U.S. companies, asking them to file a response for each separate subsidiary or affiliate operating in Northern Ireland. The companies surveyed were previously identified by the Northern Ireland Service as having operations in Northern Ireland. In all, the 2011 CalPERS Northern Ireland Report covers 140 non-U.S. parent companies and their Northern Ireland operations.

U.S. Companies

In addition, MSCI ESG Research surveyed 96 U.S. parent companies.

Survey Responses

MSCI ESG Research received complete or partial replies for 15 non-U.S. parent companies and three U.S. parent companies with Northern Ireland operations, a response rate of approximately seven percent. A number of companies replied saying that they would not respond this year, and some no longer had operations in Northern Ireland. Several of the surveyed companies have fewer than 25 employees, in which case they are not required to monitor their workforce.

Approximately nine percent of non-U.S. companies in CalPERS' portfolio responded to MSCI ESG Research's Northern Ireland survey in 2011.

MSCI ESG Research has updated its universe of companies with operations in Northern Ireland in part with information available from the Equality Commission in Northern Ireland's 2010 Monitoring Report, published in December 2011.

2011 Study Findings

- Twenty percent of CalPERS' non-U.S. portfolio companies with operations in Northern Ireland are in compliance with the MacBride Principles, down from over one-third of compliant portfolio companies in 2010. These results can be viewed in comparison to the 2008 survey findings, in which one-fourth of portfolio companies were compliant with the principles.
- 45.5 percent of U.S. companies with operations in Northern Ireland are in compliance with the MacBride principles.
- For non-U.S. companies in CalPERS' portfolio whose workforce composition is available, Catholic employees amount to approximately 39.6 percent of the workforce, less than the current overall religious breakdown for Northern Ireland employers (42.7 percent) monitored by the Equality Commission. The difference between overall Catholic

representation in Northern Ireland, and Catholic representation at companies in CalPERS non-U.S. portfolio has remained at approximately 3-4 percent.

- There is more evidence of Catholic underrepresentation at non-U.S. companies in CalPERS' portfolio than of Protestant underrepresentation (27.9 percent of the companies in the portfolio underrepresent Catholics, whereas 21.4 percent underrepresent Protestants).
- For U.S. companies whose workforce composition is available, Catholic employees are underrepresented at 9.8 percent of the companies, while Protestant employees are underrepresented at 22.0 percent.
- Companies that responded to the survey reported using—for the most part—a full range of affirmative action measures prescribed by Northern Ireland's fair employment law, including the use of goals and timetables. Affirmative actions are undertaken by a minority of companies (approximately 15.7 percent of non-U.S. companies in CalPERS' portfolio). Largely, information on affirmative action steps is however not available unless companies respond to MSCI ESG Research's survey. In cases where there is no underrepresentation, affirmative action measures do not appear to be warranted.
- Twenty-nine non-U.S. companies in CalPERS' portfolio and three U.S. companies have pending claims before the Fair Employment Tribunal as of January 2012.

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MSCI ESG Research is a leading source of environmental, social and governance (ESG) ratings, screening and compliance tools to advisers, managers and asset owners worldwide. Its products and services are used by investors to integrate ESG factors into their investment processes.

MSCI ESG Research is the successor of sustainability pioneers KLD, Innovest and IRRC, which were acquired through MSCI's acquisition of RiskMetrics. ESG ratings, data and analysis from MSCI ESG Research are also used in the construction of the MSCI ESG Indices.

About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indices, portfolio risk and performance analytics, and governance tools.

The company's flagship product offerings are: the MSCI indices with approximately USD 7 trillion estimated to be benchmarked to them on a worldwide basis¹; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; ISS governance research and outsourced proxy voting and reporting services; FEA valuation models and risk management software for the energy and commodities markets; and CFRA forensic accounting risk research, legal/regulatory risk assessment, and due-diligence. MSCI is headquartered in New York, with research and commercial offices around the world.

¹As of June 30, 2011, based on eVestment, Lipper and Bloomberg data.