

Review Draft of Global Governance Principles alignment with Program Core Issues

September 17, 2015

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Today's Objectives

Today

- Discussion on new structure
- Review duplications - Are there any gaps or areas for further editing?
- Permission to re-draft

Next Meeting – October 21, 2015

- Incorporate feedback received from today's meeting
- New Introduction and Purpose (as we continue, we will work to incorporate the Investment Beliefs and Appendices including, Climate Change and Joint Ventures, IPOs and Private Companies)
- New language to fill gaps in coverage (e.g. Identify new material or areas to refresh)
- Refresh references
- Include relevant Appendices

Background

- In March 2015, The Global Governance Principles (Principles) were adopted to the Total Fund Policy
- They provide the framework for CalPERS' work through 1) integration 2) engagement and 3) advocacy in support of sustainable investment
- The Principles serve as a comprehensive best practice document and speak to a number of issues including: Investor Rights, Board Quality & Independence, Compensation, Corporate Reporting and Regulatory Effectiveness
- They guide all of CalPERS' proxy voting decisions, which spans across more than 10,000 public companies in 47 markets
- Each year, the Principles are revised and submitted for approval by the Investment Committee
- On April 13, 2013, the Investment Committee agreed to form an Ad Hoc Global Governance Sub-Committee to oversee review of the Statement of Investment Policy for Global Governance, which includes the Principles, and related issues.

From To Statement

From	To
<p>Lengthy and complex: duplicative language and organized by capital market – 96 pages assembled over time</p>	<p>Clarity of Global Principles framed by the Investment Beliefs and organized by CalPERS' 5 core issues</p> <ul style="list-style-type: none"> • Investor Rights • Board Quality and Diversity • Corporate Reporting • Compensation • Regulatory Effectiveness
<p>Variety of origin: mosaic of principles described through adoption of CalPERS specific and third party references and others in Appendices</p>	<p>Simplified: revised format which maintains content while communicating integration with CalPERS Investment Beliefs and application to managers of CalPERS capital across the Total Fund</p>

1st Revision – Objectives

The Principles document was revised with three objectives in mind:

1 Simplify

- Reorganized into five chapters consistent with CalPERS' core issues
- Removed duplication, resulting in a shorter document
- Appendices integrated as Principles

2 Consolidate

- Slimmed Appendices from 9 to 1 (PRI), and created a new Appendix, which outlines endorsements and memberships rather than attaching the full documents
- We will still support related appendices (i.e. CII, ICGN, UNGC, Global Sullivan)

3 Update References

- Framed by the Board adopted Investment Beliefs

New Global Governance Principles Structure

I. Introduction

- Sets out CalPERS' mission, Investment Beliefs and values
- Captures the history and evolution of the Global Governance Principles highlighting the transition to a wider scope that includes sustainable investment (environmental, social and governance) issues
- Explains our approach

II. Purpose

- Provides an overview of how the Principles are applied to integration, engagement and advocacy
- Introduces the CalPERS' Core Issues framework

III. Global Governance Principles

- A. Investor Rights
- B. Board Quality: Diversity, Independence, and Competence
- C. Compensation
- D. Corporate Reporting
- E. Regulatory Effectiveness

IV. Appendices

- Principles for Responsible Investment (PRI)
- Includes a list of CalPERS' memberships and supported groups (CII, ICGN, Ceres, etc.)

Overview of Revisions

To increase the clarity of the Global Governance Principles document, duplicative sections were removed from the appendices and integrated into the main text of the Principles document (details and tracking can be found in Attachments 3 & 4).

Removed as an Appendix and integrated as Principles

- Appendix B – Global Sullivan Principles
- Appendix C – United Nations Global Compact
- Appendix D – CII: Corporate Governance Policies
- Appendix E – Definition of Independent Director
- Appendix F – Independent Chair/Lead-Director Position Duty Statement
- Appendix H – Ceres 14-Point Climate Change Governance List

Kept in Appendices

- Appendix A – Principles for Responsible Investment

Up for Discussion

Appendix G

Global Framework
for Climate Risk
Disclosure

Appendix I

Joint Venture
Governance
Guidelines

Revisions Process

