BETTY T. YEE
California State Controller

JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

February 11, 2016

Henry Jones
Chair, Investment Committee
CalPERS Board of Administration
400 Q Street
Sacramento, CA 95811

**SUBJECT: Governance Policy on Corporate Board Membership Requirements**

Dear Mr. Jones:

As we all know, a long envisioned Global Accord was reached at the 21st yearly session of the conference of the parties to the UN Framework Convention on Climate Change in Paris (COP21) this December. Representatives of all 196 parties attending agreed to significant greenhouse gas reduction emission goals by the second half of the 21st century. Both CalPERS – the California Public Employees' Retirement System, and CalSTRS – the California State Teachers' Retirement system, can play a crucial role in helping reach this goal through stewardship of their investment interests.

CalPERS and CalSTRS have long supported and encouraged efforts for the funds to be leaders in advocating for Environmental, Social, and Governance *(ESG)* considerations in investment decisions. Both funds have a long history and continued commitment to address climate change issues through disclosure advocacy, engagement, low carbon investments, and partnership with leading educational institutions and financial data providers to measure the impact of environmental issues on investment risk and return. Both regularly engage hundreds of companies a year on governance issues and have laid out clear expectations for environmental risks and opportunities through their respective principles of accountable Corporate Governance. Both funds are striving to more fully integrate ESG considerations into all investment decisions across all asset classes, and are actively focusing environmental engagement and advocacy efforts on increasing climate risk and carbon emissions reporting so investors can measure and incorporate the data into investment decisions.

As stewards of both these funds, we wholeheartedly support these efforts as we well understand that investment decisions which do not take into account the sustainability of our natural resources or the future health of our planet do not benefit our members or future generations who entrust their retirement income security to these funds. Like all prudent long-term investors, we know climate change risks will have a material impact on the funds' returns if not well managed and addressed. Thus, we are asking the Boards to help further the goals of COP21 by taking an important additional step – to amend their respective existing board director requirements to specifically include expertise and experience in climate change risk management strategies. We recommend this in order to encourage both pension funds to engage with and encourage corporate board leadership to actively seek out and recruit Board members with the much needed and timely expertise to help their companies strategize about how to best address the impacts of climate change risks as well as the impacts of likely regulations and rules, such as carbon emission reporting.

Sincerely.

BETTY T. YEE JOHN CHIANG

cc: Anne Stausboll, Chief Executive Officer, CalPERS
Ted Eliopoulos, Chief Investment Officer, CalPERS
Rob Feckner, President, CalPERS Board of Administration
Michael Bilbrey, CalPERS Board of Administration
Richard Costigan, CalPERS Board of Administration
Richard Gillihan, CalPERS Board of Administration
Dana Hollinger, CalPERS Board of Administration
JJ Jelincic, CalPERS Board of Administration
Ron Lind, CalPERS Board of Administration
Priya Mathur, CalPERS Board of Administration
Bill Slaton, CalPERS Board of Administration
Theresa Taylor, CalPERS Board of Administration

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California State Controller

JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

February 11, 2016

Sharon Hendricks
Chair, Investment Committee
CalSTRS Teachers' Retirement Board
100 Waterfront Place
West Sacramento, CA 95604

**SUBJECT: Governance Policy on Corporate Board Membership Requirements**

Dear Ms. Hendricks:

As we all know, a long envisioned Global Accord was reached at the 21st yearly session of the conference of the parties to the UN Framework Convention on Climate Change in Paris (COP21) this December. Representatives of all 196 parties attending agreed to significant greenhouse gas reduction emission goals by the second half of the 21st century. Both CalPERS – the California Public Employees' Retirement System, and CalSTRS – the California State Teachers' Retirement system, can play a crucial role in helping reach this goal through stewardship of their investment interests.

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Sincerely.

BETTY T. YEE　　　　　　　　　　JOHN CHIANG

cc: Jack Ehnes, Chief Executive Officer, CalSTRS
Christopher J. Ailman, Chief Investment Officer, CalSTRS
Harry M. Keiley, Board Chair, CalSTRS
Michael Cohen, CalSTRS Board Member
Dana Dillon, CalSTRS Board Member
Joy Higa, CalSTRS Board Member
Paul Rosenstiel, CalSTRS Board Member
Tom Torlakson, CalSTRS Board Member
Thomas Unterman, CalSTRS Board Member
Nora E. Vargas, CalSTRS Board Member