

Proxy Voting & Corporate Engagements Update

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Investment Committee

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Integration of Governance and Sustainability

Proxy Voting

Vote all public company proxies in a manner consistent with CalPERS' Governance & Sustainability Principles and CalPERS Investment Beliefs

Engagement

Actively engage portfolio companies on compensation, corporate board diversity, climate change, human capital management, other governance and sustainability considerations to promote long-term value creation

Partnerships

Use external and internal partnerships to actively engage global asset owners and managers, companies, data providers, regulators, and standards-setting bodies. Continued emphasis on internal partnerships and collaboration within INVO asset classes under TPA

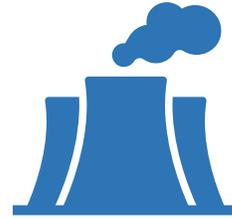
Research

Research, develop, and integrate best practices and proxy voting enhancements, while evolving Governance & Sustainability Principles

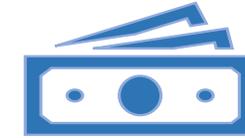
Stewardship | 2025 Proxy Voting and Corporate Engagement



> **10,500 Meetings Voted**
> **102,000 Resolutions Voted**



**Opposed 412 Directors for
Climate Oversight Concerns**



**Opposed 42%
Say-on-Pay Proposals**



368 Public Company Engagements
****AUM Engaged \$125b****



**Climate Action 100+ Lead
20 Companies**



**Opposed 1,388 Directors for
Board
Composition Concerns**

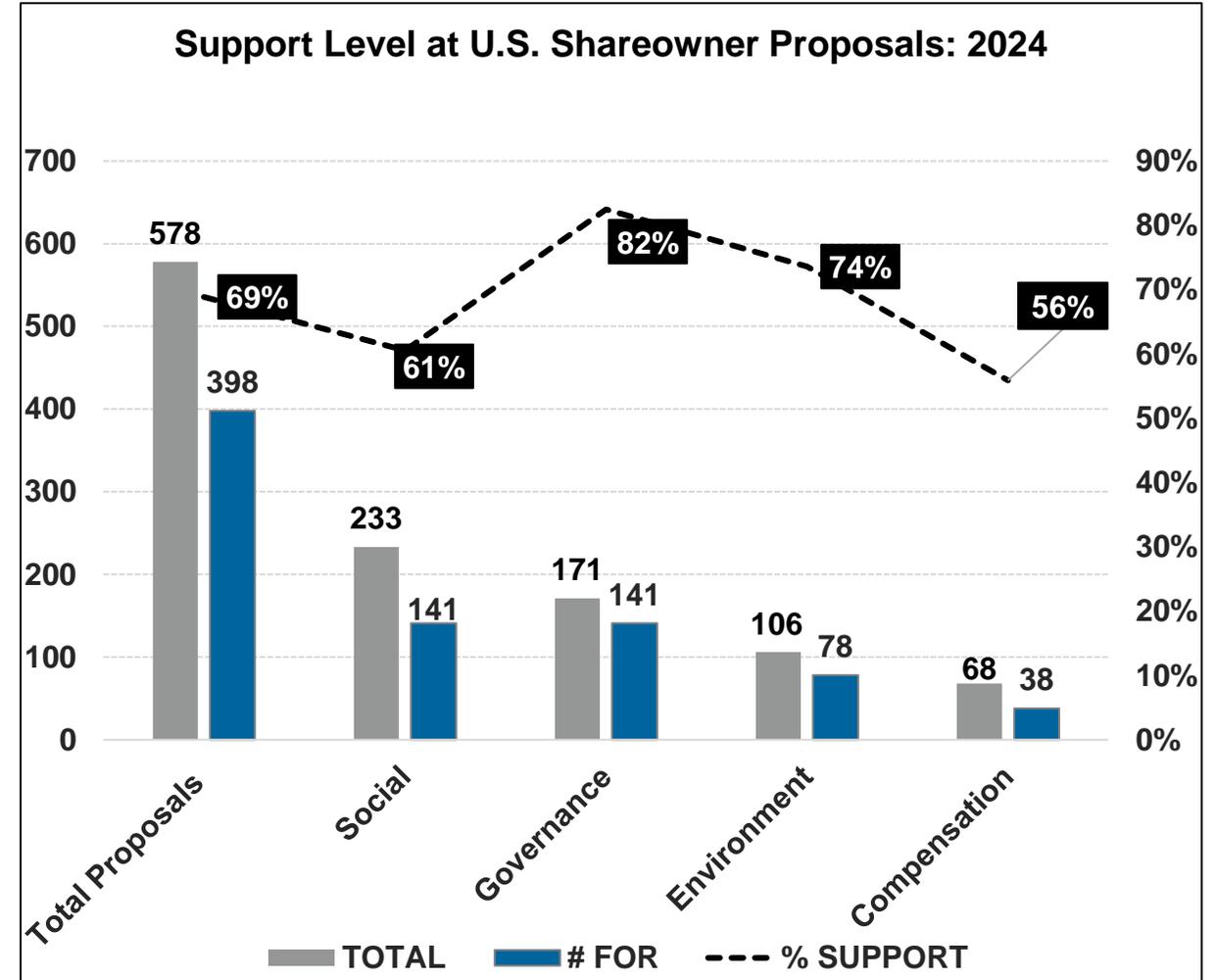
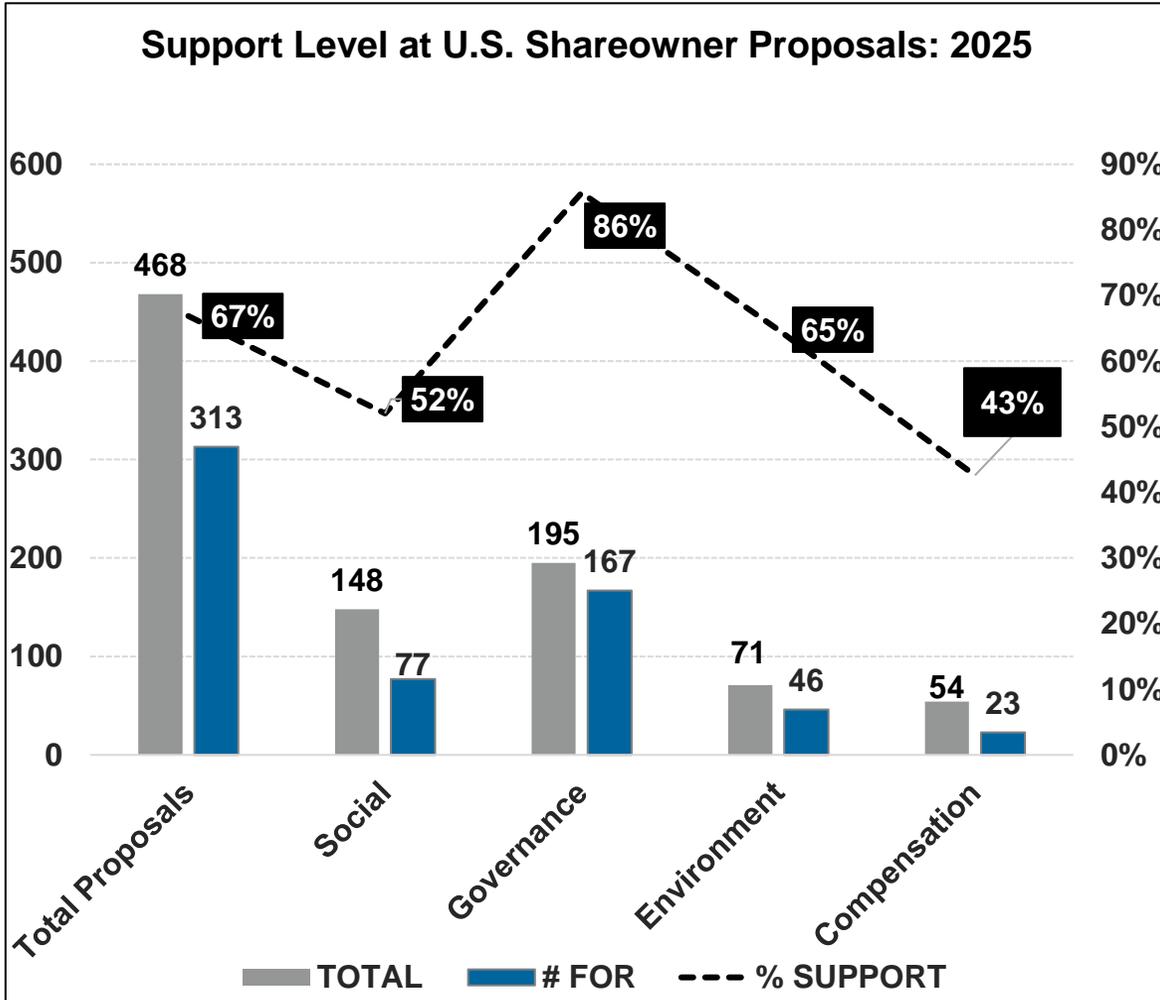
Stewardship | 2025 Key Proxy Votes

