

2024 Proxy Season Wrap-Up



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Overview

For proxy season 2024, CalPERS continued to support shareowner proposals aimed at mitigating systemic risks to its [\\$503 billion portfolio](#)¹ through increased transparency on issues related to climate change, as well as corporate adherence to international human rights standards on behalf of company employees.

In addition, CalPERS remained focused on director accountability, aligning executive compensation with performance, and board recruitment and refreshment.

The annual proxy season report highlights some summary statistics and CalPERS voting trends, including the following:

- Increased support for environmental and social shareowner proposals.
- Steady support for directors, both in the United States and globally.
- Fewer votes, relative to previous years, against executive compensation proposals.

In addition to the summary statistics and proxy vote trends, this report highlights a few key votes during the 2024 proxy season, which covers the 2023-24 fiscal year (FY 2023-24).

How We Voted and Voting Trends

Below are the summary statistics on how we voted and trends for some common proposal categories. Additional information regarding our proxy votes is available on our [website](#).

Director Votes

Our 58% support level for global director votes was similar to last year, even though the number of global directors voted on was slightly higher than last year, as shown in Figure 1.

Why it matters: Voting in uncontested elections of directors is the most important and frequent voting item for asset owners. We believe that high-quality corporate boards should be comprised of mostly independent directors and be diverse, with an appropriate balance of skills, expertise, and tenure.

By the numbers: We voted on 33,582 global director elections, including 9,310 director elections in the U.S. We continue to focus on the following considerations:

- Holding directors accountable for **climate-related risks**, focusing on the highest emitters in our equity portfolio.
- Holding directors accountable for preserving **shareowner rights**.
- Increasing efforts to seek improved **board composition**.
- Continuing our opposition to **compensation committee members** where we observed pay issues.

Reality check: When we vote against a director in an uncontested election, it is not for the purpose of removing that director. Rather, it's a signal to the board that there is some aspect of governance or

¹ The overall value of the Public Employees' Retirement Fund as of June 30, 2024.

board oversight that we believe needs improving. These board signals generally lead to productive engagements and improvement over time.

Figure 1. Global Director Votes

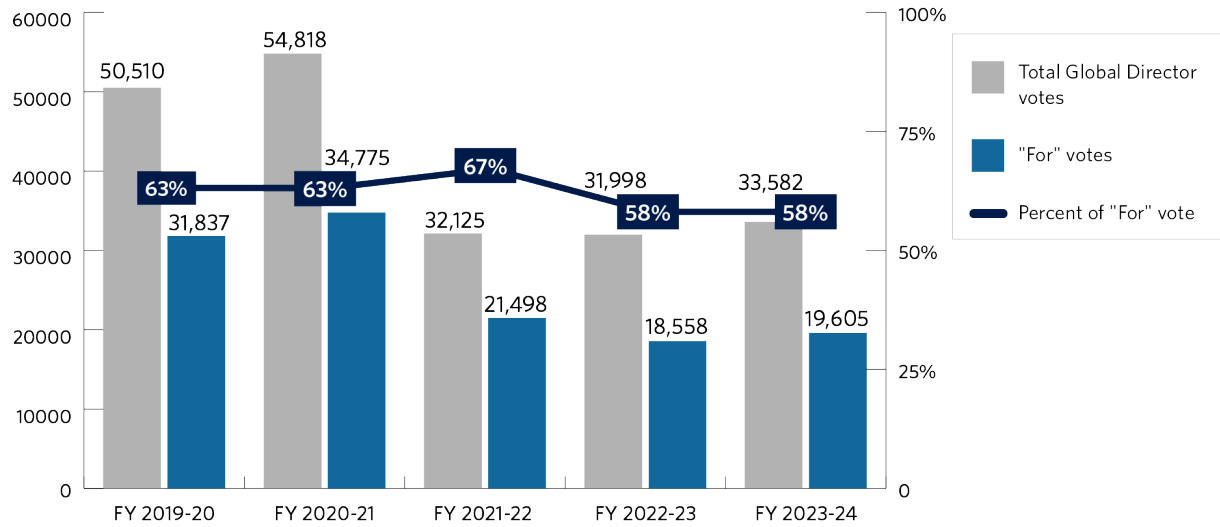
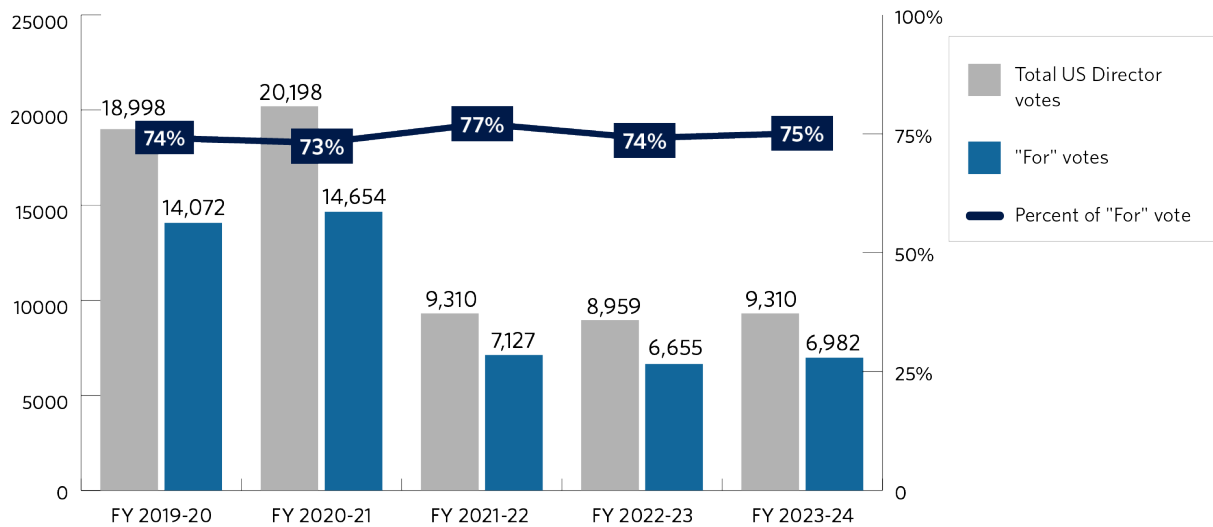


