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December 19, 2016

**Item Name:** Proxy Voting & Corporate Engagement Update

**Program:** Global Equity

**Item Type:** Information

### **Executive Summary**

This agenda item provides an overview of Global Equity's Corporate Governance Program's (Program) activity for the year. In line with the Investment Policy, staff periodically updates the Investment Committee throughout the year and as such, this update will be concise and focused mostly on incremental activity since the last comprehensive update in August 2016.

In August 2016, the Investment Committee approved the Global Governance 5-Year Strategic Plan and set reporting requirements on core activities. The Strategic Plan requires staff to report Global Equity's corporate governance core activities twice per year. Staff will work with Investment Compliance and Operational Risk to harmonize the Investment Policy and Strategic Plan reporting requirements.

### **Strategic Plan**

This agenda item supports the CalPERS' Strategic Plan goal of improving long-term pension and health benefits sustainability. The Program aims to improve the risk-return profile of the CalPERS Total Fund by enhancing sustainable value creation through improvement of financial, physical, and human capital management practices at companies owned. Regular program updates support the Investment Committee in its oversight capacity.

### **Investment Beliefs**

This item supports the following CalPERS' Investment Beliefs:

- Investment Belief 2, regarding the responsibility and advantage of a long-term investment horizon and the sub-beliefs which require that CalPERS encourage companies and external managers to consider the long-term impact of their actions.
- Investment Belief 4, that long-term value creation requires effective management of three forms of capital: financial, physical and human.

### **Background**

The Program seeks good governance practices to ensure that CalPERS funds are being used for the benefit of our members to produce sustainable, long-term, risk adjusted returns that pay pensions.

## **Analysis**

The Program's activities are guided by the Global Governance Principles and are executed through four main channels: Proxy Voting, Shareowner Campaigns, Corporate Engagements and the Focus List. This update highlights progress and accomplishments for the year.

## **Budget and Fiscal Impacts**

There are currently no additional costs or fees associated with this corporate governance activity.

## **Benefits and Risks**

The Global Equity corporate governance program supports CalPERS' fiduciary duty to provide sustainable, risk adjusted returns for its members. The risks relate to not fulfilling Board policies and principles.

## **Attachments**

Attachment 1 – Global Equity Proxy Voting & Corporate Engagement Update

Attachment 2 – CalPERS' signatory statement to Japan's Stewardship Code

Attachment 3 – Global Governance Strategy Review

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