Company		Proposal Description
Governance	Walgreens Boots Alliance (WBA)	Withheld vote from board leadership whose tenure overlapped with periods of long-term stock price underperformance (support ranged from 92% to 95%)
	Tesla (TSLA)	Voted “against” Advisory Vote on Executive Compensation (79% support) and 2024 CEO Performance Award (77% support) Withheld vote from Compensation Committee members (support ranged from 65% to 78%)
Environment	BJ’s Wholesale Club Holdings Inc. (BJ)	Report on Efforts to Reduce GHG Emissions (30% support)
	Cintas Corporation (CTAS)	Report on Efforts to Reduce GHG Emissions in Alignment with Paris Agreement Goals (26% support)
Social	Planet Fitness (PLNT)	Voted “for” shareowner proposal requesting EEO-1 Reporting (37% support)
	Mondelez International Inc. (MDLZ)	Voted “for” shareowner proposal surrounding Freedom of Association and Collective Bargaining (10% support)

Stewardship | 2025 – CalPERS Votes for Common Shareowner Proposals

<p>Governance</p>	<ul style="list-style-type: none"> ❖ Ability to Call Special Meetings (voted “for” 56 of 62 proposals) – Supported 90% ❖ Eliminate Supermajority Vote Requirements (voted “for” 29 of 29 proposals) – Supported 100% ❖ Separate Chairman & CEO (voted “for” 26 of 27 proposals) – Supported 96% ❖ Regarding Majority Vote for Director Elections (voted “for” 11 of 11 proposals) – Supported 100%
<p>Environmental</p>	<ul style="list-style-type: none"> ❖ Environmental Report (voted “for” 14 of 16 proposals) – Supported 88% ❖ Report on Reducing Greenhouse Gas Emissions (voted “for” 12 of 14 proposals) – Supported 86%
<p>Social</p>	<ul style="list-style-type: none"> ❖ Review Political Spending and Lobbying (voted “for” 23 of 25 proposals) – Supported 92% ❖ Compliance with Human Rights Standards (voted “for” 12 of 18 proposals) – Supported 67%
<p>Compensation</p>	<ul style="list-style-type: none"> ❖ Regarding Golden Parachutes (voted “for” 19 of 27 proposals) – Supported 70% ❖ Regarding Retention of Shares (voted “for” 3 of 3 proposals) – Supported 100%

Stewardship | CalPERS Vote Support Levels for Shareowner Proposals



Stewardship | Regulatory / Market Environment

Regulatory / Market Developments:

Shareowner Proposal Rule 14a-8 “No-Action” Pause

Restriction of Exempt Solicitations – SEC will object to “Notices of Exempt Solicitation” from owners of less than \$5 million

Shareowner Proposal Submission Requirements – Consideration of rule to increase shareowner proposal submission levels

Semi-Annual Reporting – SEC considering a shift from quarterly (10-Q) to semi-annual

Executive Order on Proxy Advisory Firms

Proxy Advisor Policy/Evaluation Updates (ISS & GL)

