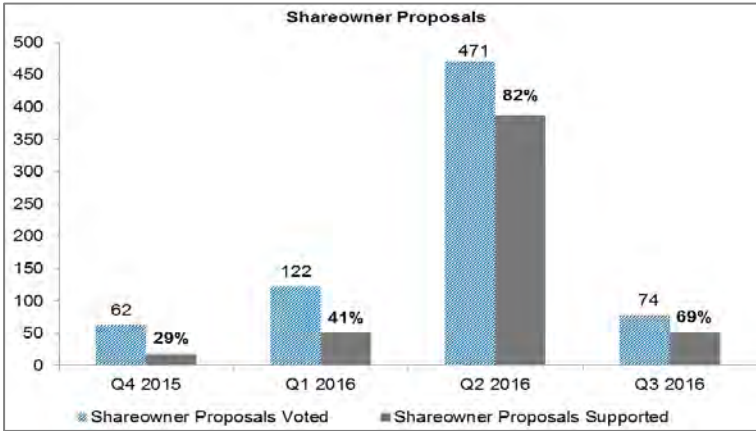
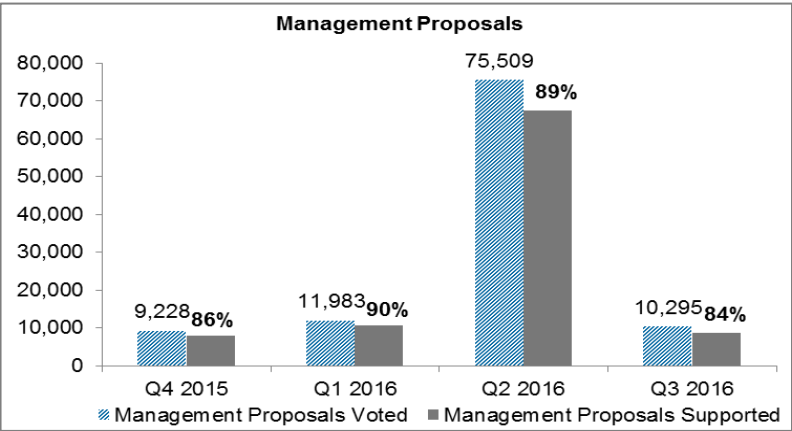
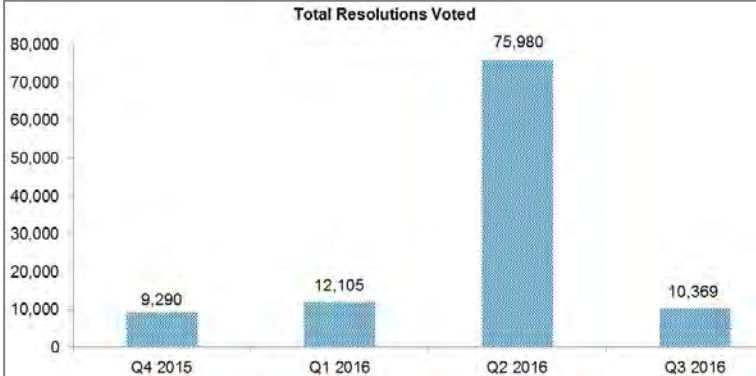
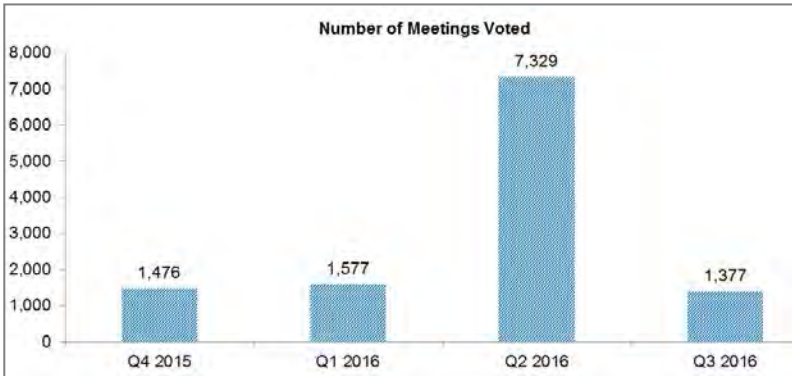


Global Equity Proxy Voting & Corporate Engagement Update

December 19, 2016

Global Proxy Voting – Votes Cast

- CalPERS cast votes at 1,377 company meetings worldwide during Q3 2016
- Votes were cast in line with the CalPERS Global Governance Principles



