



**Henry Jones, President, CalPERS Board  
IPGCA Live Q&A  
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Risk Intelligence in Racial Justice Questions**

**How do we become risk intelligent when it comes to race?**

- By advocating for data that allows us to analyze and activate plans to affect change.
- Mapping racism as a systemic risk requires us to identify the key issues and track these across our investment portfolio. Right now, we do not have the tools or the data.
- We'll be making a start on this by commissioning research through the third round of our Sustainable Investment Research Initiative (SIRI III).
- This will give us a review of the work out there, some of which is highly sector specific, or asset class specific.

- This is not unlike where we were on climate change as a systemic risk a few years back.
- We've had to build a strategy, a data model, and roll out action plans with our partners.

Agencies and departments are mission driven. How are organizations transforming to include race in their missions?

- We just saw the White House announce its "Advance Racial Equity" plan that's intended to ensure all federal programs and policies benefit all U.S. citizens. It will be interesting to see how this pans out.
- CalPERS by compare has a robust practice of diversity and inclusion that ultimately is focused on our mission to members.
- Because California is one of the most diverse states in the nation and CalPERS members are equally diverse, our diversity and inclusion policies ultimately have to benefit them.
- Race and ethnicity are just two of the categories that we consider as part of our D&I efforts. We also look at age, gender, disability

status, and evolving identifiers such as sexual orientation and gender identity.

### How much communication do you do around building racial justice?

- CalPERS has a well-established practice of diversity and inclusion that defines our internal culture and applies to our external policies.
- The CEO maintains ongoing communication with our internal teams that reflects our core values and treats everyone with an equal level of respect and dignity.
- Externally, CalPERS is highly engaged with stakeholders, regulators, and coalition partners to advocate for the kind of change that manages human capital risk and supports the long-term sustainability of the fund. Systemic business practices that support racism are a risk we strive to manage.

- The board receives updates on our external investment activities throughout the year and we also produce an Annual Commitment to Diversity & Inclusion Report.
- Looking ahead, we believe CalPERS has a role to play in helping to shape human capital management policies that lead to equitable opportunities so people can reach their full potential.

Does the state or your organization look at upward mobility, promotions, discipline, recognition, and digital equity by race and ethnicity? Why or why not?

- Yes we do. We know that diverse organizations out-perform those that are not.
- Each year the CalPERS board receives a “Commitment to Diversity & Inclusion” report that outlines annual accomplishments related to our strategic plan.
- It provides the board with updated employee demographics so we can see how our recruitment and retention efforts are manifesting themselves and leading to equitable opportunities.

- It also highlights our diversity track record with the contracting organizations we do business with.
- And finally, it captures our external engagement efforts with the companies we invest with in the areas of corporate board diversity and human capital management reporting.

Relevant risk programs are designed around the needs and expectations of *all* stakeholders—customers, employees, the board, vendors, partners, investors, the media, the community, and society at large. How do we become risk intelligent when it comes to race?

- By treating everyone with the same level of respect and to listen with an open mind to all perspectives.
- Transparency is important here. The more that we share the information we're using to make decisions with all our stakeholders and in turn provide them the opportunity to participate in the discussions, the more we achieve the kind of open and transparent dialogues that enhances trust and mutual respect.

## Henry: How does racial inequity affect investment returns?

- Racial inequity, along with other forms of inequity in housing, education, and economic opportunity are all risk factors that can impact our investment returns.
- As a long-term investor, we believe long term value creation requires the effective management of three forms of capital: physical, financial, and human.
- We need to move beyond seeing people simply as costs on a company's balance sheet and advocate for the companies we invest in to be more transparent in reporting demographic data, not just for their employees, but for the people impacted by their business chain.
- The data will help our sustainable investment teams identify risk factors and make determinations on how best to manage that risk through our advocacy and engagement efforts.

- Towards this effort, CalPERS and CalSTRS will host a Diversity Forum on June 22nd. The virtual event will focus on the importance of diversity, equity, and inclusion in the financial and investment industries, and what needs to be done going forward.