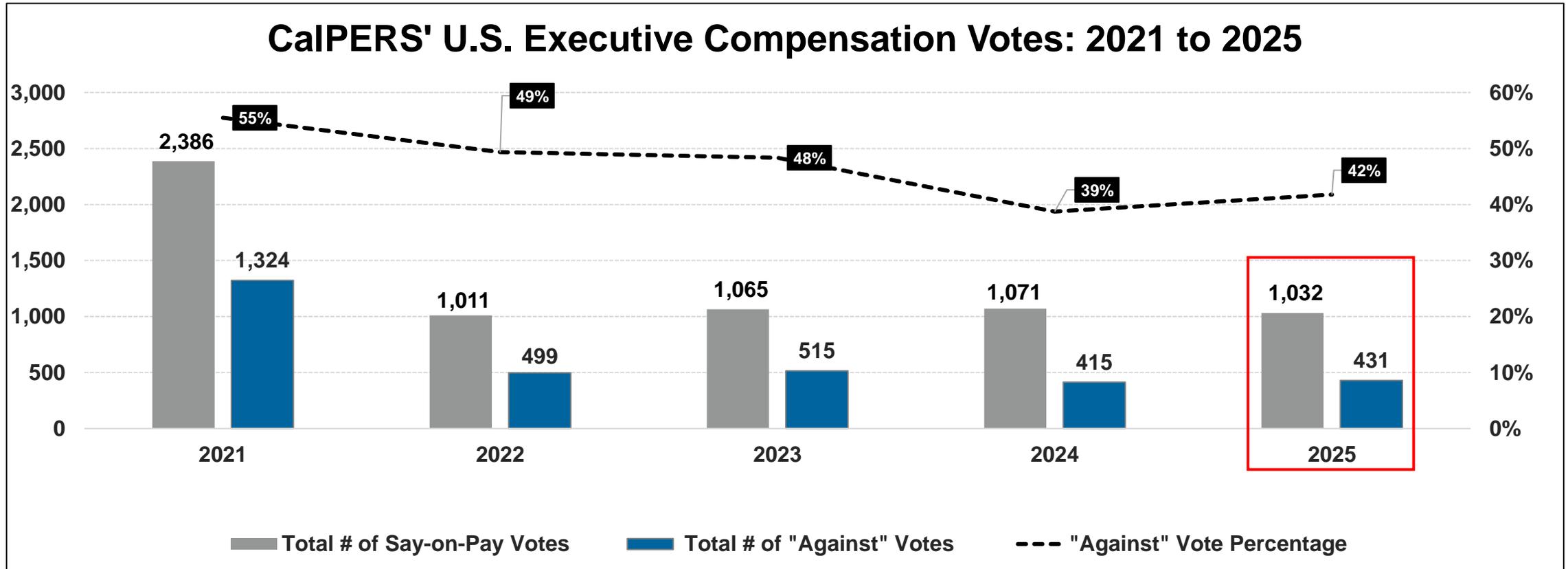
Asset Manager Proxy Voting and the move away from Proxy Advisory firm services

Retail Voting Programs (ExxonMobil)

Stewardship | 2025 Highlights

Stewardship Topic	Description
Executive Compensation (Say-on-Pay)	<ul style="list-style-type: none"> ❖ CalPERS voted “against” 42% (431 of 1,032) Say-on-Pay proposals at companies failing to align pay with performance
DEI Rollback Engagements	<ul style="list-style-type: none"> ❖ CalPERS’ actively engaging 16 companies surrounding reported rollback of DEI activities <ul style="list-style-type: none"> ○ Hold directors accountable for removal of best practice disclosures/policies where appropriate
Shareowner Proposal Opposition	<ul style="list-style-type: none"> ❖ CalPERS voted “against” an increased number of shareowner proposals on a variety of ESG topics <ul style="list-style-type: none"> ○ CalPERS supports shareowner proposals that increase useful disclosure, protect shareowner rights, and promote long-term shareowner value creation
Regulatory Filing NP-X Reporting for FY 2024-25	<ul style="list-style-type: none"> ❖ Satisfied NP-X filing requirements with the SEC

Stewardship | U.S. Executive Compensation Votes



2025 Director Accountability: CalPERS opposed 1,573 compensation committee members (vs. 1,147 in 2024)

Stewardship | Proxy Voting: Climate Risk Oversight

Topic	Description
<p>Climate Action 100+ Initiative</p>	<ul style="list-style-type: none"> • CalPERS leading engagement at 20 of the 164 focus companies, plus leadership responsibilities • Initiative aims to improve governance of climate-related risks and opportunities, curb greenhouse gas emissions, and strengthen climate-related financial disclosures • 2025 Progress Update: Of the 164 focus companies, 80% have now set a long-term GHG reduction target between 2036 and 2050, 91% have some level of board oversight of material climate-related issues, and 81% have taken steps to align with the Taskforce on Climate related Financial Disclosure (TCFD) recommendations
<p>Top GHG Emitters</p>	<ul style="list-style-type: none"> • CalPERS continues its proxy voting approach to consider specific climate-related criteria to hold directors accountable at its highest 350 emitting companies in the portfolio • This group of companies account for about 80% of total portfolio scope one and two emissions and over 70% of scope three emissions • In 2025 CalPERS voted against about 412 directors at approximately 115 of the high emitting companies. • CalPERS will seek to engage with all companies where we voted against directors

Stewardship | 2026 Proxy Voting Guideline Updates

Stewardship Topic	Description
Executive Compensation	<ul style="list-style-type: none"> ❖ Updated the CalPERS Executive Compensation Analysis Framework and Proxy Voting Guidelines to further align companies with long-term shareowners. Staff will focus on the following priorities: <ul style="list-style-type: none"> ○ Pay should not be overly volatile as excessive swings in compensation can undermine the stability and focus required for long-term strategic execution ○ Long-term Incentive pay should be designed to reward CEOs above market for exceptional performance, and not overall market appreciation ○ Compensation plans should not be excessively dilutive to existing shareholders, ensuring that equity awards are granted judiciously and in a manner that preserves long-term value ○ Equity awards should have long vesting periods
Director Voting	<ul style="list-style-type: none"> ❖ Hold director nominees accountable at companies that have abused Rule 14a-8 surrounding shareowner proposal submission (no-action process). Staff will review these scenarios on a case-by-case basis and vote “against” one or all of the following director nominees: <ul style="list-style-type: none"> ○ Board Chair ○ Nominating Governance Committee Members ○ Long-Tenured Directors ❖ Run Vote No Campaign on case-by-case basis

Stewardship | Key Issues and Priorities for 2026



Climate & Sustainability

- Climate Action 100+
- 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

- Executive Compensation (Say-on-Pay)
- Corporate Board and Director Accountability
 - Diversity and qualified directors
- Enhance Disclosures of Director Characteristics
- U.S. State of Reincorporation Requests
- Support governance shareowner proposals consistent with CalPERS Governance and Sustainability Principles (i.e., Independent Board Chair and Severance Agreements)