Figure 2. United States Director Votes



Executive Compensation

CalPERS' level of opposition for advisory votes on executive compensation (also known as "Say on Pay") was lower in FY 2023-24 at 40%, versus 49% in the prior year, as shown in Figure 3.

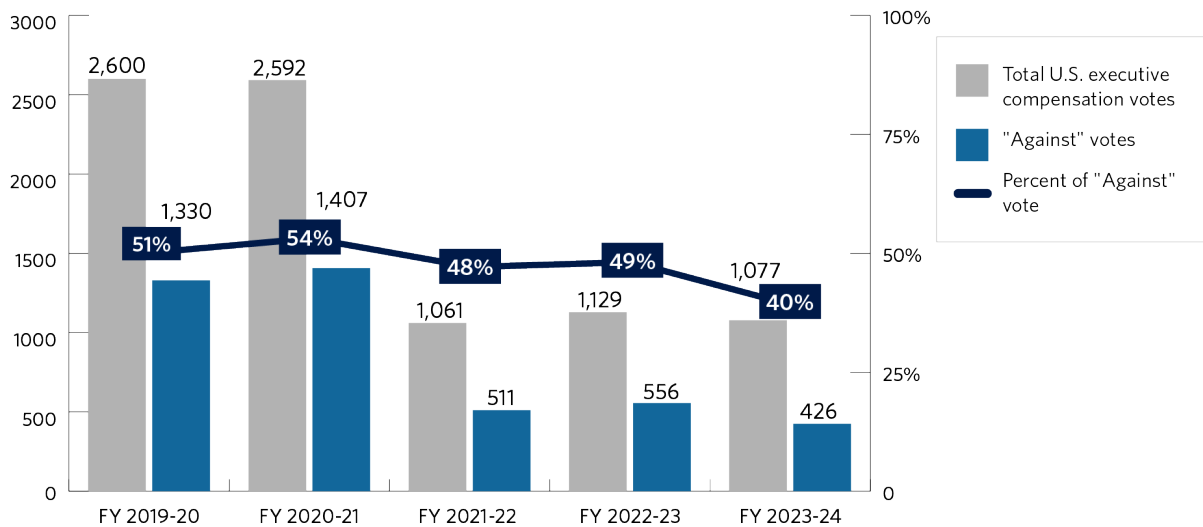
Why it matters: Well-designed compensation programs can be a powerful and effective tool to reward value-creating executives and appropriately align their interests with shareowners' interests to achieve sustainable, long-term investment returns.

