

# Proxy Voting & Corporate Engagements Update

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Investment Committee

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## Stewardship Program

<b>Proxy Voting</b>	<ul style="list-style-type: none"><li>• Vote all public company proxies consistent with CalPERS Governance &amp; Sustainability Principles and CalPERS Investment Beliefs</li></ul>
<b>Engagement</b>	<ul style="list-style-type: none"><li>• Engage portfolio companies on compensation, corporate board diversity, energy transition, sustainability, human capital management, and governance best practices</li><li>• Promote long-term value creation</li></ul>
<b>Partnerships</b>	<ul style="list-style-type: none"><li>• Use external and internal partnerships to engage global asset owners and managers, companies, data providers, regulators, and standards-setting bodies</li></ul>
<b>Research</b>	<ul style="list-style-type: none"><li>• Continuous research, development, and integration of best practices, proxy voting enhancements, and evolution of Governance &amp; Sustainability Principles</li></ul>

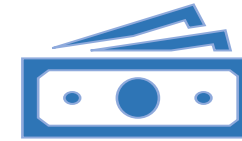
## Stewardship | 2023 Proxy Voting and Corporate Engagement



**>9,000 Meetings Voted**



**Opposed 335 Directors for  
Climate Oversight Concerns**



**Opposed 48%  
Say-on-Pay Proposals**



**453 Engagements**

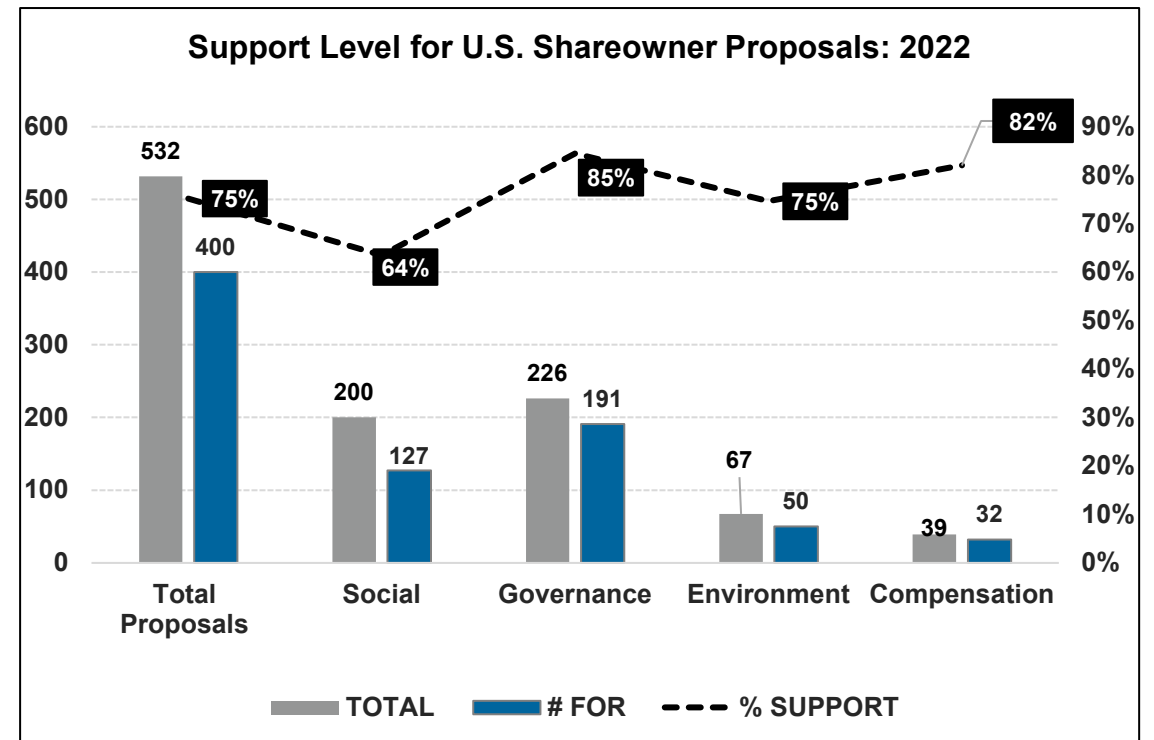
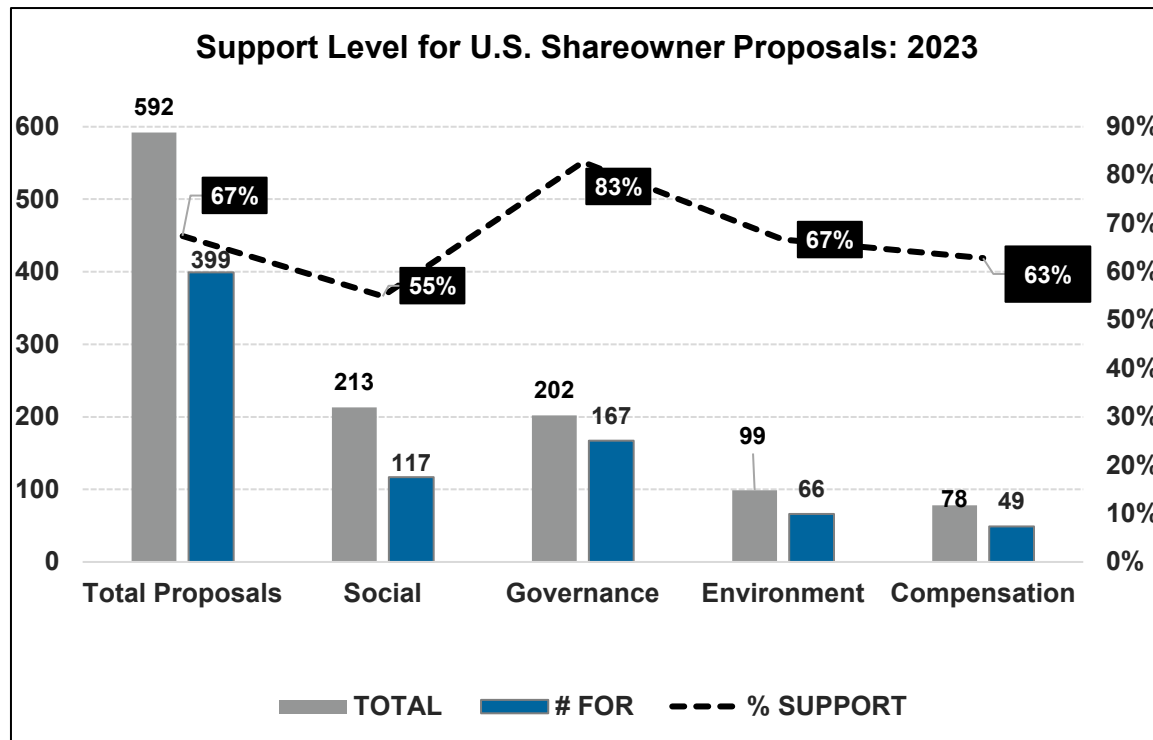