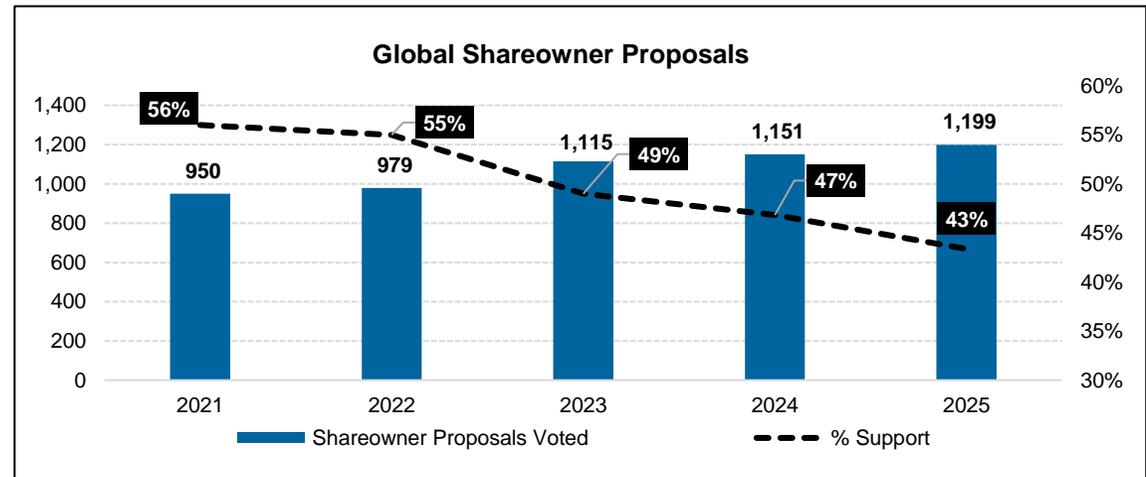
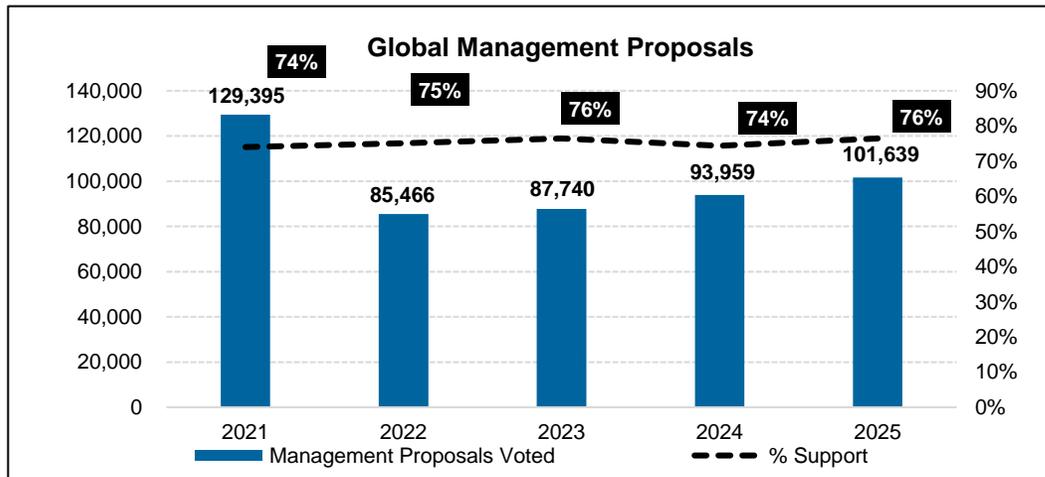
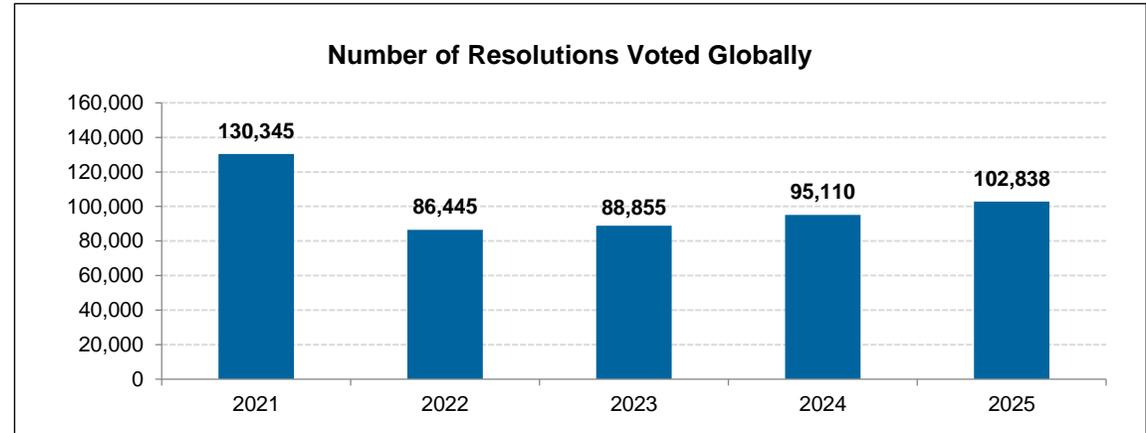
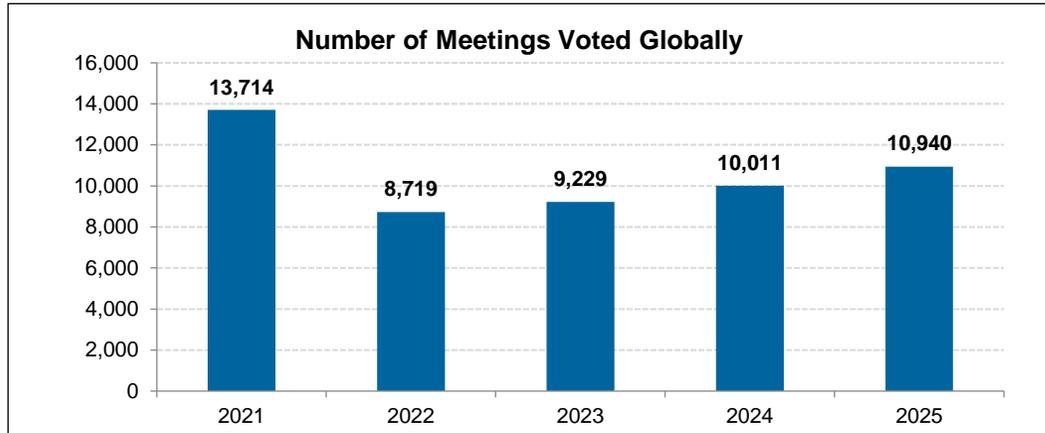


