



Investment Committee

Agenda Item 9b

September 24, 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 update of Global Equity's Corporate Governance Program's (Program) activities. The activities are primarily focused on three broad work streams namely: Proxy Voting, Corporate Engagement, and Shareowner Campaigns. In line with the Investment Policy, staff updates the Investment Committee periodically throughout the year and as such, this update provides details on the progress and activities within these work streams.

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 to support payment of pension benefits.

Analysis

The Program's activities are guided by the Governance & Sustainability Principles and are executed through three main channels: Proxy Voting, Corporate Engagement, and Shareowner Campaigns. This update provides details on the progress and activities within these work streams.

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 Update

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