Global Proxy Voting – Proposals Breakdown

- Staff supported 84% of management proposals and 69% of shareowner proposals
- Staff voted the following commonly presented proposal category types during Q3 2016:

Management Proposals

- Board Related – director elections
- Audit/financials – auditor ratification
- Capital Management – issuance of additional shares, stock conversion
- Changes to Company Statutes – management bylaw amendments
- Compensation – advisory vote on executive compensation, approval of equity plans
- Mergers & Acquisitions

Shareowner Proposals

- Compensation – severance and golden parachutes
- Environment – energy efficiency and renewables
- Governance – proxy access, majority vote, ability to call special meetings
- Social – improving labor practices, political spending, and human rights

2016 Shareowner Campaigns Update

Proxy Access Campaign:

- CalPERS assisted NYC Funds on the adoption of proxy access at companies selected on core themes of:
 - Climate change
 - Diversity
 - Governance
- Staff ran proxy solicitations at 18 target companies
 - 13 proposals passed with majority support and 5 did not receive a majority
 - Staff attended 4 Annual General Meetings to formally present shareowner proposals

Majority Vote for Director Elections Campaign:

- Staff wrote to and engaged 50 companies surrounding the adoption of majority voting
- To date 42 companies have adopted or committed to adopt our request

Climate Risk Reporting Campaign:

- CalPERS co-filed climate risk proposals as part of the “Aiming for A” initiative at Glencore plc, Anglo American, and Rio Tinto
 - The resolutions passed with over 96% shareowner support at all 3 companies
- CalPERS ran proxy solicitations at 9 U.S. companies seeking implementation of climate risk reporting
 - Vote results ranged from 20% to 42% shareowner support

Enhanced Focus List – Engagement Update

- Met with Executive Management and Board Members in Japan at each of the eight 2016 companies and revisited some of the 2015 companies
- Shared the framework of CalPERS' Investment Beliefs – translated to Japanese
- Expressed CalPERS' support of:
 - The Japan Corporate Governance Code
 - The Japan Investor Stewardship Code
 - CalPERS publically signed-on to the Japan Stewardship Code in March 2016
- Collaborated with an external manager to coordinate engagements and identify engagement opportunities at each company
- Wrote each company to request specific governance reforms
- Collaborated with other influential organizations in Japan, including Government Pension Investment Fund (GPIF)

Enhanced Focus List – Next Steps

- Consider company responses to CalPERS' requested governance reforms
- Carry out additional engagement as needed to accomplish governance reforms at first and second cohort companies
- Identify and engage a third cohort of companies as appropriate in 2017
- Report back to CalPERS Investment Committee in 2017

Appendix

Enhanced Focus List Process

1. Screen the Global Equity universe for the top ~100 investment position overweights, with flexibility to expand across the total fund based on relative and absolute dollar investment.
2. Engage companies in alignment with CalPERS' Global Governance Principles: investor rights, board quality (diversity, independence and competence), compensation, corporate reporting, and regulatory effectiveness.
3. Leverage expertise from external managers and strategic partners research for global engagement.
4. Focus on Japanese market due to CalPERS' significant investment exposure, opportunity for impact, and long history of engagement.
5. Inform the Investment Committee on Focus List Program strategy enhancements and accomplishments.

Engagement Objectives

Staff selected the following reforms as they are both systemic to the Japanese market and identified in Japan's new Corporate Governance Code. These reforms are aligned with CalPERS' core issues and supported by CalPERS' Global Governance Principles.

- Increase Board Independence, quality and diversity
- Define Independence Standards for Board Members
- Disclose Board Member Biographies, Skill-Sets & Expertise
- Enhance Board Member Search Process
- Disclose Cross-Shareholdings

Japan: Important Market

Investment Exposure

- Second largest market in our global equity portfolio ~ USD \$11 billion

Opportunity

- Governance opportunity to improve capital efficiency and valuation relative to other developed markets

Timing

- Significant effort within Japan for governance reforms
- Companies more receptive to shareholder engagement due to increasing foreign ownership
- Opportunity to collaborate with other investors

Impact

- Concentrated market engagement has the potential for greater market-wide impact

Efficiency

- Focus on a single market to make efficient use of staff resources and travel expenditures

CalPERS' History of Engagement

- Endorses Asian Corporate Governance Association (ACGA) Japan White Paper in 2008
- ACGA Investor Delegations in Japan
- Support of new Stewardship Code and Corporate Governance Code