By the numbers: We voted for 1,077 "Say-on-Pay" proposals and opposed 426 (40%). As in prior years, we continue to engage companies with poor pay practices to improve on them, which may contribute to our higher support for "Say-on-Pay" proposals this year compared to prior years. Our votes against these proposals stemmed primarily from the following:

- Misalignment of pay and performance.
- Short performance and/or vesting periods for long-term incentives.
- One-time awards without sufficient justification or performance periods.
- Lack of comprehensive disclosure.

Reality check: Voting against a "Say-On-Pay" proposal is not intended as a signal to pay the CEO nothing— rather, it's a signal to the board and compensation committee that we have identified issues with some aspect of the pay design or relative quantum to peers through the performance lens. Executive compensation is a key focus for the CalPERS engagement program. In contrast to other managers and owners, our votes against proposals may seem high. That said, we believe there are many structural issues in U.S. pay compensation plans, such as short vesting for equity awards, that could be improved in the U.S. market. The health of the U.S. market in 2023 helped the alignment of pay for performance— hence, slightly higher support for "Say-on-Pay" proposals than the previous year.

Figure 3. United States Executive Compensation Votes



Environmental, Social, and Governance (ESG) Shareowner Proposals

In FY 2023-24 we voted in 595 ESG shareowner proposals, supporting 389, or approximately 65% (Figure 4).

Why it matters: The shareowner proposal process is an important mechanism giving investors the ability to recommend a company take a specific action on a variety of ESG topics. We analyze and vote on shareowner proposals consistent with the interests of our beneficiaries and consistent with the CalPERS Governance & Sustainability Principles.

Behind the numbers: Over the past five fiscal years, the total number of ESG shareowner proposals put to a vote increased from 501 in FY 2019-20, to a high-water mark of 595 in FY 2023-24 (an increase of approximately 19%), as shown in Figure 5.

Our overall support of 65% was down in 2024 compared to prior fiscal years (Figure 5), with it being only slightly less than last year's 68%. The decrease in support was largely attributed to the following:

- Proposal request(s) not being aligned with our Governance & Sustainability Principles and Proxy Voting Guidelines.
- Proposal topics crossed into ordinary business, were too prescriptive, or had already been substantially implemented by the company.
- Companies providing enhanced disclosures.
- Low levels of overall investor support could signal the quality of the target company or proposal filed.

While the percentage of overall support decreased, CalPERS voted in favor of more environmental and social shareowner proposals. The number of environmental shareowner proposals CalPERS supported increased from 66 in FY 2022-23 to 74 in FY 2023-24, a 12% increase. The number of social shareowner proposals supported also increased by 14%, from 119 to 136, during that time.

Reality Check: Some shareowner proposals are binary, like a typical governance-related proposal to declassify the board, which we typically support. However, many proposals highlight some potential risk to a company where a report or additional disclosures can aid shareowners in better understanding that risk. We support shareowner proposals on their merit, which are typically high-quality, well-targeted proposals asking for additional disclosure where we deem that disclosure pertinent to our enhanced understanding of potential risks to the company (Tables 1-3).