**Climate Action 100+ Lead  
20 Companies**

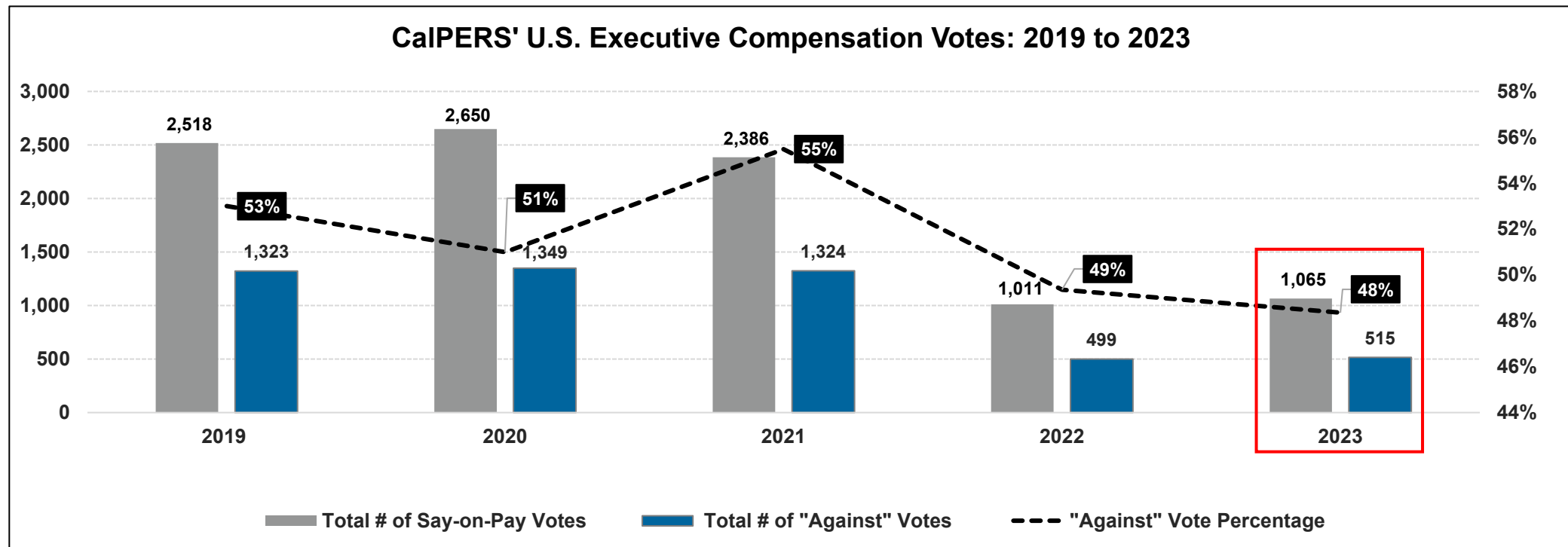


**Opposed 922 Directors for Board  
Composition Concerns**

# Stewardship | CalPERS Vote Support Levels for Shareowner Proposals



## Stewardship | U.S. Executive Compensation Votes



- Director Accountability: CalPERS opposed 1,236 compensation committee members

## Stewardship | Climate Action 100+ Initiative

### Climate Action 100+ Update

- ❑ Phase 2 underway - shifts focus from disclosure to implementation of climate transition plans
- ❑ CalPERS leading engagement at 20 of the 171 companies, plus leadership responsibilities
- ❑ >90% of companies have aligned reporting with Taskforce on Climate-related Financial Disclosure
- ❑ >75% of companies have a 2050 net zero target or ambition
- ❑ More than 700 signatories with over \$68 trillion AUM

### Climate Action 100+ Engagement Goals

Requesting that boards and senior management of companies:

- Implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risk
- Actively reduce GHG emissions across the value chain
- Provide enhanced corporate disclosures on targets and implement transition plans

## Stewardship | Proxy Voting: Climate Risk Oversight

2023

- Expanded universe of companies reviewed to 350 from 165
- Universe accounts for >80% of total portfolio Scope 1&2 emissions and >50% of Scope 3 emissions
- Result: CalPERS opposed 335 directors at 109 companies
- CalPERS staff engaging the 109 companies

2024

- Reviewed company selection criteria and add climate-related criteria to evaluation process
- CalPERS will oppose directors at companies not aligned with our climate criteria
- CalPERS will seek to engage with all companies where we oppose directors