CalPERS' Initiatives In Japan

2008	Asian Corp. Gov. Association - Japan White Paper	CalPERS is an active member of the ACGA and endorsed the Paper back in 2008. Emphasis of the Paper was to improve capital efficiency, board independence and shareholder rights.
2010	ACGA Investor Delegation to Japan	CalPERS participates in ACGA investor delegation to engage with portfolio companies and regulators in Japan
2014	Investor Coalition Requests 1/3 BOD Independence	CalPERS joins group of international institutional investors calling for 1/3 board of director independence by 2017 at 33 large Japanese Companies
2014	ACGA Investor Delegation to Japan	CalPERS participates in ACGA investor delegation to engage with portfolio companies and regulators in Japan
2015	Japan Corporate Governance Code	CalPERS comments in support of the new Corporate Governance Code
2015	CalPERS Focus List Engagement in Japan	CalPERS collaborates with external investment managers to engage with over-weight portfolio companies in Japan
2016	Japan Investor Stewardship Code	CalPERS becomes signatory to the Japan Investor Stewardship Code
2017	Support 1/3 Board Independence	CalPERS will consider a minimum threshold of 1/3 board independence in proxy voting decisions

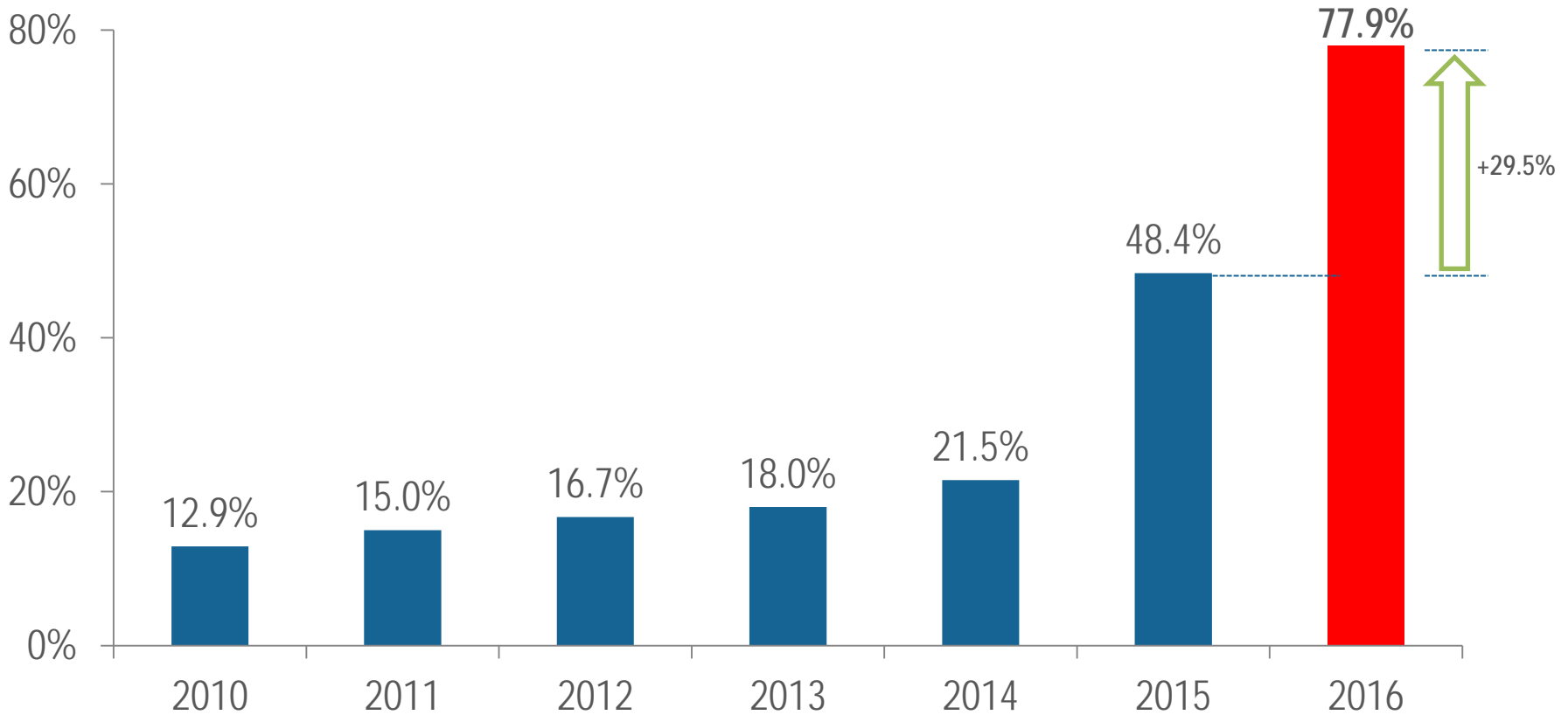
Increasing Scale of Focus List Program

Year	\$ millions*
2016 Enhanced Focus List	864
2015 Enhanced Focus List	645
2013 Focus List	53
2012 Focus List	222
2011 Focus List	330
2010 Focus List	217