Figure 4: United States ESG Shareowner Proposals in Fiscal Year 2023-24

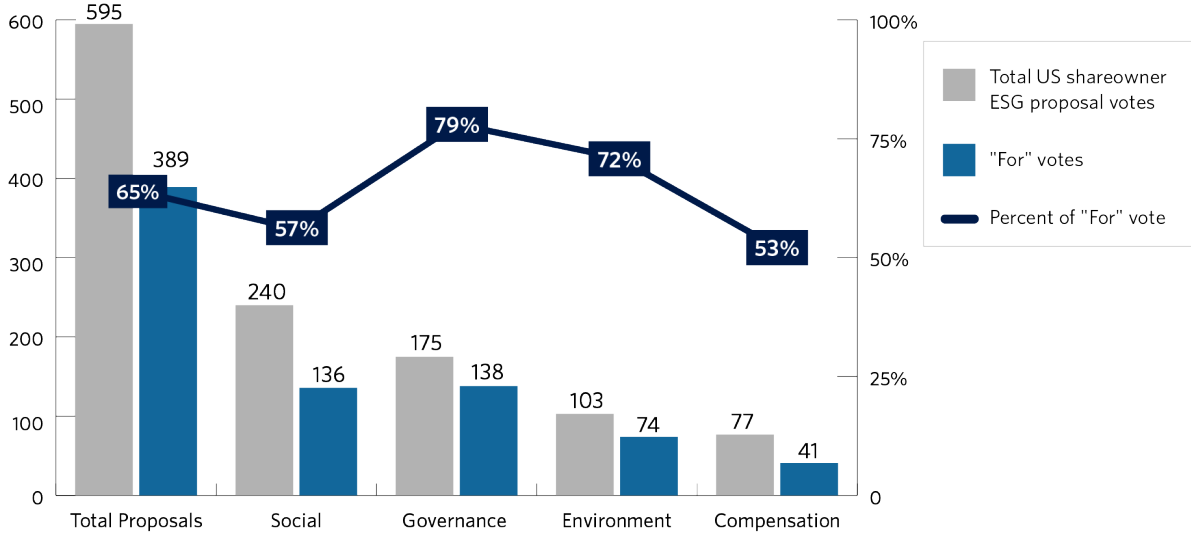


Figure 5: United States ESG Shareowner Proposals (Fiscal Year 2019-20 to Fiscal Year 2023-24)

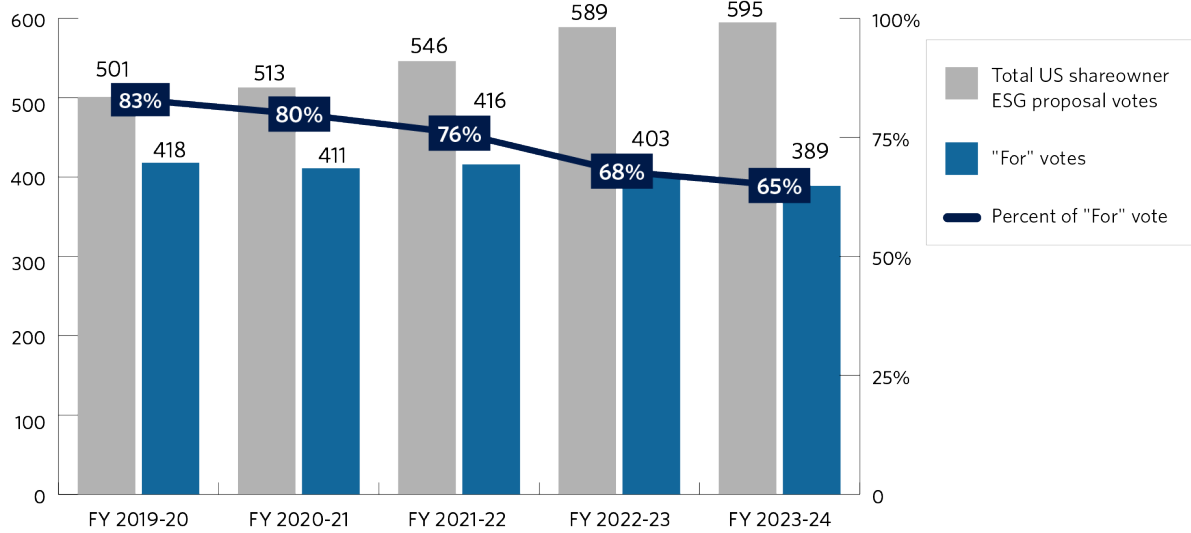


Figure 6: United States Environment Shareowner Proposals (Fiscal Year 2022-23 and Fiscal Year 2023-24)

