

August 14, 2017

Item Name: Corporate Governance Update**Program:** Global Equity and Sustainable Investments**Item Type:** Information**Executive Summary**

This agenda item provides an update on the corporate governance activities of Global Equity Corporate Governance and Sustainable Investments programs (Programs). In line with the Investment Policy, staff updates the Investment Committee periodically throughout the year and as such, this update will focus on proxy voting activity during the second quarter of 2017, progress on shareowner campaigns, and ongoing corporate engagement initiatives.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan objective to integrate environmental, social and governance (ESG) considerations into investment decision making in order to strengthen the long-term sustainability of the pension fund. The Programs' aim is 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. Periodic 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.
- Investment Belief 9, that risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error.

Background

The Programs seek good governance and sustainability 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 Programs' activities are guided by the Governance and Sustainability Principles and are executed through engagement, which includes proxy voting and shareowner campaigns. This

update highlights details on the progress and activities within the proxy voting and corporate engagement work streams.

Budget and Fiscal Impacts

There are currently no additional costs or fees associated with these corporate governance and sustainability activities.

Benefits and Risks

The Global Equity Corporate Governance and Sustainable Investments Programs support 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 – Corporate Governance Update

SIMISO NZIMA

Investment Director
Global Equity

ANNE SIMPSON

Investment Director
Sustainable Investments

DANIEL BIENVENUE

Managing Investment Director
Global Equity

THEODORE ELIOPOULOS

Chief Investment Officer

