

Global Equity Corporate Governance and Sustainable Investment Programs Update

May 15, 2017

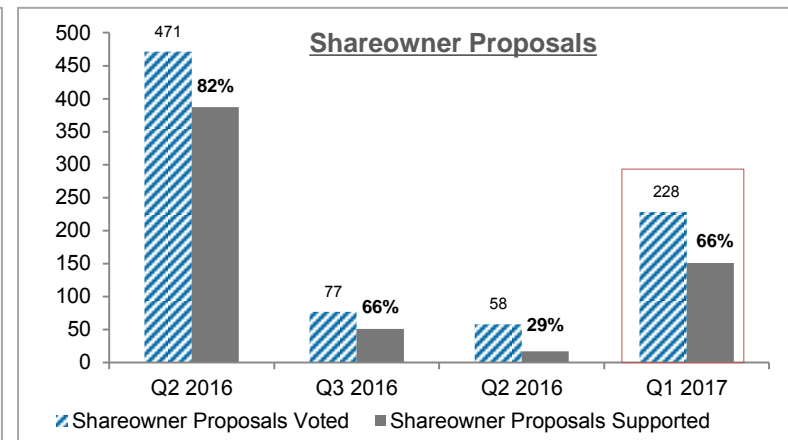
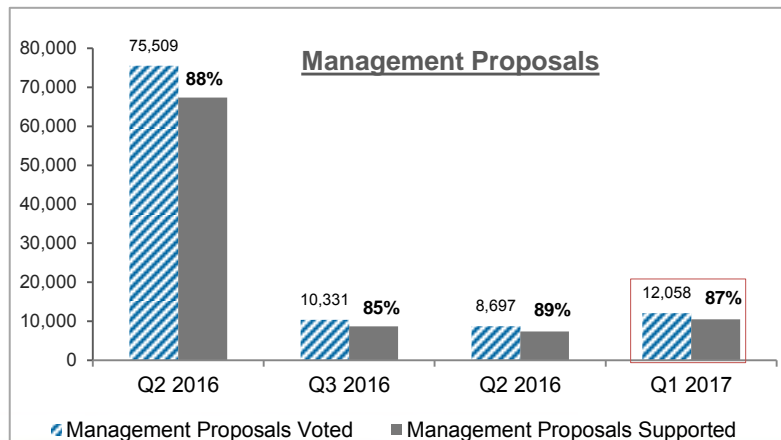
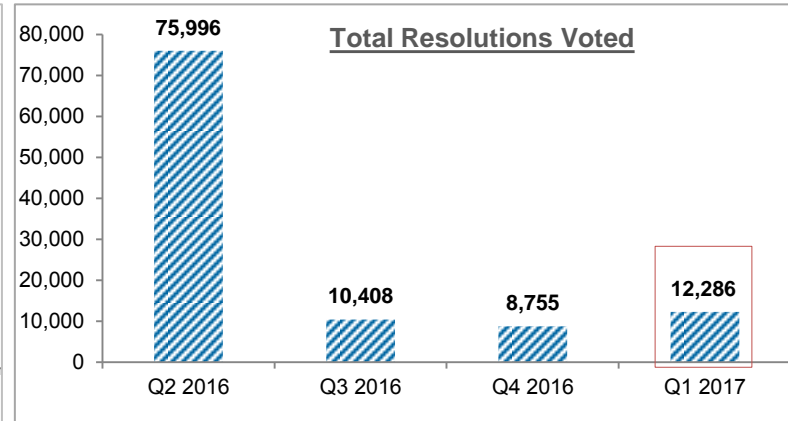
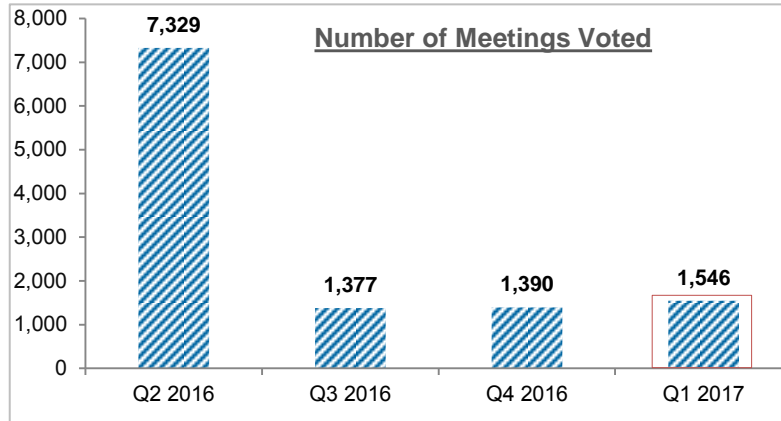
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Global Proxy Voting – Q1 2017 Votes Cast