## Stewardship | Human Capital Management (HCM)

Stewardship Topic	Description
<p><b>Freedom of Association</b></p>	<ul style="list-style-type: none"> <li>❖ Engaged 10 companies that had shareowner resolutions on freedom of association/labor related issues</li> <li>❖ Supported all 11 freedom of association/labor related shareowner proposals (CY2023)                             <ul style="list-style-type: none"> <li>○ One proposal passed with 52% support</li> </ul> </li> </ul>
<p><b>Labor Rights – Committee on Workers Capital (CWC) 2023 Proxy Season Report</b></p>	<ul style="list-style-type: none"> <li>❖ CalPERS’ voting aligned with 10 of the 13 issues highlighted in the 2023 report                             <ul style="list-style-type: none"> <li>○ Shareowner Proposals - Supported eight labor rights/freedom of association proposals</li> <li>○ Director Votes – Opposed two directors</li> </ul> </li> </ul>
<p><b>HCM Engagement/Voting</b></p>	<ul style="list-style-type: none"> <li>❖ HCM Engagements                             <ul style="list-style-type: none"> <li>○ HCM topics discussed at 116 engagements</li> </ul> </li> <li>❖ Proxy Voting                             <ul style="list-style-type: none"> <li>○ Compliance with Human Rights Standards Proposals - Supported 20 of 22 (91%) proposals</li> </ul> </li> </ul>



## Stewardship | Key Issues and Priorities for 2024

### Climate/Sustainability

- Climate Action 100+
- Enhanced Director Accountability at CalPERS Top Emitters
- Support climate shareowner proposals consistent with CalPERS Governance and Sustainability Principles:
  - Climate Risk, Net Zero Target Setting, Climate Transition, GHG Emissions, Pollution Related

### Governance

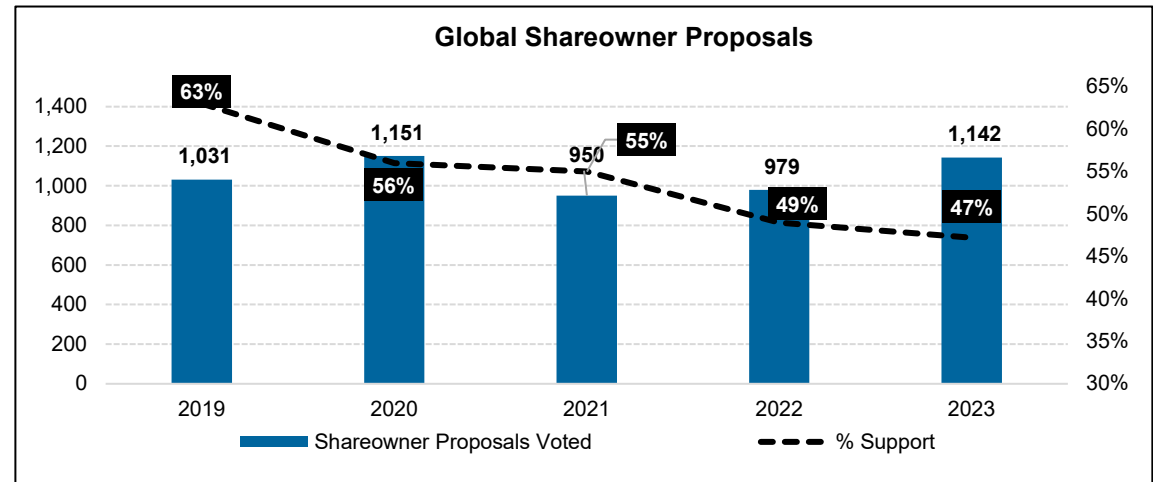
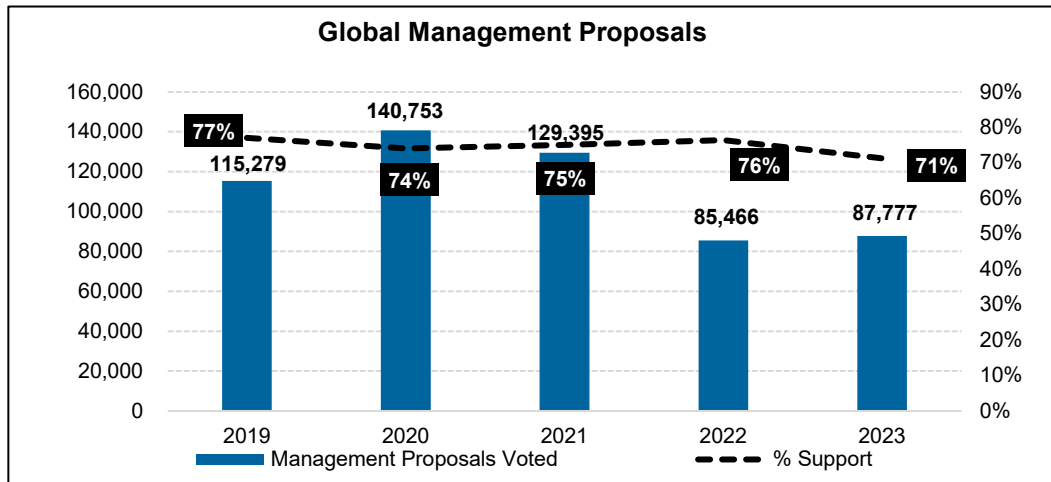
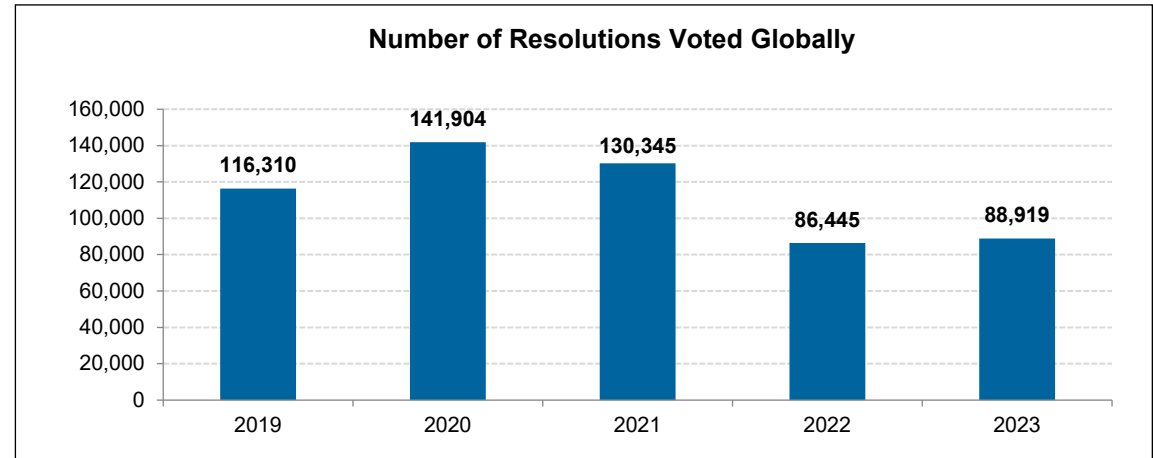
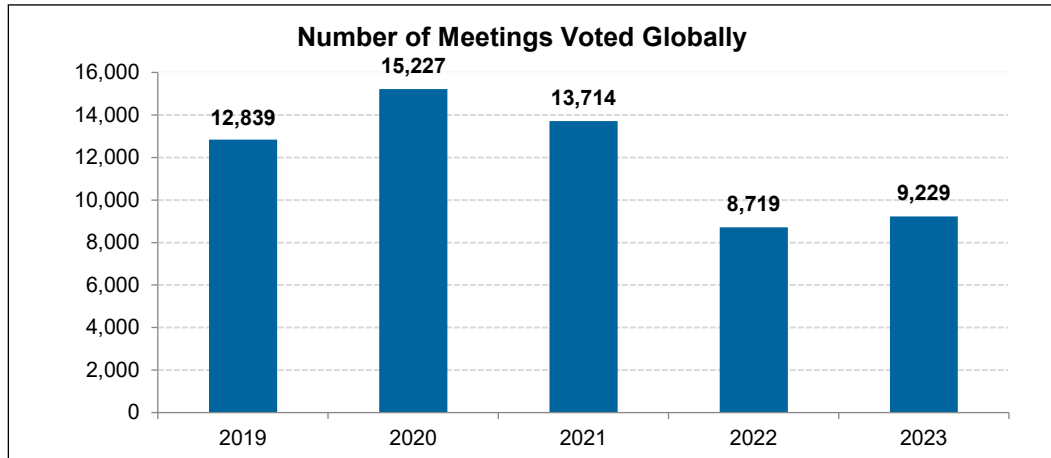
- Contested Director Elections
- Board Composition and Diversity
- Enhanced Disclosures of Director Characteristics
- California Funds Initiative
- Executive Compensation (Say on Pay)
- Support governance shareowner proposals consistent with CalPERS Governance and Sustainability Principles:
  - Artificial Intelligence Reporting, Simple Majority Vote, Independent Board Chair

