
March 19, 2018

Item Name: Corporate Governance Update: Proxy Voting, Shareowner Campaigns and Corporate Engagement

Program: Global Equity

Item Type: Information

Executive Summary

This agenda item provides an overview of Global Equity's Corporate Governance Program's (Program) work plan for 2018 covering core initiatives. The core initiatives are primarily focused on three broad work streams namely: Proxy Voting, Shareowner Campaigns, and Corporate Engagement. The two strategic initiatives which are jointly implemented by Global Equity and Sustainable Investments, namely Climate Action 100+ and Diversity and Inclusion, are covered within Committee Agenda item 6b.

The agenda item also covers voting enhancements that the Program has implemented, 2018 emerging/ongoing issues in corporate governance, our work on financial markets advocacy, and an update on the integration of Corporate Governance into Global Equity.

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. 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 3, that CalPERS' investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries
- 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 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 Governance & Sustainability Principles and are executed through four main channels: Proxy Voting, Shareowner Campaigns, Corporate Engagement, and Financial Markets Advocacy. This update gives an overview of the work plan for the year, and the enhancements that have been implemented as part of the integration of Corporate Governance into Global Equity.

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 Corporate Governance Program Update

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