

Global Governance Program – Work Stream Structure

Work Stream	Scope
Principles and Proxy Voting	<ul style="list-style-type: none"> • The Program is framed by CalPERS Global Principles of Accountable Corporate Governance (Principles), which are reviewed and approved by the CalPERS Board. • The Principles set out CalPERS expectations on governance, in particular shareowner rights, board quality and diversity, corporate reporting, executive compensation, and sustainability. • The objective of the Principles is to ensure high standards of governance in order to underpin long-term value creation. • The Principles guide proxy voting decisions at over 9,000 public companies in 47 markets worldwide, and shareowner proposal campaigns to seek improved governance practices at portfolio companies.
Corporate Engagement	<ul style="list-style-type: none"> • CalPERS works directly with companies in the Total Fund portfolio to improve shareowner rights, board structure (quality, accountability and diversity), and corporate reporting in order to protect investment returns. • The flagship engagement initiative is the Focus List Program, in which CalPERS engages with financially underperforming companies to improve governance practices and contribute to improved performance. • CalPERS also engages boards of directors on specific issues such as proxy access, majority voting, executive compensation and environmental disclosure. • CalPERS often coordinates closely with other investors to support corporate engagement initiatives.
Capital Market Stability	<ul style="list-style-type: none"> • This work stream is responsible for CalPERS analysis and advocacy for market-wide regulation, which protects investors. • CalPERS developed a statement on regulation focusing on the importance of transparency, independent oversight by regulators, the need to avoid restrictions on investment opportunity and the need to support systemic risk oversight. • Within this work stream, CalPERS is focusing on the integrity of corporate financial reporting (accounting and auditing) and regulatory effectiveness.

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ESG Integration	<ul style="list-style-type: none"> • The Program leads a cross-asset class team to integrate relevant environmental, social and governance (ESG) factors across the Total Fund. • This work stream has delivered CalPERS first baseline Total Fund report on ESG and catalogued a wide range of activity across the asset classes under three forms of capital: physical capital (climate change), human capital (labor practices) and financial capital (alignment of interest). • The next phase will deliver a portfolio-wide statement of principles in place of multiple guidelines, an “expectations document” on ESG for internal and external investment managers across the portfolio, and a review of evidence on the impact of ESG factors on investment risk and returns, in order to highlight where further work may be needed.
Institutional Relations	<ul style="list-style-type: none"> • CalPERS provides thought leadership by participating in investor forums, networks and regulatory committees to leverage resources, build partnerships, achieve effective consensus building, share best practices, and advocate for CalPERS capital market and corporate engagement agenda. • Examples of groups where CalPERS has a leadership role include: <ul style="list-style-type: none"> ○ Ceres ○ Columbia School of Law ○ The Council of Institutional Investors (CII) ○ The Credit Roundtable ○ The International Corporate Governance Network (ICGN) ○ The Investor Advisory Committee to the U.S. Securities and Exchange Commission (SEC) ○ The Investor Advisory Group to the Public Company Accounting Oversight Board (PCAOB) ○ Los Angeles Trustee Network ○ The UN-backed Principles of Responsible Investment (PRI) ○ The Sustainability Accounting Standards Board (SASB) ○ The Systemic Resolution Advisory Committee to the Federal Deposit Insurance Corporation (FDIC) ○ The United Nations Environment Program Finance Initiative (UNEPMFI)