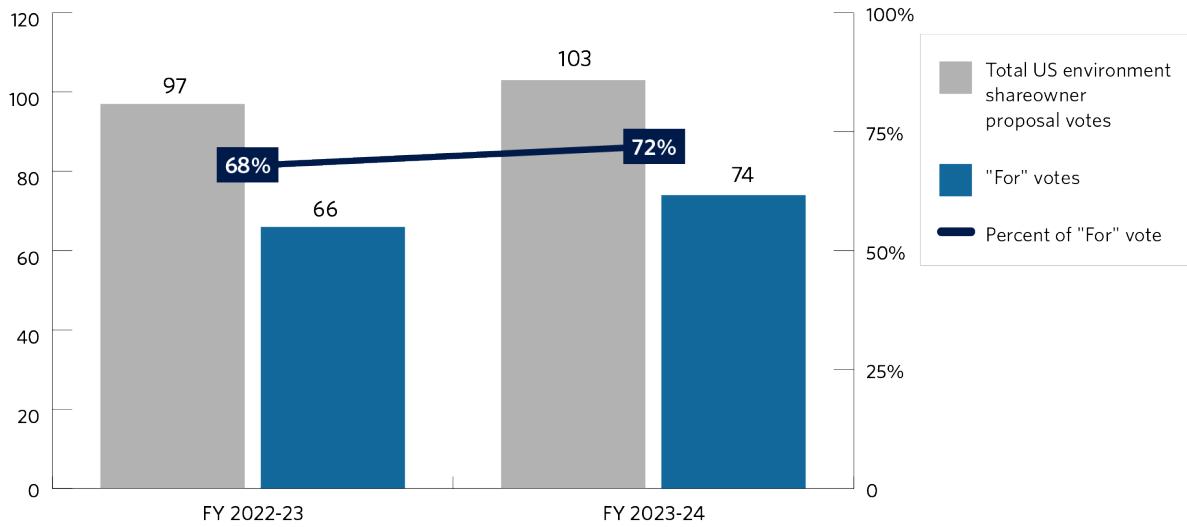


Figure 7: United States Governance Shareowner Proposals (Fiscal Year 2022-23 and Fiscal Year 2023-24)

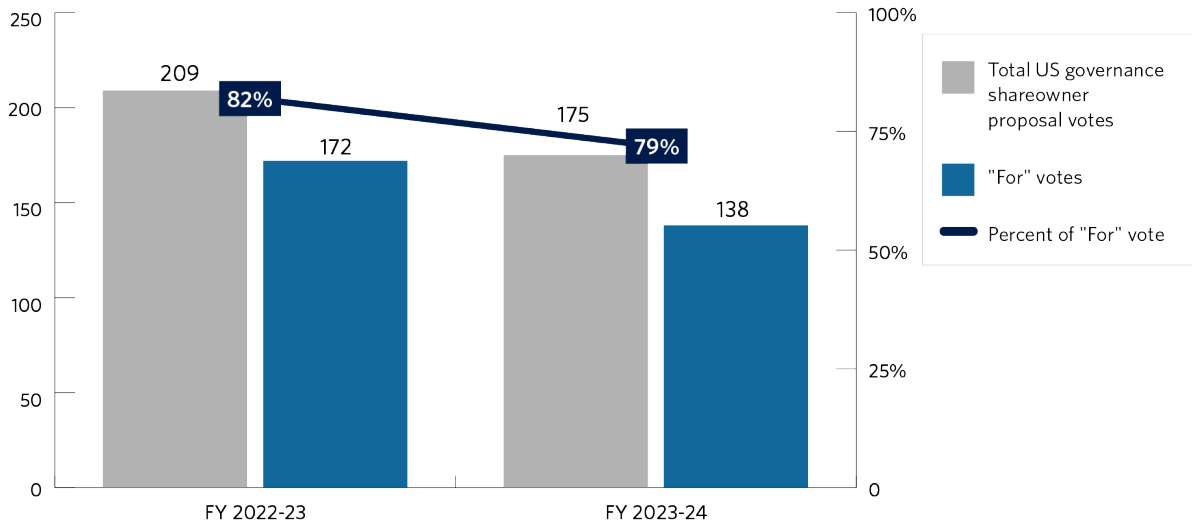


Figure 8: United States Social Shareowner Proposals (Fiscal Year 2022-23 and Fiscal Year 2023-24)