Human Capital Management

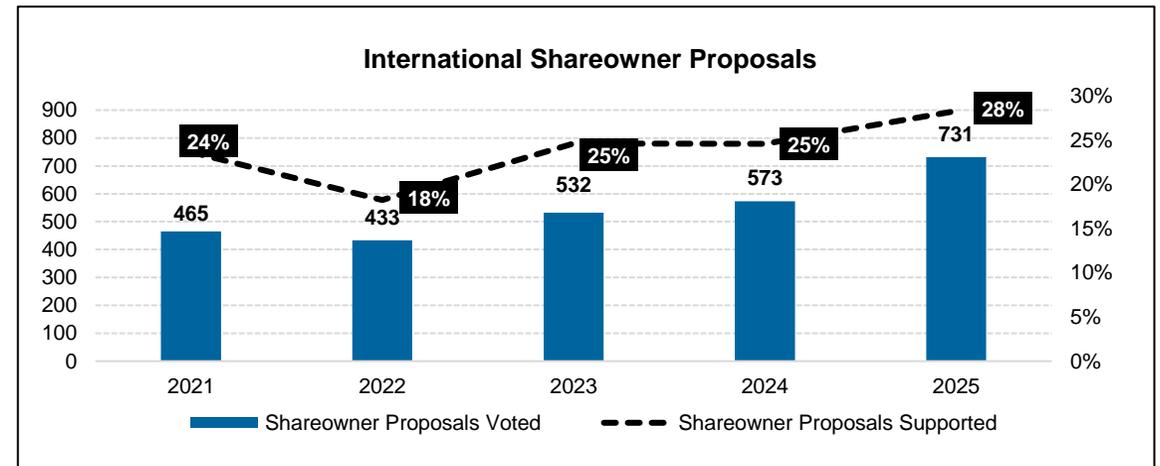
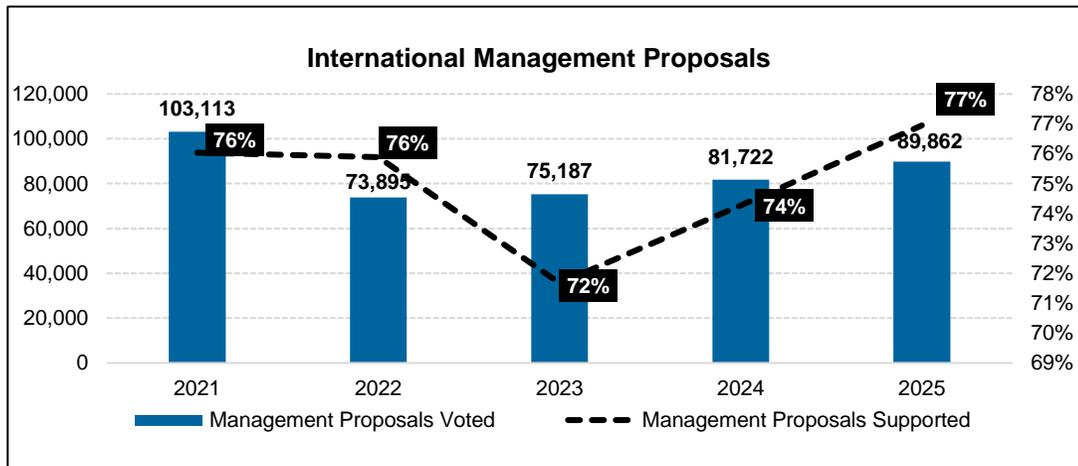
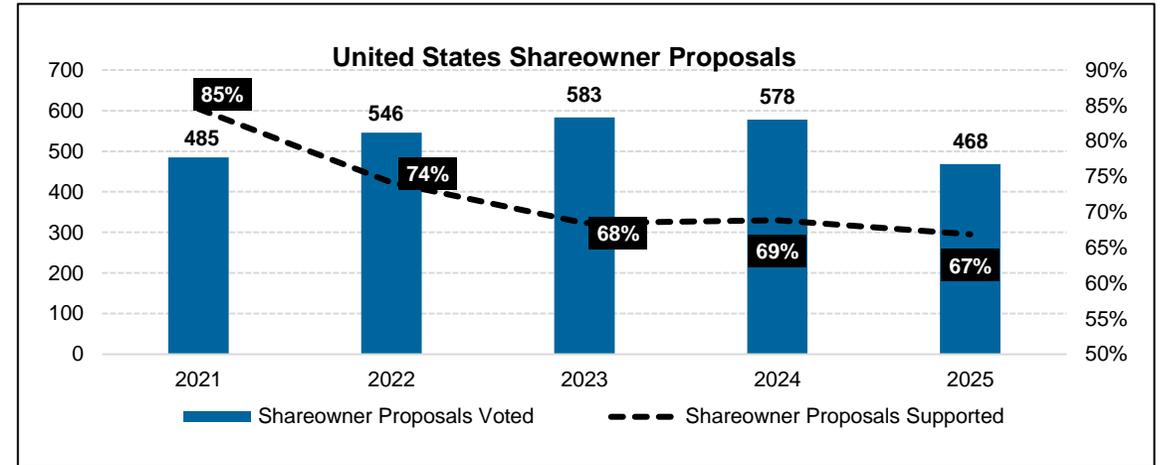
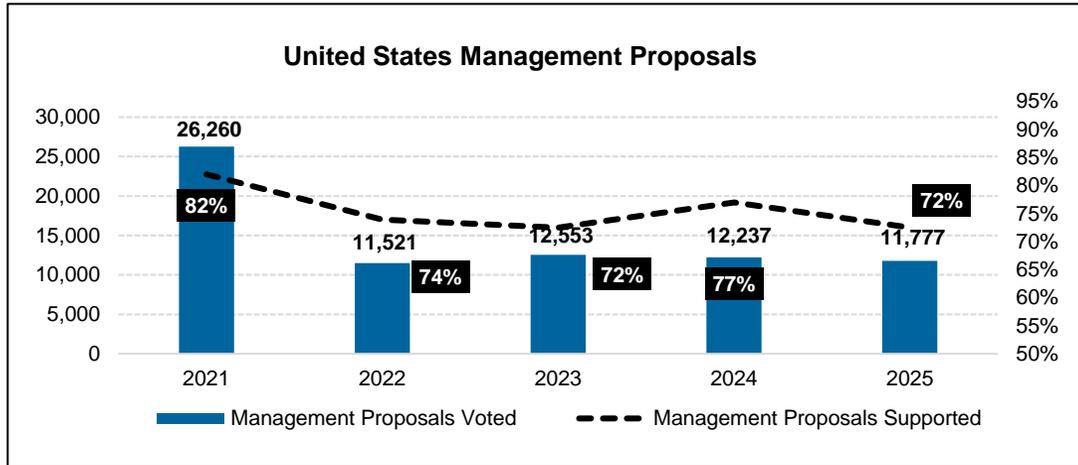
- Board Oversight of Human Capital Management
- Human Rights and Workforce Disclosure
- Support social-related/HCM related shareowner proposals consistent with CalPERS Governance & Sustainability Principles and Labor Principles:
 - Artificial Intelligence Reporting/Oversight, Freedom of Association, Labor/Human Rights, Racial Equity Audits

