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Mr. Motoyuki Yufu
Director, Corporate Accounting and Disclosure Division
Financial Services Agency, Japanese Government
3-2-1 Kasumigaseki
Chiyoda-ku, Tokyo
100-8967, Japan

RE: CalPERS Comments on Exposure Draft of Japan Corporate Governance Code

Dear Mr. Yufu:

On behalf of the California Public Employees' Retirement System (CalPERS), thank you for the opportunity to provide our comments on the Exposure Draft of the Japan Corporate Governance Code. CalPERS is the largest public pension fund in the United States with over USD\$290 billion in global assets and equity holdings in over 9,000 companies. CalPERS provides retirement benefits to more than 1.6 million public workers, retirees, and beneficiaries, and we rely on the quality and integrity of market information to allocate capital on behalf of our beneficiaries.

CalPERS is a long-term investor in the Japanese equity markets with over USD\$12 billion invested in approximately 1,200 companies. CalPERS is a founding member of the Asian Corporate Governance Association ("ACGA") and has endorsed both the ACGA 2008 Japan White Paper and 2009 Statement on Corporate Reform in Japan.

We commend the effort to establish a Corporate Governance Code in Japan and are delighted with the proposed framework overall. In our view the framework strikes a reasonable balance between setting progressive governance standards while providing companies with flexibility through a "comply or explain" approach.

We fully support the comments provided by the ACGA on January 28th. However, we want to emphasize several suggestions concerning the principles outlined in the Code.

Comply or Explain Approach

As a long-term investor in the Japanese markets, we support a "comply or explain" approach as an effective way to communicate corporate governance standards while providing both investors and stakeholders with a better understanding of governance practices and processes. However, we would discourage generic "boilerplate" type responses or a "check the box" format that would provide minimal insight to the governance oversight function.

Furthermore, we believe that the Code should apply to all companies across the market, specifically given the flexibility that is made possible through a “comply or explain” approach.

Director Independence

In order to enhance independent and objective oversight on corporate boards, we believe it is critical to establish a well understood and consistent definition of an independent director. We ask that the Code be amended to include a minimum standard definition of an independent director. Furthermore, we strongly recommend that the optional key committee members comprise all or at least a majority of independent directors. As a matter of reference, the CalPERS definition of an independent director may be found in our Global Principles of Accountable Corporate Governance at: <http://www.calpers-governance.org/principles/home>.

Moreover, we are pleased that the Code includes an increased level of board independence by setting out a minimum of two independent directors and in some cases one-third of the board at larger and more complex companies. While we believe independent oversight is critical to a well-functioning board, we see that particular attention must be given to board quality, skill sets and diversity to ensure that directors can adequately discharge their duties and responsibilities.

Clustering of Annual General Meetings

The current practice of a three-month Annual General Meeting (AGM) period results in the clustering of AGM dates. In our view, the current situation is burdensome and may prevent shareowners from effectively exercising their voting rights at general meetings. We also view this as a challenge for shareowners who wish to attend multiple AGMs. As suggested by the ACGA, we support an effective four-month period for AGMs as a practical improvement.

Requirement for English translations

We would find it particularly helpful if all public disclosures were provided in English. The proposed Code only suggests that shareholder convening notices be available in English. In consideration of the significant overseas investments in Japanese companies, this would be welcomed by many. Given the “comply or explain” approach, we believe that companies will have sufficient flexibility if implementation poses challenges.

Thank you for your consideration. If you have any questions, please do not hesitate to contact Craig Rhines at craig.rhines@calpers.ca.gov or (916) 795-2873.

Sincerely,



ANNE SIMPSON
Senior Portfolio Manager, Investments
Director of Global Governance