During the period January 1, 2017 to March 31, 2017, CalPERS voted at 1,546 company meetings consistent with CalPERS Governance and Sustainability Principles. Of the 12,286 individual proposals voted, CalPERS supported 87% of management proposals and 66% of shareowner proposals.



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Proxy Voting – Notable Highlights

Company Meetings:

- Wells Fargo:
 - CalPERS withheld votes from 9 director nominees due to oversight failures stemming from the retail banking controversy
 - A significant portion of the board received exceptionally low levels of shareowner support
 - Voted “for” shareowner proposals requesting reports on retail banking practices, gender pay equity, lobbying, and indigenous peoples’ rights
- NRG Energy:
 - Withheld votes from two nominees (B. Smitherman and C. Wilder) who joined the NRG board as part of a settlement with hedge funds Elliott Management and Bluescape due to concerns on short-term focus
 - Voted “for” a shareowner proposal regarding political spending disclosure
- Energy Transfer Partners:
 - Voted “for” a transaction combining Energy Transfer Partners (ETP) and Sonoco Logistics
- Tesla Inc.:
 - Hermes EOS and CalSTRS have requested the company improve its governance structure by electing 2 independent directors
 - CalPERS will support a shareowner proposal to declassify the board of directors

Shareowner Proposals:

- Dakota Access Pipeline (DAPL) Proposals:
 - Voted “for” shareowner proposals related to indigenous peoples’ rights at Wells Fargo, Marathon Petroleum Corp., and Enbridge
- Board Diversity Proposals:
 - Voted “for” a board diversity shareowner proposal at the Cognex Corp. April 27, 2017 meeting
 - CalPERS will also support a board diversity proposal at Hudson Pacific Properties on May 24, 2017 filed by CalSTRS
- Climate Risk Reporting Proposals:
 - Voted “for” climate risk reporting shareowner proposals at AES Corp., Marathon Petroleum Corp., Occidental Petroleum, and Duke Energy

2017 Shareowner Campaigns Update

Proxy Access Campaign:

- CalPERS filed a proxy access shareowner proposal at Old Republic International Corp.
 - Staff will be running a proxy solicitation and attending the annual meeting
- NYC Funds has filed proxy access shareowner proposals at 20 companies
 - CalPERS is providing support by running proxy solicitations, filing shareowner letters with the SEC, and attending annual meetings. Other areas of support include engagements with companies and the proxy advisory firms

Majority Vote for Director Elections Campaign:

- In the fall of 2016 staff began engaging 50 companies surrounding the adoption of majority voting
- To date 32 companies have adopted or committed to adopt majority vote; the remaining 18 companies are in various stages of engagement

Climate Risk Reporting Campaign:

- CalPERS co-filed climate risk proposals at 3 companies – Occidental Petroleum, Chevron and ExxonMobil
 - Occidental Petroleum (AGM 5/12/17) – Ongoing engagement and proxy solicitation
 - Chevron Corp. (AGM 5/31/17) – Proposal withdrawn due to substantial implementation. Staff will continue to engage Chevron surrounding best practice related to climate risk reporting frameworks
 - ExxonMobil (AGM 5/31/17) – Ongoing engagement and proxy solicitation
- CalPERS is running proxy solicitations at 13 U.S. companies seeking implementation of climate risk reporting

Appendix

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2017 Shareowner Campaigns – Proxy Solicitations