Appendix

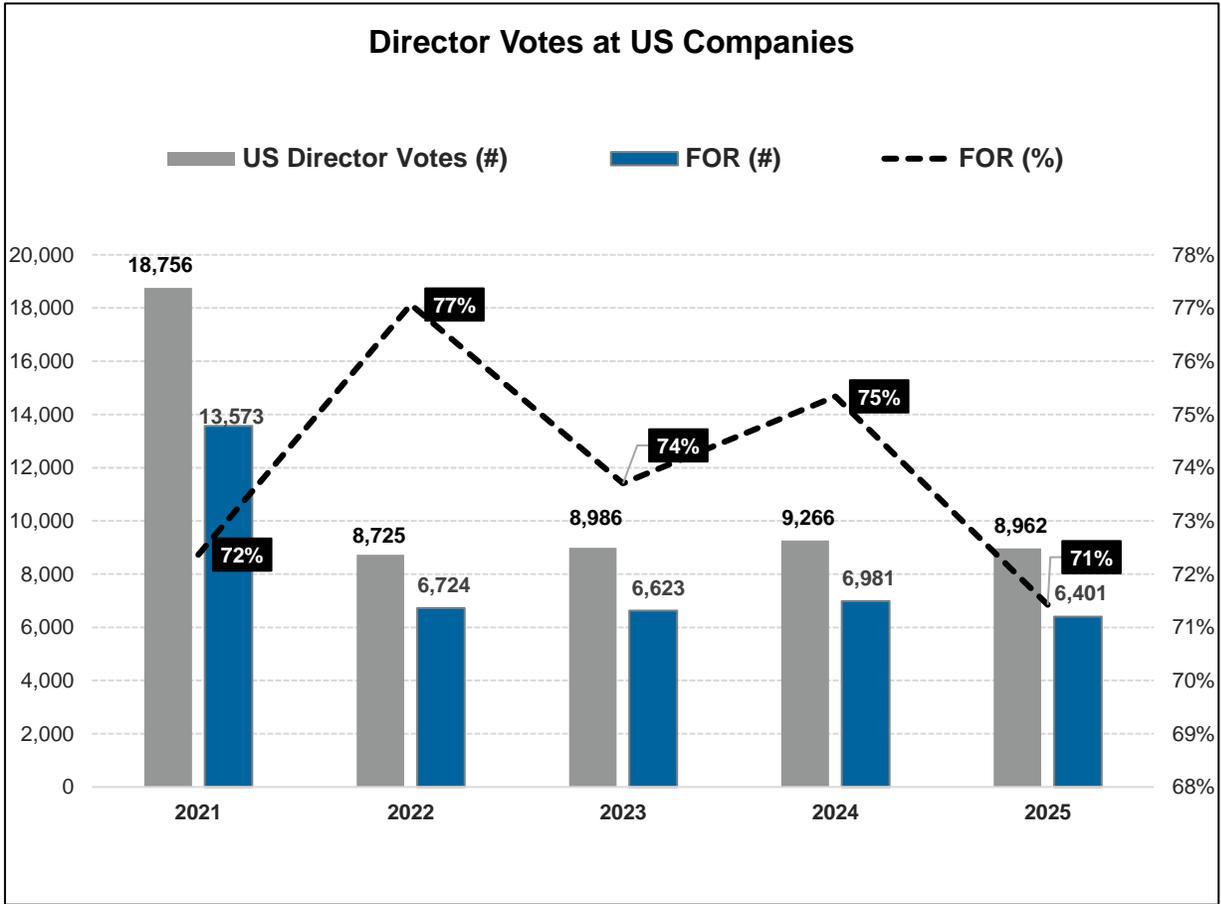
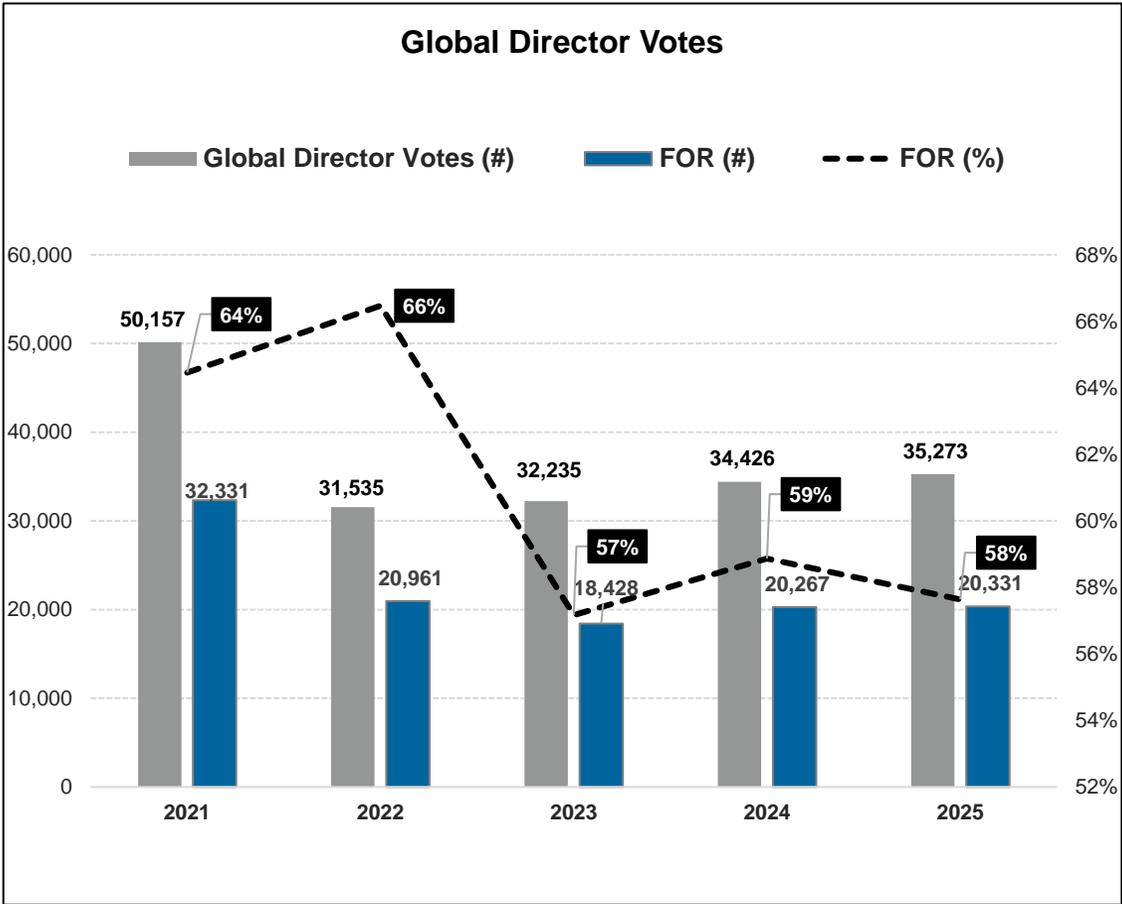
CalPERS Proxy Voting | Global Vote Record – 2021 to 2025