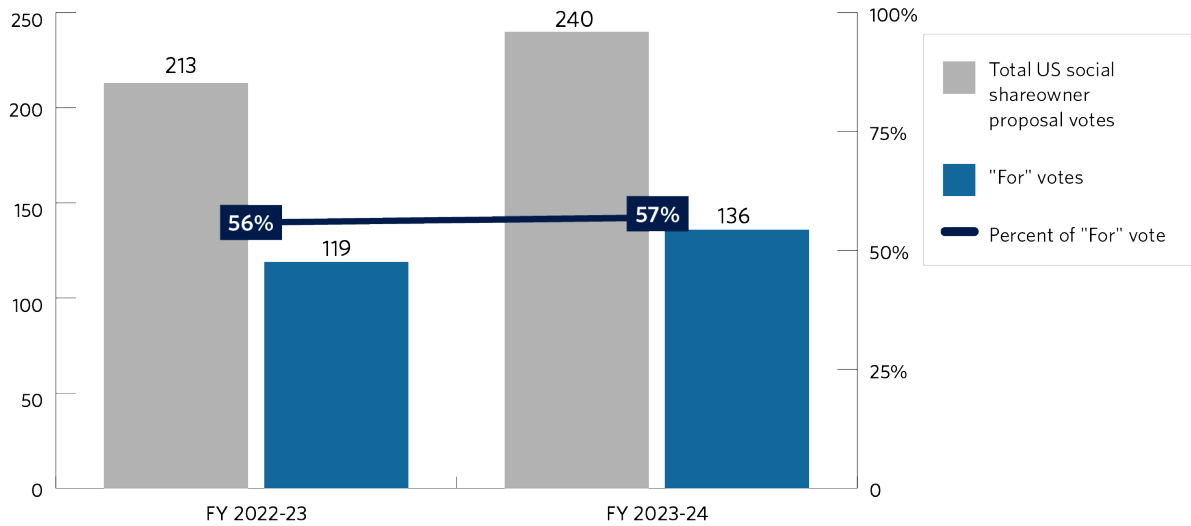


Table 1: Most Common United States Social Shareowner Proposals in Fiscal Year 2023-24

Proposal	Proposals (#)	FOR (#)	FOR (%)
Reviewing Political Spending or Lobbying	58	46	79%
Human Capital Management	40	27	68%
Reporting on Company's Compliance with International Human Rights Standards	32	25	78%

Table 2: Most Common United States Governance Shareowner Proposals in Fiscal Year 2023-24

Proposal	Proposals (#)	FOR (#)	FOR (%)
Eliminating Supermajority Provisions	40	39	98%
Independent Board Chairman/Separation of Chair and CEO	38	34	89%
Right to Call a Special Meeting	27	26	96%

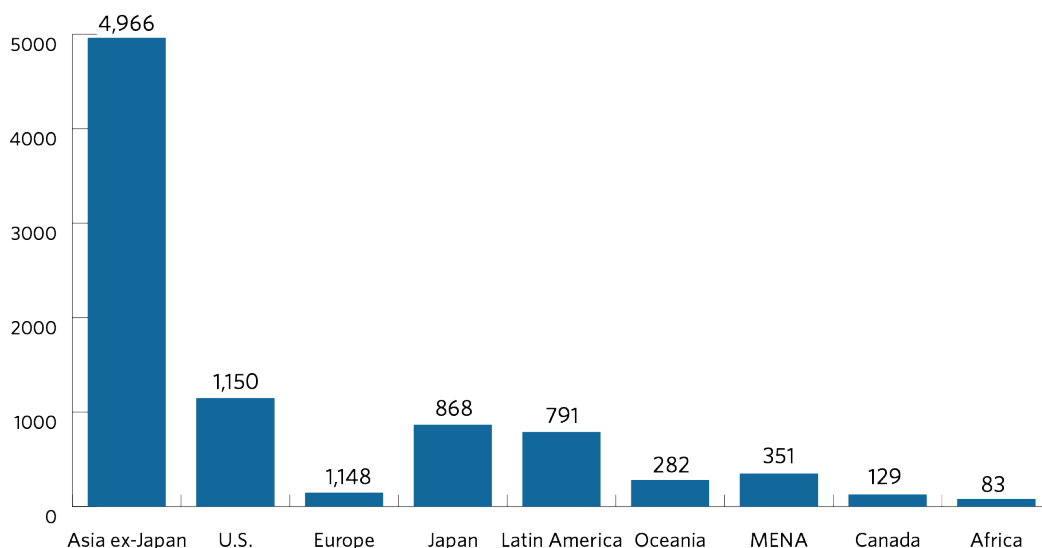
Table 3: Most Common United States Environment Shareowner Proposals in Fiscal Year 2023-24