Company Name	Proposal	AGM	Result	Company Name	Proposal	AGM	Result
Humana Inc.	Proxy Access	4/20/2017	76% - Pass	National Oilwell Varco, Inc.	Proxy Access	5/17/2017	-
AES	Climate Risk	4/20/2017	40% - Fail	Universal Health Services, Inc.	Proxy Access	5/17/2017	-
Paccar	Proxy Access	4/25/2017	49% - Fail	Martin Marietta Materials, Inc.	Proxy Access	5/18/2017	-
International Business Machines Corporation	Proxy Access	4/25/2017	59% - Pass	The Charles Schwab Corporation	Proxy Access	5/16/2017	-
Noble Energy	Climate Risk	4/25/2017	24% - Fail	Hospitality Properties Trust	Proxy Access	5/24/2017	-
Marathon Petroleum	Climate Risk	4/26/2017	40% - Fail	Chevron	Climate Risk	5/31/2017	Withdrawn
Ameren	Climate Risk	4/27/2017	46% - Fail	Southern	Climate Risk	5/24/2017	-
Occidental Petroleum	Climate Risk	5/12/2017	-	PPL	Climate Risk	5/17/2017	-
Kinder Morgan, Inc.	Proxy Access	5/10/2017	-	Exxon	Climate Risk	5/31/2017	-
Kinder Morgan, Inc.	Climate Risk	5/10/2017	-	Old Republic	Proxy Access	5/26/2017	-
Hess	Climate Risk	5/4/2017	-	Nabors Industries	Proxy Access	6/7/2017	-
DTE	Climate Risk	5/4/2017	-	NeuStar, Inc.	Proxy Access	6/8/2017	-
Duke	Climate Risk	5/4/2017	-	Netflix	Proxy Access	6/8/2017	-
Minerals Technologies	Proxy Access	5/17/2017	-	Devon	Climate Risk	6/8/2017	-
Waters Corporation	Proxy Access	5/11/2017	-	Monster Beverage	Proxy Access	6/14/2017	-
Dominion Resources	Climate Risk	5/10/2017	-	Abercrombie & Fitch Co.	Proxy Access	6/16/2017	-
Crown Castle International Corp.	Proxy Access	5/18/2017	-	NetApp, Inc.	Proxy Access	9/15/2017	-
FirstEnergy	Climate Risk	5/16/2017	-	WebMD Health Corp.	Proxy Access	9/29/2017	-
Senior Housing Properties Trust	Proxy Access	5/18/2017	-				

2017 Corporate Engagement Work Plan

As reported to the Investment Committee on February 14, 2017

Montreal Pledge Climate Risk Engagements:

- Develop engagement agenda and objectives to engage Montreal Pledge companies
- Identify engagement partners for collaboration
- Identify the first cohort of companies to engage
- Secure necessary company and industry level research for engagement

Diversity & Inclusion Engagements:

- Continue to engage remaining S&P 500 companies that lack board diversity
- Evaluate future engagement opportunities and identify new cohort of companies to engage

Enhanced Focus List Program Engagements:

- Continue engagements as needed to accomplish desired governance reforms
- Evaluate Focus List screen to consider the appropriate strategy for future company engagements

Equator Principles – Overview

- Based on the International Finance Corporation's (IFC) Performance Standards, the Equator Principles (EP) were established in 2003
 - The EP are a credit risk management framework for determining, assessing, and managing environmental and social risk in Project Finance transactions globally and apply to all industry sectors
 - The EP's founders wanted the principles to be applied globally, thus the principles were named 'Equator' to represent the financial institutions in the northern and southern hemispheres
 - There are currently 89 financial institutions in 37 countries that have adopted the EP, covering 70% of international project finance debt in emerging markets
 - The EP focus on environmental/social standards within the Project Finance market, which includes the following:
 - Categorize environmental and social risk impact - high/low risk
 - Conduct an environmental and social assessment aligned with standards and designated country list
 - Integrate a plan of action into environmental and social management systems
 - Facilitate stakeholder engagement with affected communities (including indigenous peoples to ensure free, prior and informed consent)
 - Conduct an independent environmental and social review
 - Covenants linked to compliance with EP (all high risk projects)
 - Report annually on compliance with the EP, in addition to local, state, and host country environmental and social laws, regulations and permits
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