### Human Capital Management

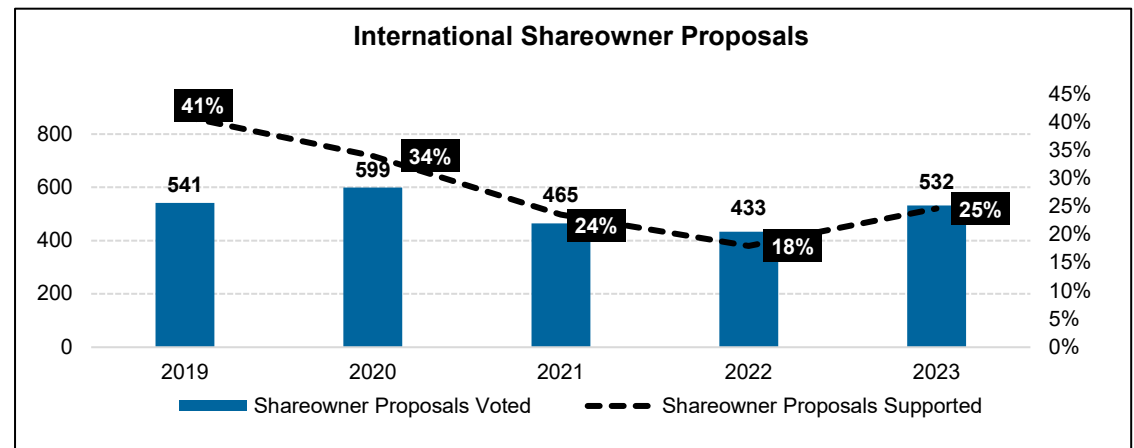
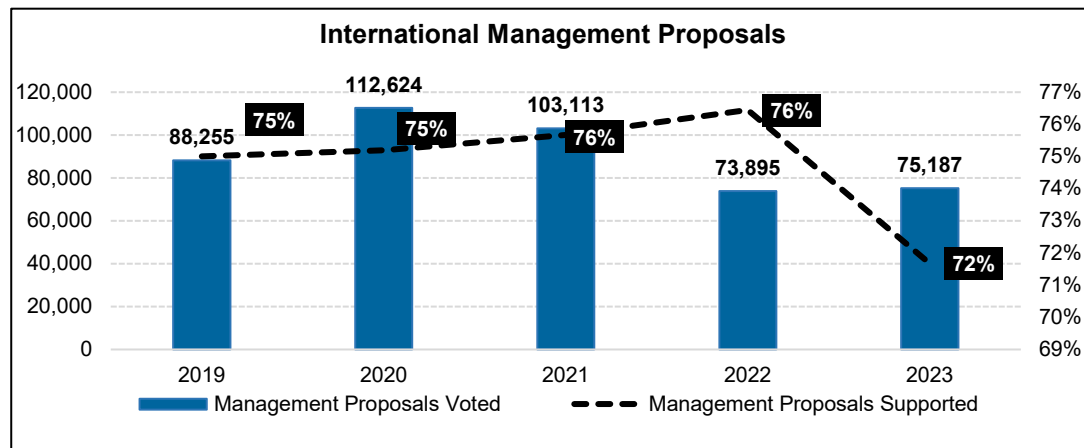
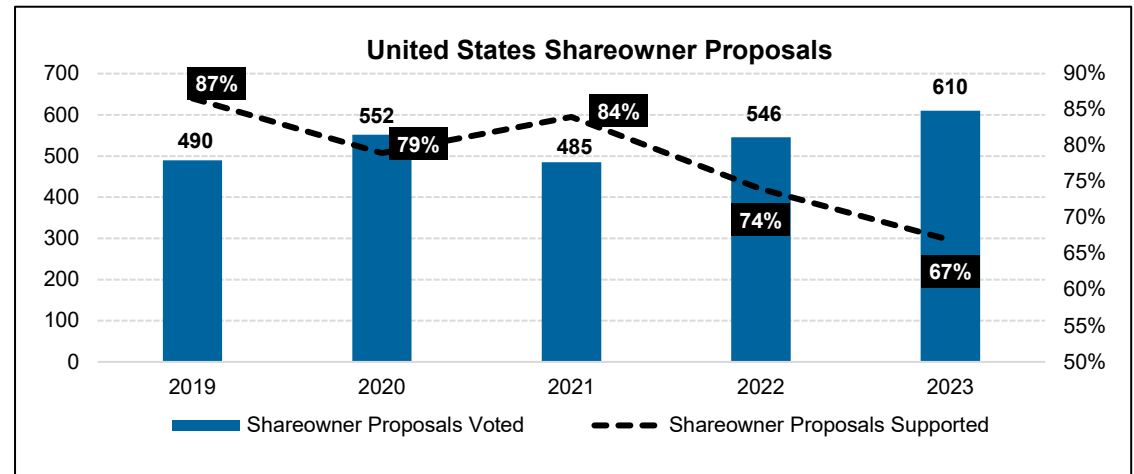
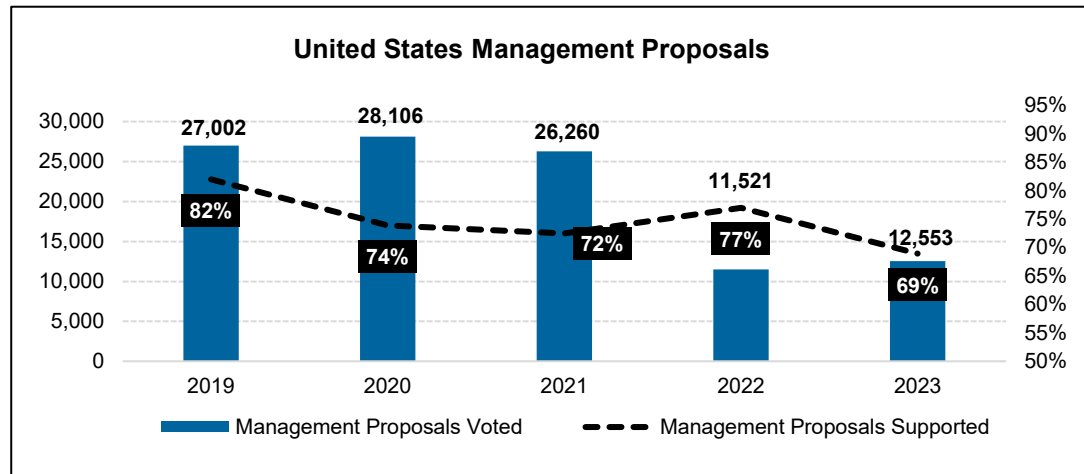
- Board Oversight of Human Capital Management
- Support social-related shareowner proposals consistent with CalPERS Governance and Sustainability Principles:
  - Freedom of Association, Labor Rights, Human Rights, Racial Equity Audits