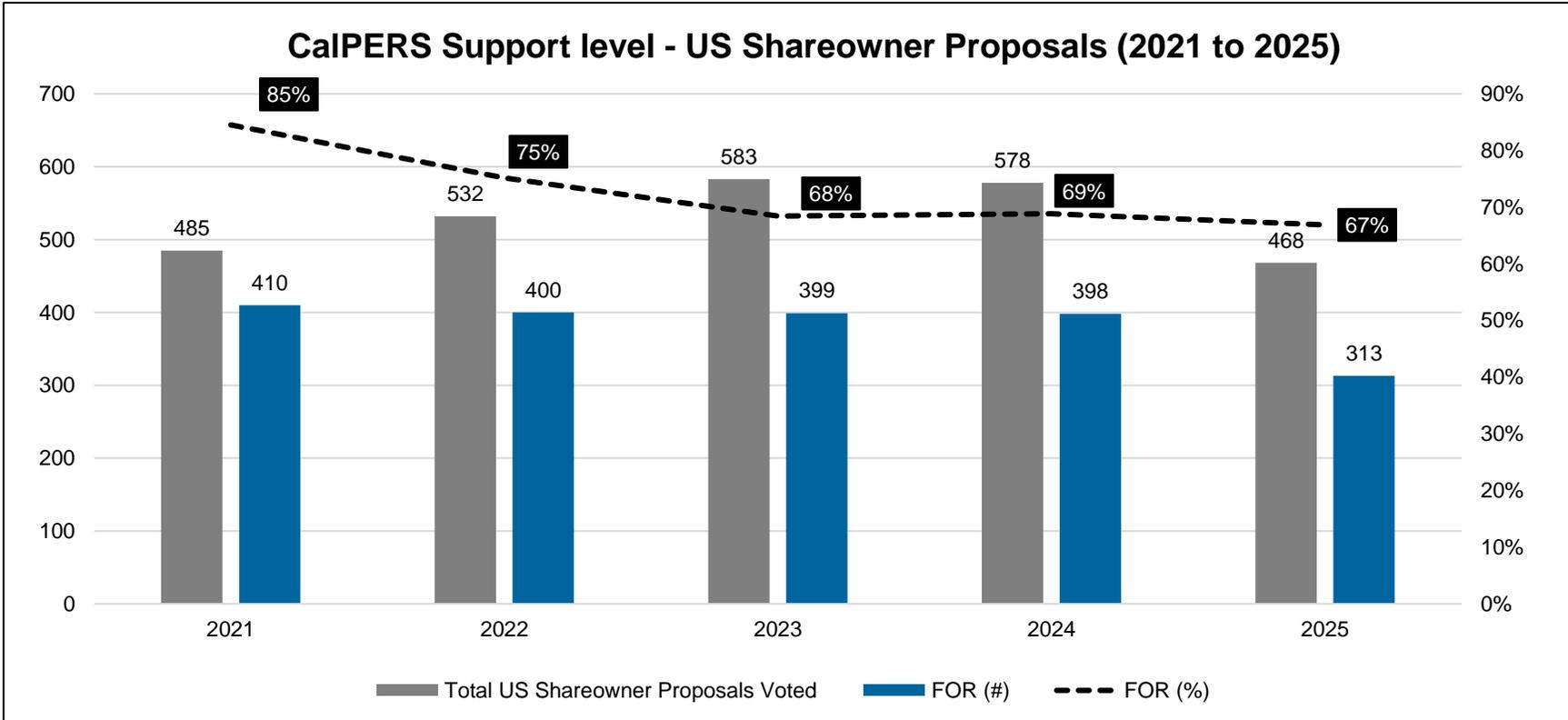
CaIPERS Proxy Voting | Proposal Support Level Globally – 2021 to 2025



