
April 16, 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) 2018 Shareowner Campaigns – which includes shareowner proposals filed and any related proxy solicitation activity.

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.

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.

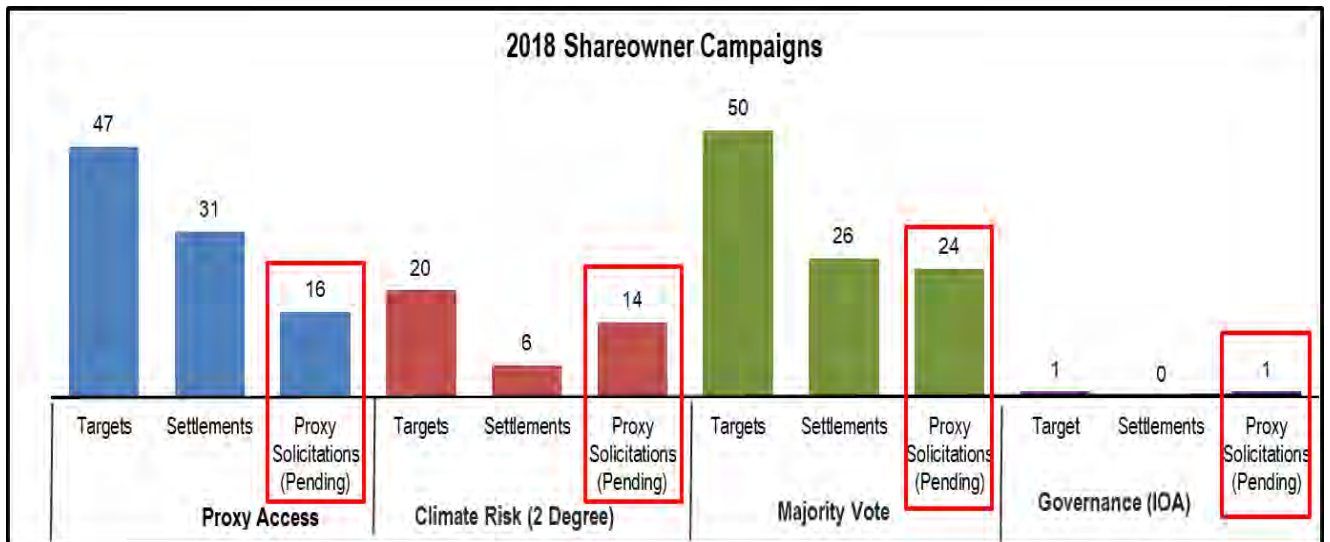
Analysis

This update provides detail on CalPERS 2018 Shareowner Campaigns and related proxy solicitations. The activity associated with these campaigns is consistent with CalPERS Strategic Plan surrounding ESG strategic and core work. Staff has also provided a record of prior year efforts (2017 Shareowner Campaigns) to give historical context of CalPERS proxy solicitation efforts.

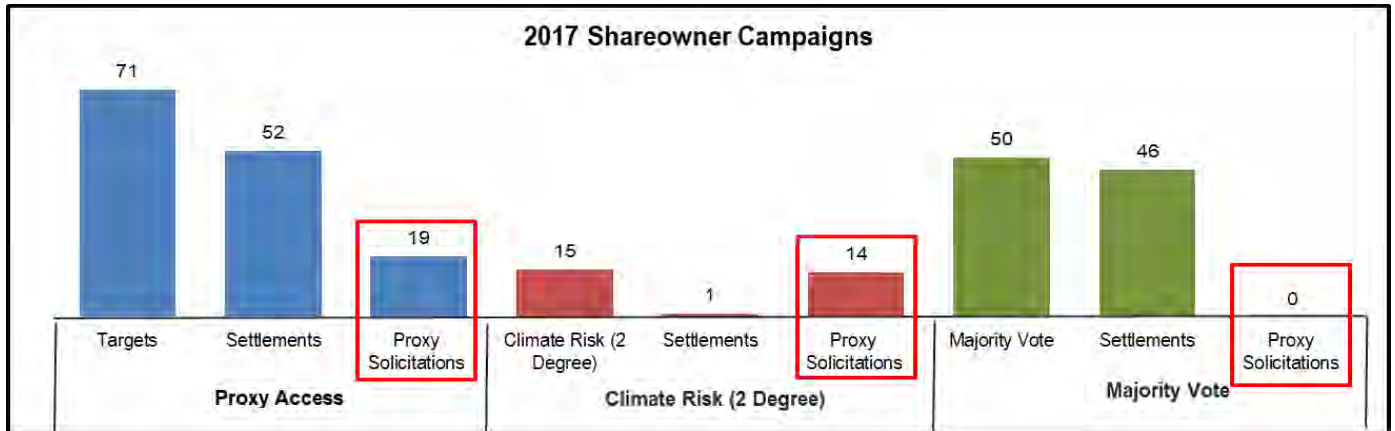
➤ **2018 Shareowner Campaigns: Total Solicitations → 55**

- Proxy Access (16)
- Target company selection: concerns over board diversity, climate risk, executive compensation, or other corporate governance issues
- Climate Risk – 2 Degree (14)
- Majority Vote for Director Elections (24)
 - YTD 26 of 50 companies have committed to or adopted
 - Filed and withdrew at 21 companies after settlements
- Investors for Opioid Accountability (IOA) – Governance Concern (1)
- Diversity & Inclusion (D&I) – Staff will monitor non-responding Russell 3000 D&I companies for shareowner proposal activity and run proxy solicitations where appropriate

Note: Solicitations numbers are subject to change due to settlements



- **2017 Shareowner Campaigns: Total Solicitations → 33**
 - Proxy Access (19)
 - Climate Risk – 2 Degree (14)
 - Majority Vote for Director Elections (0)
 - 50 companies targeted – 46 adopted, 4 removed due to M&A
 - Filed and withdrew at 14 companies after settlements



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.

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