# Appendix

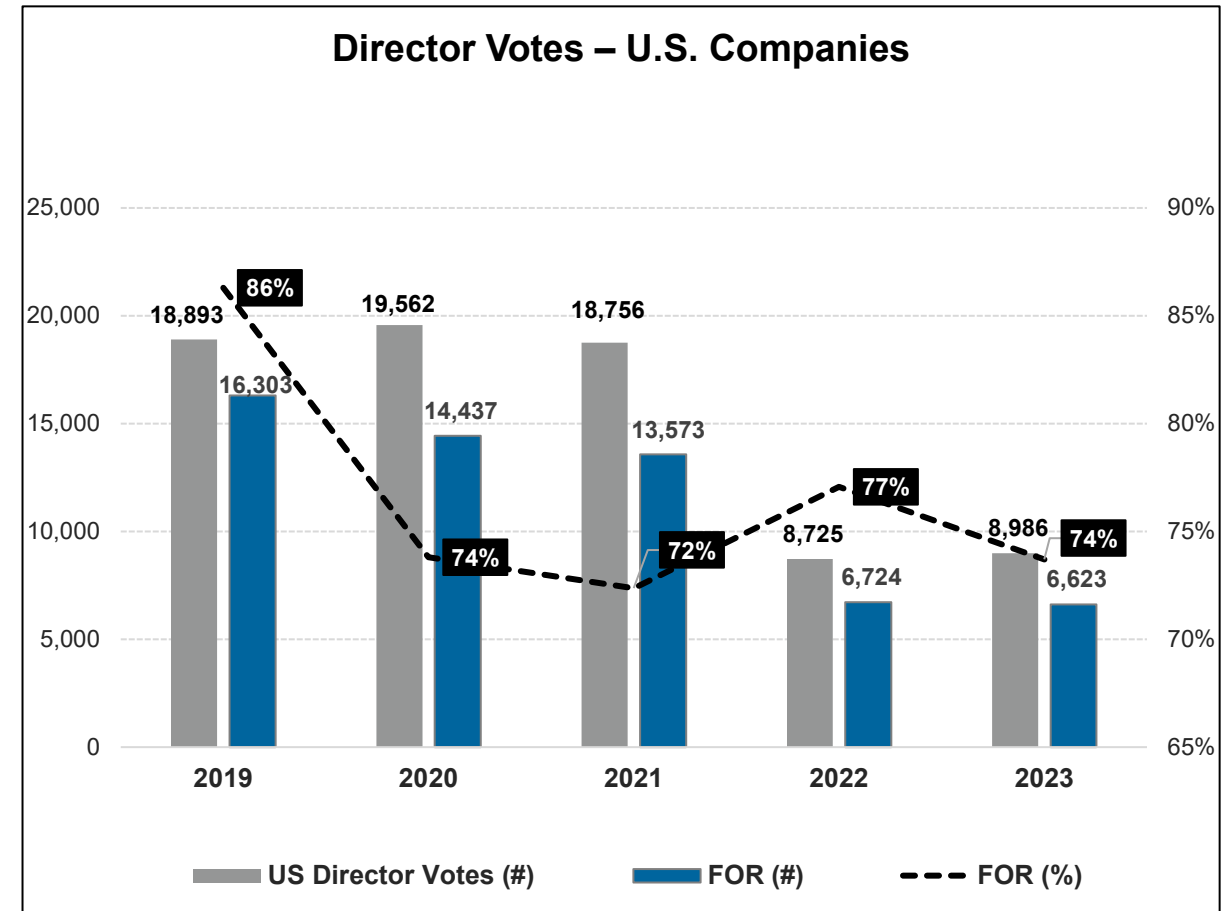
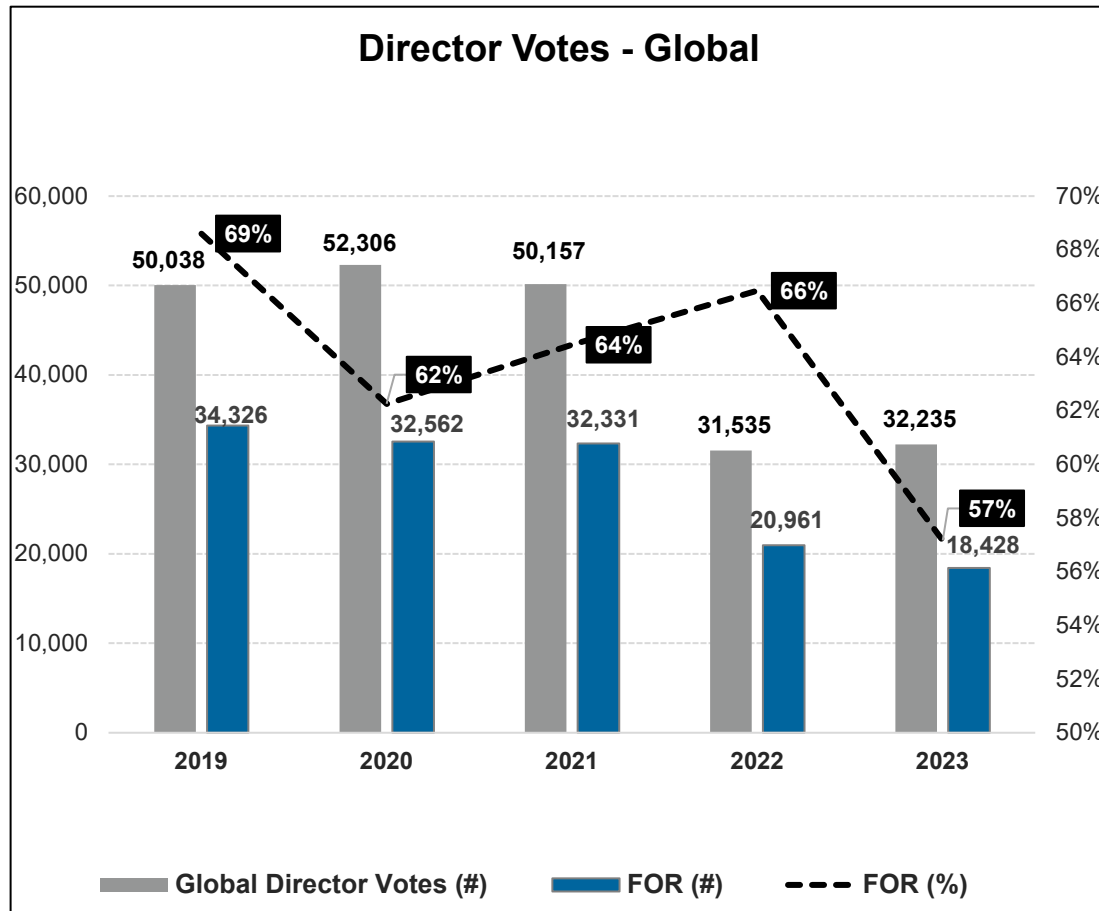
# CalPERS Proxy Voting | Global Vote Record – 2019 to 2023