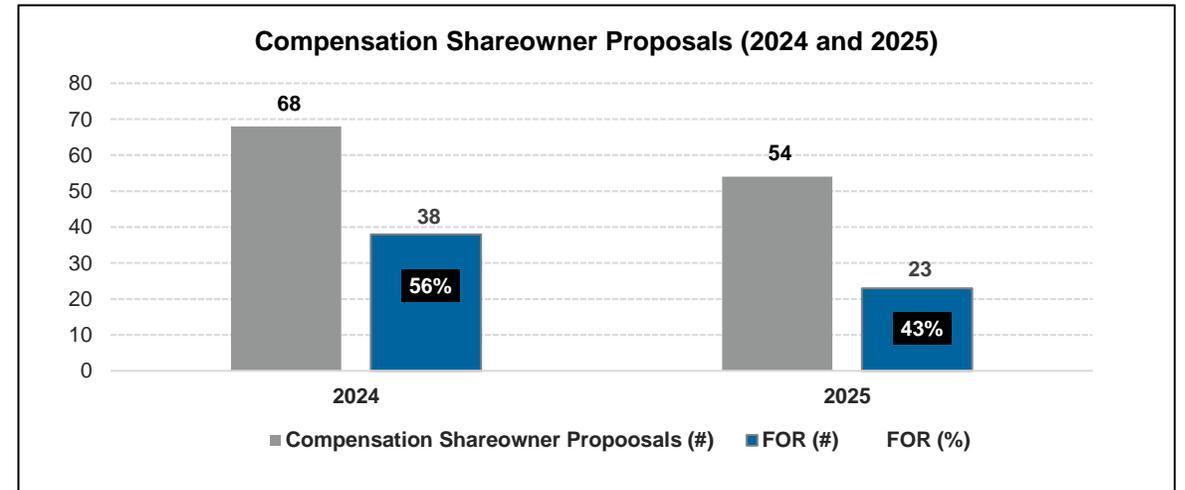
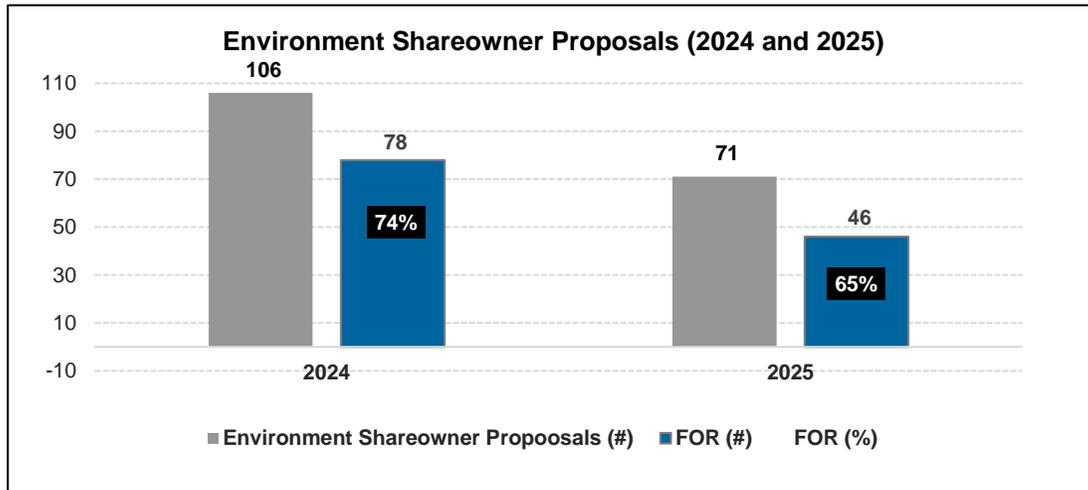
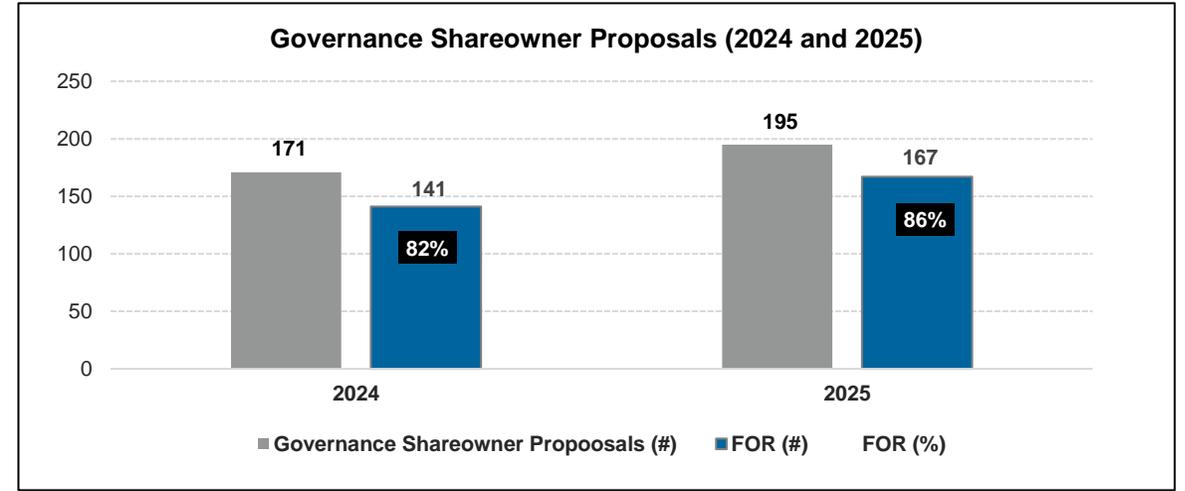
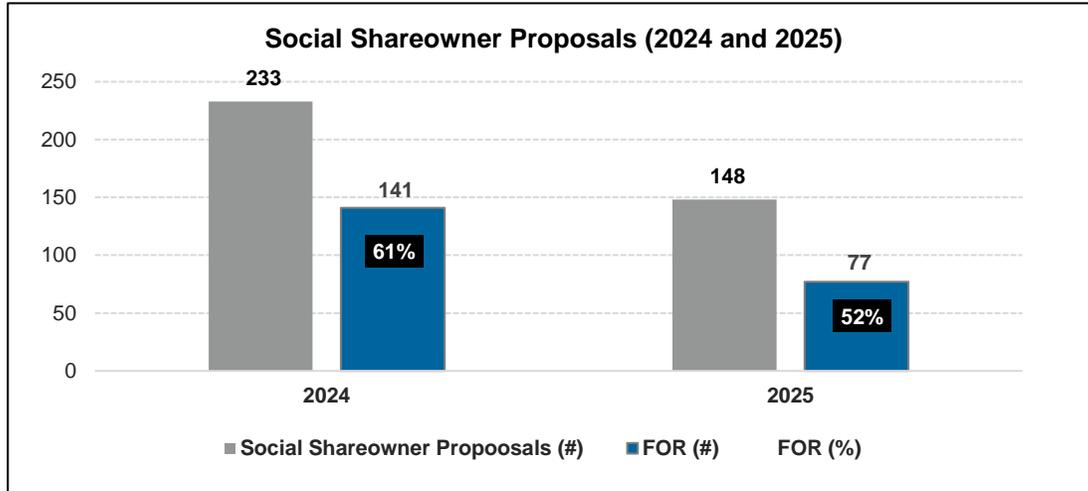
CalPERS Proxy Voting | Director Voting Support Levels – 2021 to 2025



CalPERS Proxy Voting | U.S. Shareowner Proposal Support Levels 2021 to 2025



CalPERS Proxy Voting | U.S. Shareowner Proposal Support Level by Issue 2024 and 2025



CalPERS Proxy Voting | Most Common U.S. Shareowner Proposals – 2025

Most Common <u>Social</u> Proposals	Proposals (#)	FOR (#)	FOR (%)
Reviewing Political Spending or Lobbying	25	23	92%
Compliance with International Human Rights Standards	18	12	67%

Most Common <u>Environmental</u> Proposals	Proposals (#)	FOR (#)	FOR (%)
Environmental Report	16	14	88%
Report and Reducing Greenhouse Gas Emissions	14	12	86%

Most Common <u>Governance</u> Proposals	Proposals (#)	FOR (#)	FOR (%)
Call Special Meetings	62	56	90%
Eliminate Supermajority Provisions	29	29	100%
Separate Chairman & CEO	27	26	96%
Majority Vote for Directors	11	11	100%

Most Common <u>Compensation</u> Proposals	Proposals (#)	FOR (#)	FOR (%)
Regarding Golden Parachutes	27	19	70%
Regarding Retention/Holding Requirements	3	3	100%

CalPERS Corporate Governance Resources

CalPERS Corporate Governance Website:

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

Find out more information on:

- **Corporate Engagements**

- ✓ Board Diversity
- ✓ Climate Risk Oversight
- ✓ Executive Compensation **website updates effective spring 2026**
- ✓ Japan Board Independence

- **Proxy Voting**

- ✓ Vote Disclosure Trends
- ✓ Governance and Sustainability Principles
- ✓ Proxy Voting Guidelines
- ✓ Global Proxy Voting Decisions
- ✓ Executive Compensation Analysis Framework