

Proposed Global Governance Policy

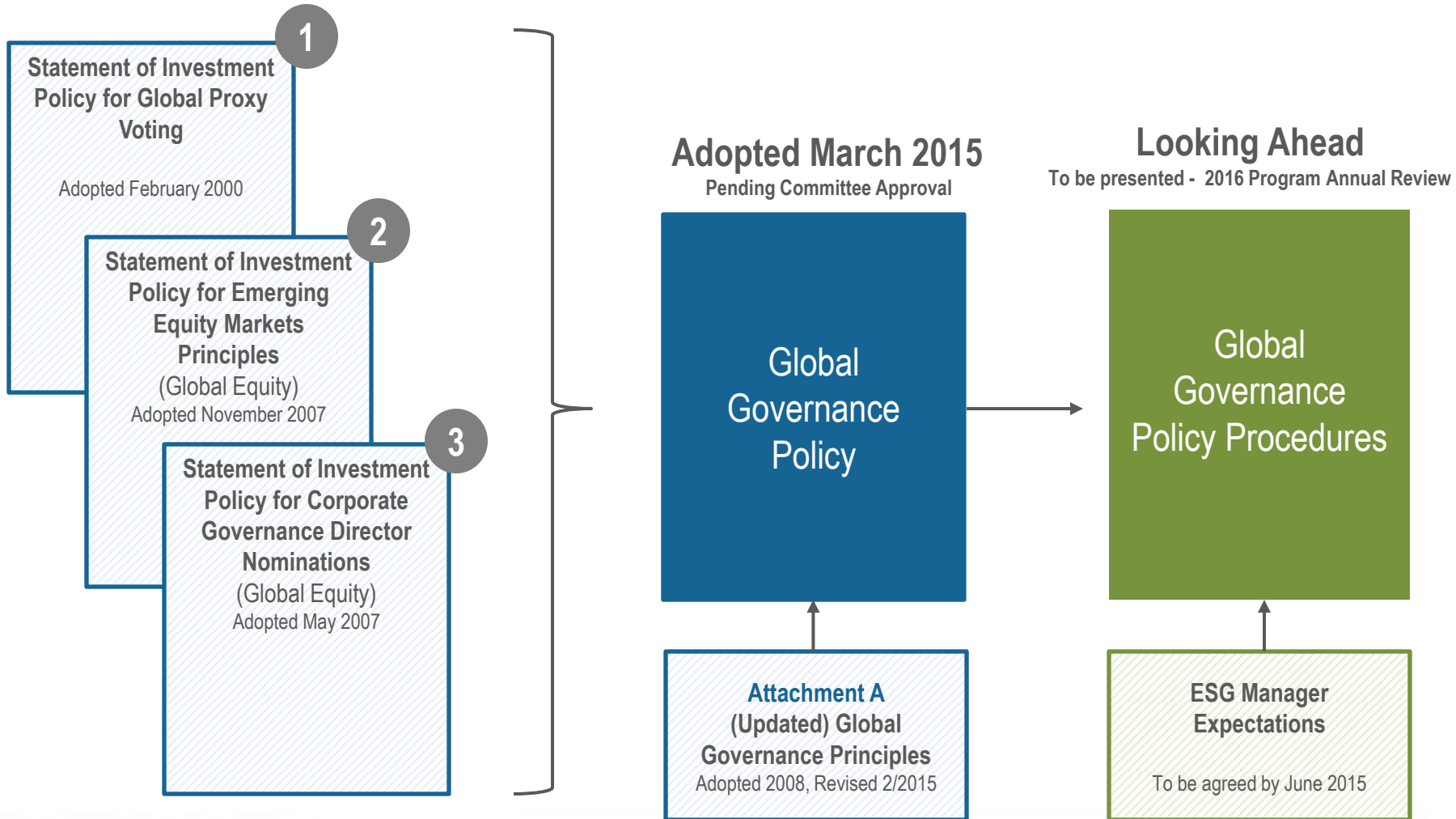
March 16, 2015

Proposed Global Governance Policy | Goal

To adopt a single Global Governance Program Policy with attached Global Principles to bring simplicity, consistency, and clarity of Program management in alignment with the 2014-16 Investment Officer Roadmap and Target Operating Model.