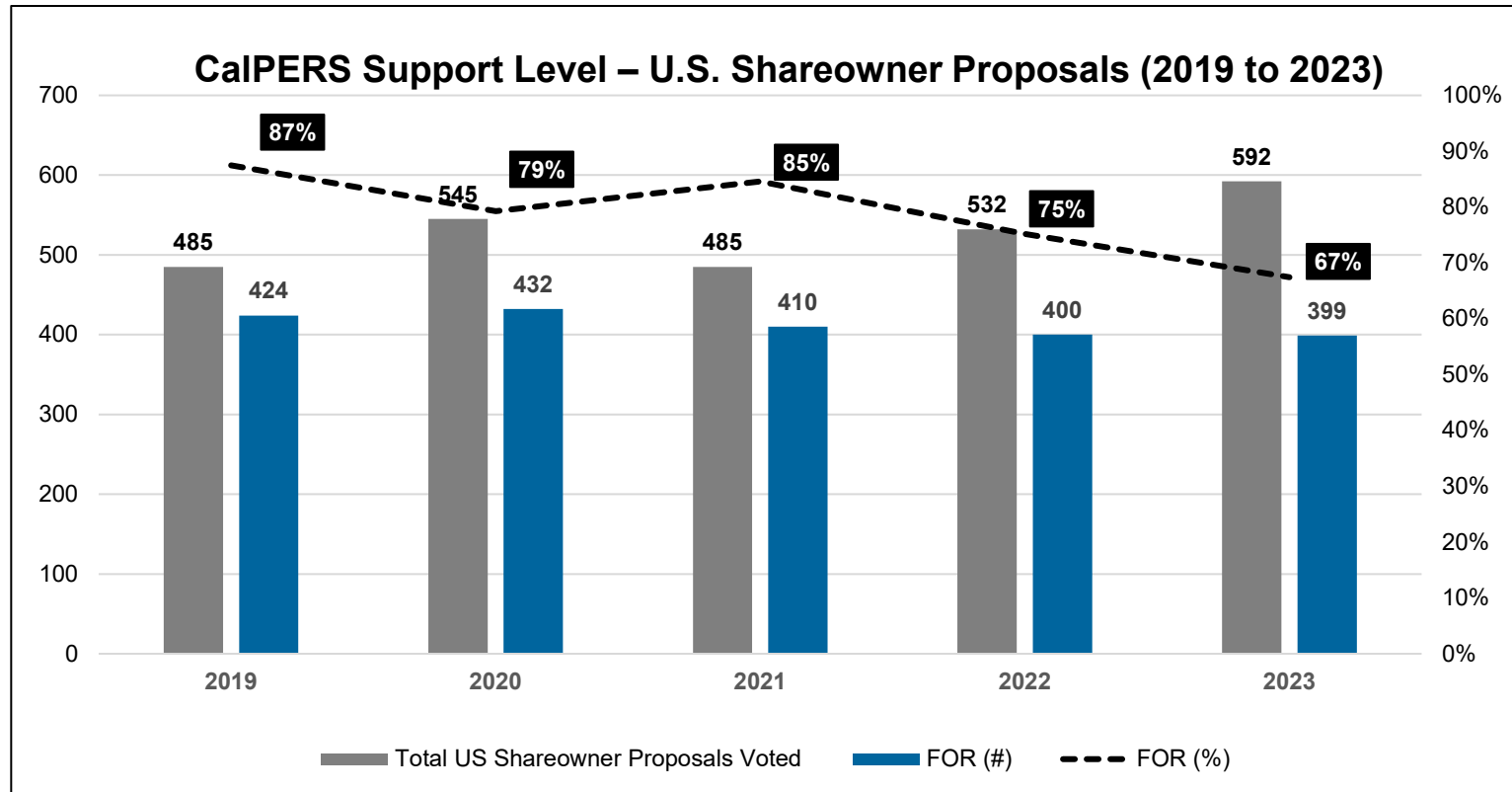
## CalPERS Proxy Voting | Proposal Support Level Globally – 2019 to 2023



