



Fossil Free California
PO Box 21022
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September 2, 2021

Ms. Anne Simpson
Managing Investment Director,
Board Governance and Sustainability
CalPERS

Cc: CalPERS Board Members, Marcie Frost

Dear Ms. Simpson:

Thank you for the overview of CalPERS' 2016-21 Sustainable Investment Five Year Strategic Plan you provided at the June 16, 2021, CalPERS Investment Committee meeting. It was heartening to hear about the steps your staff and consultants are undertaking to reduce both the carbon footprint of CalPERS investments and climate-related financial risk in the CalPERS portfolio.

The undersigned organizations join Fossil Free California in asking CalPERS to strengthen its sustainable investment strategic plan by adding near-term milestones and science-based targets for emissions reductions, and divesting holdings in companies that fail to produce a credible plan for meeting those targets.

We support your measurement-based carbon reduction approach, but we have some concerns and questions about the strategies outlined in the "Climate Change" Section" of the Five Year Strategic Plan.

Our first concern pertains to the lack of specificity in the three "Key Performance Indicators" in that section:

- (1) "All 80 companies establish a carbon reduction target consistent with Paris COP 21, later expanded to Climate Action 100+"
- (2) "Measure and report reduction in carbon footprint"
- (3) [CalPERS] "Track financial performance of companies with reduction targets"

Questions:

- How will CalPERS Sustainable Investment staff verify that companies have "established a carbon reduction target consistent with Paris COP 21"?
- By what deadline must companies establish their carbon reduction target?
- What will be the consequences for companies that fail to establish the required carbon reduction target?
- With what frequency will companies be required to "measure and report reduction in carbon footprint"?
- What will be the consequences for companies that fail to "measure and report reduction in carbon footprint" and/or fail to meet reporting timelines?
- What methods will staff use to determine the accuracy of companies' measured/reported carbon footprint reduction?
- What methods will staff use to "track financial performance of companies with established reduction targets"?

Our second concern regards the narrow strategic approach to carbon emissions reduction being undertaken by CalPERS. The "Climate Change" Section states that CalPERS' objective is to: "Manage climate risk and opportunity through corporate engagement". Recent [research](#) by BlackRock and Meketa shows a growing number of public pension funds are reducing portfolio climate risk exposure while earning equal or better financial returns by utilizing a combination of three strategies: (1) corporate engagement; (2) divestment from fossil fuel majors that refuse to reduce their greenhouse gas emissions; and (3) expanded investment in energy efficiency/zero carbon technology sectors.

Why, unlike a growing number of its pension fund peers, is CalPERS not pursuing this three-pronged approach to "manage climate risk and opportunity"?

Our third concern is about the complete omission of any demands for cessation of fossil fuel extraction in the “Climate Change” section. The recent International Energy Agency report, “[Net Zero by 2050: a Roadmap for the Global Energy Sector](#)”, advocates for the adoption of over 400 milestones to net zero by 2050, including: “No new unabated coal plants approved for development; no new oil and gas fields approved for development; no new coal mines or mine extensions” in 2021 and beyond. Yet an [Urgewald report](#) shows that a number of the coal companies in which CalPERS continues to invest have active expansion plans. CalPERS also invests in oil and gas majors that have expansion plans, such as Exxon’s [massive oil drilling project](#) in Guyana.

How does CalPERS expect its carbon reduction requirements to be met if it continues to invest in fossil fuel majors actively planning to extract new oil, gas and coal reserves?

We look forward to hearing your responses to these concerns and questions.

Sincerely,



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