- Align the Program Policy with CalPERS Investment Beliefs
- Integrate three existing policies into one consolidated policy
- Attach one set of updated Global Principles which can be referenced by all asset classes and programs
- Integrate Global Equity Emerging Equity Markets Principles into CalPERS Global Principles for consistent consideration to all investment strategies, geographies, and engagements
- Provide a Policy framework for the forthcoming development of procedures, including ESG Manager Expectations

Proposed Global Governance Policy



Current Policies | Integrated into One Policy

Current Policy	Key Points
<p>1</p> <p>Global Proxy Voting</p> <p>Adopted February 2000</p>	<ul style="list-style-type: none"> • Sets forth the investment policy for Global Equity, with respect to global proxy voting. • Applies to corporate governance engagement process and other governance initiatives. • Establishes the Board's adopted Global Principles to define the scope of the Program. • Requires reporting updates to the CalPERS Global Principles annually to the Investment Committee. • Delegates authority for executing all proxies and voting instructions.
<p>2</p> <p>Emerging Equity Markets Principles</p> <p>(Global Equity)</p> <p>Adopted November 2007</p>	<ul style="list-style-type: none"> • Sets forth the investment policy for Emerging Equity Markets Principles and applies to externally managed emerging markets equity portfolios with the exception of corporate governance funds. • Staff is responsible for reviewing written policies and procedures of Managers concerning compliance with Policy. • Staff and Manager are responsible for reporting annually to the Investment Committee. • Managers shall evaluate their investment in accordance with principles pertaining to: Political Stability, Transparency, Productive Labor Practices, Corporate Social Responsibility and Long-term Sustainability, Market Regulation and Liquidity, Capital Market Openness, Settlement Proficiency/Transaction Costs, Appropriate Disclosure.
<p>3</p> <p>Director Nominations</p> <p>(Global Equity)</p> <p>Adopted May 2007</p>	<ul style="list-style-type: none"> • Sets forth the investment policy for the Global Equity Corporate Governance Program with respect to Board of Director nominations at publicly traded corporations in which CalPERS invests. • Nominations apply to Focus List Program companies; or, up to ten non-Focus List companies. • Nominated directors should meet competence and independence criteria. • Director nominations are to be reported to the Investment Committee upon nomination.

Proposed Global Governance Policy | Goals

“From”	“To”
<p>Multiple Policies Three Investment Committee approved Statements of Investment Policy:</p> <ul style="list-style-type: none"> • Global Proxy Voting • Corporate Governance Director Nominations • Emerging Equity Markets Principles 	<p>Simplicity – One Policy</p> <ul style="list-style-type: none"> • One Statement of Investment Policy to guide the Global Governance Program.
<p>Policy Calibration Needed with Investment Beliefs</p> <ul style="list-style-type: none"> • Policies pre-date the Board’s adopted Investment Beliefs. 	<p>Clarity – Alignment with Investment Beliefs</p> <ul style="list-style-type: none"> • Statements of investment policy to explicitly align with CalPERS Investment Beliefs.
<p>Varied Statements</p> <ul style="list-style-type: none"> • Varied statements of staff, manager and asset class relevance of the role policies contribute across the total fund. 	<p>Consistency – Total Fund Policy Alignment</p> <ul style="list-style-type: none"> • Contribute to sustainable investment, public policy and engagement decision making across the Total Fund, within CalPERS fiduciary duty. • Support Asset Class strategic objective to align interests between CalPERS and managers of its capital, including investee companies and external managers.

Summary Sheet | Revisions Include

Proposed revisions establish one simplified Policy which frames an updated set of Global Principles in order to:

- Reflect CalPERS Investment Beliefs
- Include corporate engagement and public policy advocacy
- Provide the Global Principles for consideration among the decision factors employed in the investment process across the Total Fund
- Consolidate the Global Equity Emerging Markets Principles into the Core Global Principles (III.A.9-16) for consistent consideration to all investment strategies, geographies, and engagements
- Propose Global Principle amendments: Sustainability (III.A.1), Eliminating Human Rights Violations related to anti-discrimination (III.A.12), Financial Markets (III.A.17), Board Responsibilities (III.B1.12), Director Nominations (III.B.2.2c.)
- Update ICGN (III.C) and CII (Appendix A.2.15) sections of the Global Principles
- Remove outdated references, quotes, and language duplication from the Global Principles
- Retain Global Equity responsibility for reviewing emerging market manager written policies and procedures, investment strategy, and monitoring manager reports

Next Steps

1. Develop procedures in alignment with the Investment Policy Revisions Project to ensure a robust internal control oversight and governance framework for Policy implementation.
2. Procedures to include ESG Manager Expectations being developed by the Cross-Asset Team on Sustainable Investment.