Proposal	Proposals (#)	FOR (#)	FOR (%)
Regarding Reporting and Reducing Greenhouse Gas Emissions	32	32	100%
Report/Action on Climate Change	26	11	42%
Environmental Report	17	16	94%
Formation of Environmental/Social Committee of the Board	12	3	25%

Meetings Voted

In FY 2023-24, we voted in 1,150 U.S. meetings and 9,768 meetings globally. Figure 9 shows a breakdown of the meetings by region. Approximately half of the voted meetings were from the Asia ex-Japan region. The number of U.S. and global proposals voted on totaled 12,804 and 92,024, respectively, in FY 2023-24. The number of meetings and proposals voted on domestically was to similar last year, while the number of global meetings and proposals voted was slightly higher than in FY 2022-23.

Figure 9: Meetings by Region in Fiscal Year 2023-24



Key Votes

Tesla, Inc.

CalPERS again voted against a multibillion-dollar compensation package that Tesla proposed to give its chief executive officer at the company's annual meeting on June 13 of this year. The package would allow Elon Musk to buy 304 million shares of Tesla stock at its 2018 value, which we valued at approximately \$46 billion at the time of the vote. CalPERS also opposed the deal when shareowners approved the measure in 2018.

Some data points highlight the excessive nature of the award:

- The value is approximately \$46 billion, accounting for the cost to exercise the options, which is larger than the last four years of Tesla's aggregate net income of \$33.8 billion (2020-2023).
- The award would be highly dilutive to existing shareowners and reduce their ownership proportion.
- While the award does have a five-year holding period, it is concentrated in a single individual.
- Compared with other high-performing companies over the same period, the Tesla option award is nearly 140 times the annual pay opportunity for other high-performing CEOs.

- The payout rewards short-term growth and not sustained profitability.
- Tesla's value has fallen by more than half from its peak in 2021.

CalPERS did not believe a payout based on short-term market exuberance was warranted without sustained performance. Additionally, this deal concentrates power to a single shareowner and was negotiated by board members whose independence from Tesla's CEO is questionable. For these reasons, CalPERS could not support the deal in 2018 and remained opposed at the June annual meeting.

At the annual meeting, approximately 76% of the shareowners supported Mr. Musk's pay package.

ExxonMobil Corp.

Earlier this year, ExxonMobil filed a lawsuit against two shareowners in a Texas federal court to prevent shareowners from filing climate-related shareowner proposals. In the ensuing months, investor opposition to the lawsuit was apparent and increased among large institutional investors, including CalPERS.

We had concerns with the company's lawsuit for several reasons. If the lawsuit was successful, it could set a dangerous precedent in the court, potentially threatening our shareowner rights and silencing shareowners for dissenting with the company's approach on ESG risks. The implication is that any company could potentially bypass the established U.S. Securities and Exchange Commission process to omit shareowner proposals and have the courts block future shareowner proposals from being filed.

To protect shareowner rights and ensure there is corporate accountability to the company's capital providers, we voted against the entire ExxonMobil's board of directors and CEO to signal our discontent with their decision to pursue the lawsuit rather than use the existing no-action process. At the annual meeting, the company's CEO received approximately 91% support, with the lead director receiving 87% support.

A federal judge in Texas dismissed ExxonMobil's lawsuit in June, ruling that the case had been rendered moot after a shareowner group promised not to submit a similar proposal in the future.

Boeing Co.

Over the past years, Boeing has had several significant quality and safety issues related to its aircraft. Two Boeing planes fatally crashed in 2018 and 2019. Earlier this year a Boeing plane lost a rear door plug in midflight. Due to concerns related to the oversight of quality and safety issues at the company over the past year, we withheld support for its long-tenured directors, holding them accountable for the oversight failure. Additionally, we voted against the company's "Say-on-Pay" proposal due to a misalignment in pay and performance, and some structural concerns with the compensation program, such as the short vesting periods for the long-term incentives. Also, its CEO pay package has increased over the past two years, which we do not believe is warranted given the numerous poor quality and safety issues at the company, in addition to the nearly 50% decline in stock value since the two fatal crashes.

Additional Proxy Voting Information

As a long-term shareowner, we view proxy voting as one of the primary tools to influence a company's corporate governance practices. For additional information on our [proxy voting approach](#) and [vote results](#), refer to our [Governance & Sustainability Principles](#) and [Proxy Voting Guidelines](#) as well as our [website](#).