*Represents CalPERS' total equity holdings of Focus List company cohort

Appointment of Outside Directors

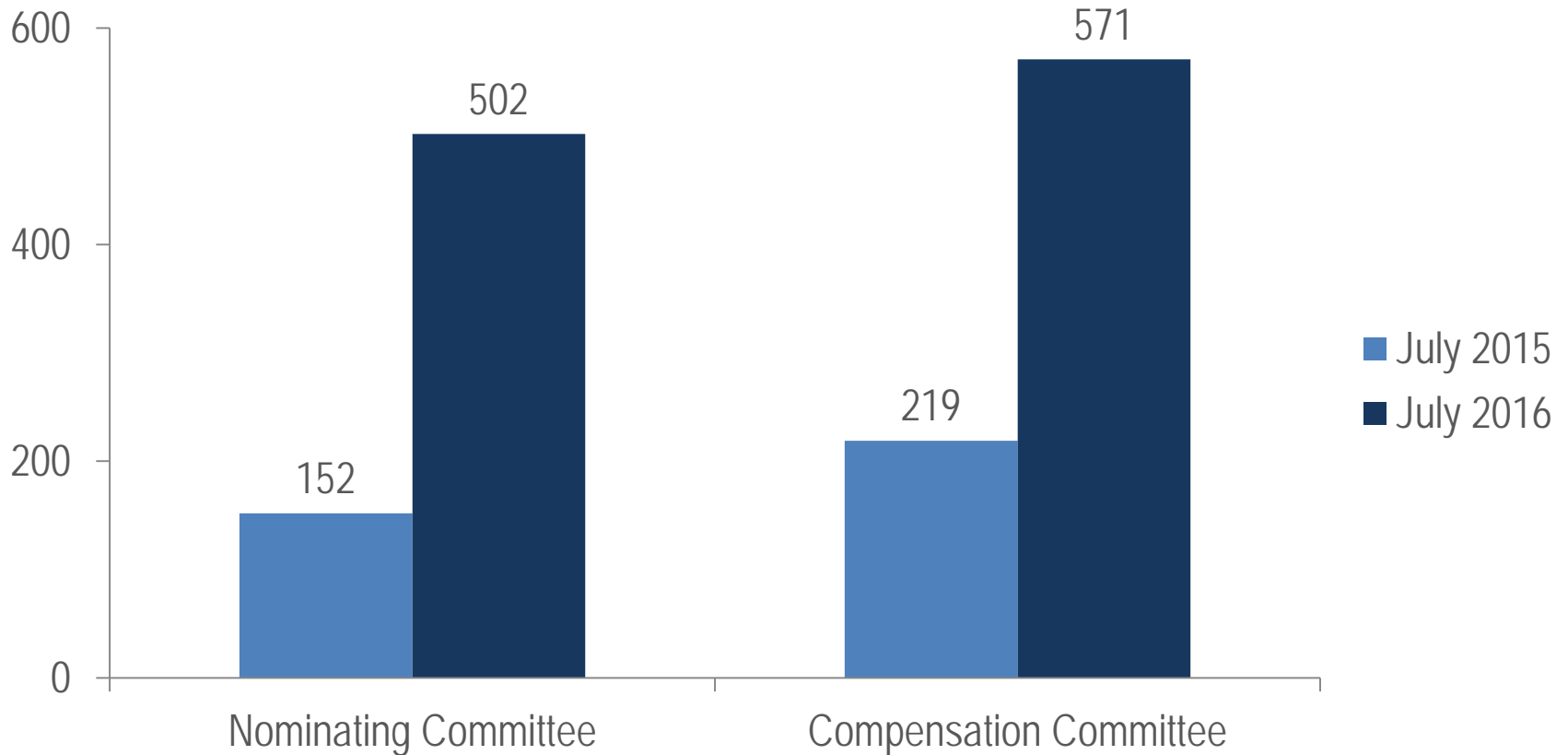
% of Companies with 2 or More Independent Outside Directors*



*Universe: Tokyo Stock Exchange 1st Section (~2000 companies)
Source: IR Japan

Increasing Board Functionality

Adopting Voluntary Nominating and Compensation Committees*



*Universe: All companies listed on the Tokyo Stock Exchange (~3500 companies)

Source: IR Japan