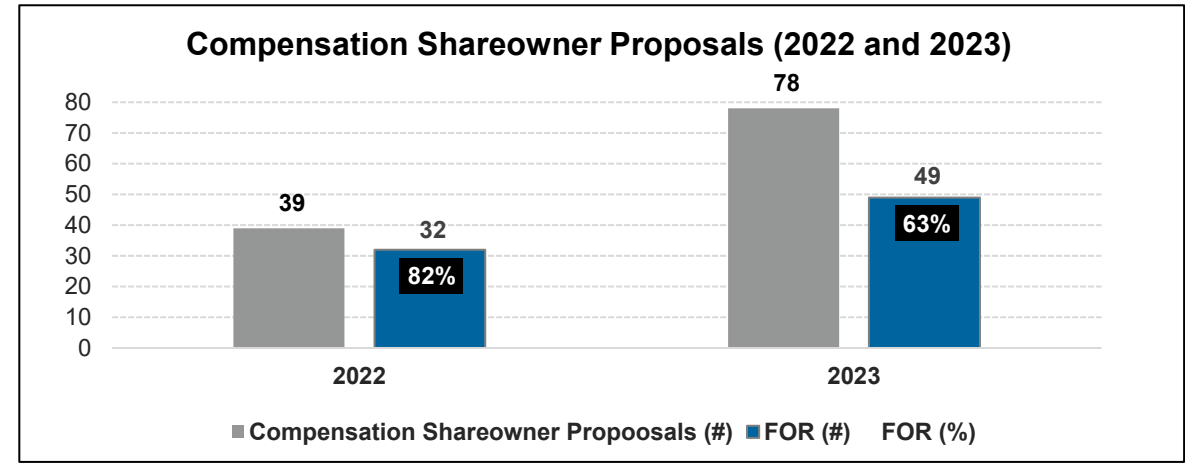
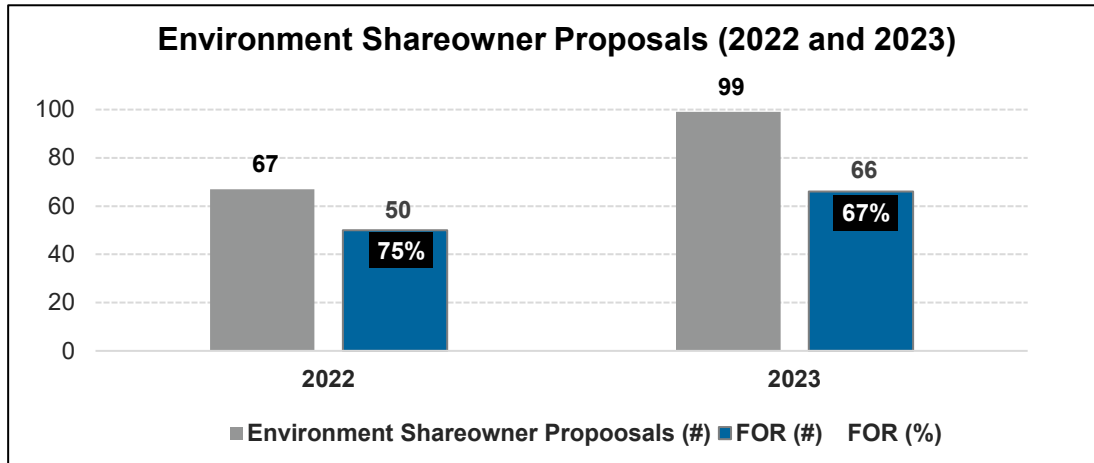
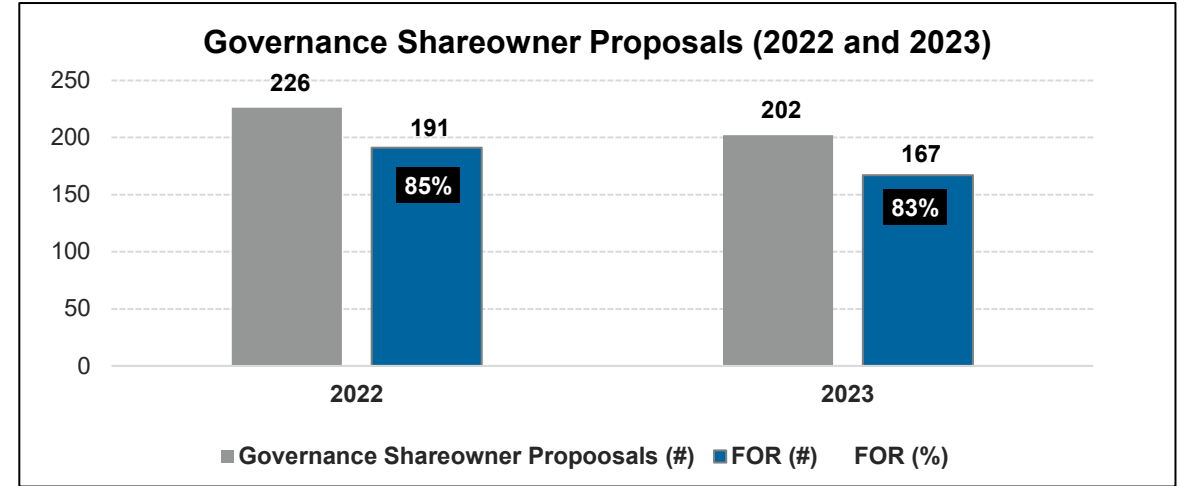
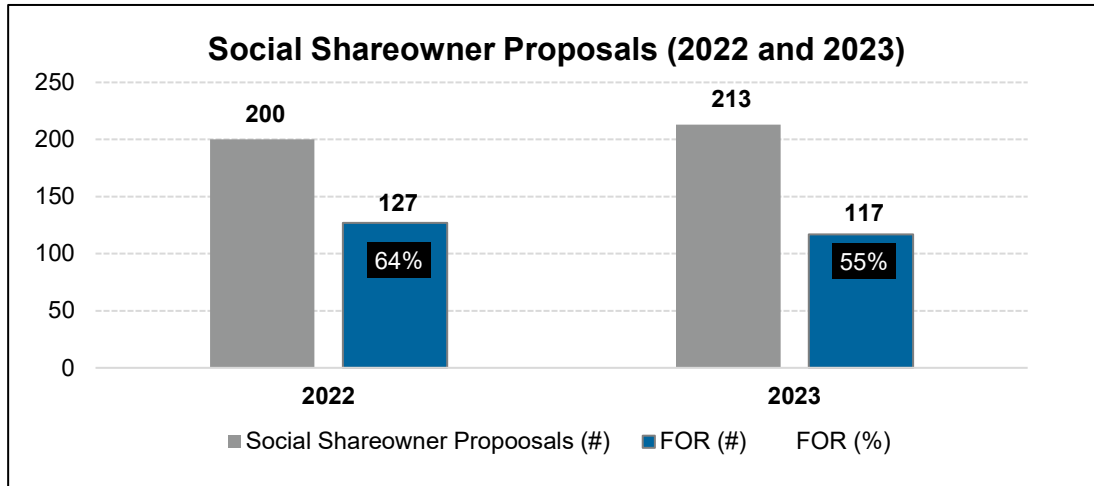
## CalPERS Proxy Voting | Director Voting Support Levels – 2019 to 2023



## CalPERS Proxy Voting | U.S. Shareowner Proposal Support Levels 2019 to 2023



## CaIPERS Proxy Voting | U.S. Shareowner Proposal Support Level by Issue 2022 and 2023



## CalPERS Proxy Voting | Most Common U.S. Shareowner Proposals – 2023

Most Common Social Proposals	Proposals (#)	FOR (#)	FOR (%)
Reviewing Political Spending or Lobbying	51	40	78%
Human Capital Management	30	15	50%
Racial Equity Audit	23	10	43%
Compliance with International Human Rights Standards	22	20	91%
Drug Pricing/Distribution	11	5	45%

Most Common Environmental Proposals	Proposals (#)	FOR (#)	FOR (%)
Report on Climate Change	35	16	46%
Report and Reducing Greenhouse Gas Emissions	30	30	100%
Environmental Report	13	9	69%
Climate Lobbying	9	9	100%

Most Common Governance Proposals	Proposals (#)	FOR (#)	FOR (%)
Separate Chair CEO	78	71	91%
Right to Call a Special Meeting	35	31	89%
Eliminate Supermajority Provisions	13	13	100%

Most Common Compensation Proposals	Proposals (#)	FOR (#)	FOR (%)
Regarding Golden Parachutes	41	21	51%
Race/Gender Pay Equity Report	12	12	100%
Restricting Executive Compensation	13	10	77%



## CalPERS Corporate Governance Resources

CalPERS Corporate Governance Website:

<https://www.calpers.ca.gov/page/investments/corporate-governance>

- **Corporate Engagements**
  - ✓ Board Diversity
  - ✓ Climate Risk Oversight
  - ✓ Executive Compensation
  - ✓ Japan Board Independence
  
- **Proxy Voting**
  - ✓ Vote Disclosure Trends (new)
  - ✓ Governance and Sustainability Principles
  - ✓ Proxy Voting Guidelines
  - ✓ Notable Proxy Votes
  - ✓ Global Proxy Voting Decisions
  - ✓ Executive Compensation Analysis Framework