

Proxy Voting & Corporate Engagements Update

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Investment Committee

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Stewardship Program

Proxy Voting

- Vote all public company proxies consistent with CalPERS Governance & Sustainability Principles and CalPERS Investment Beliefs

Engagement

- Engage portfolio companies on compensation, corporate board diversity, energy transition, sustainability, human capital management, and governance best practices
- Promote long-term value creation

Partnerships

- Use external and internal partnerships to engage global asset owners and managers, companies, data providers, regulators, and standards-setting bodies

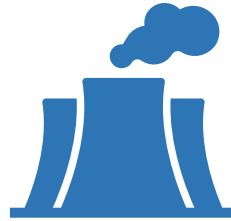
Research

- Continuous research, development, and integration of best practices, proxy voting enhancements, and evolution of Governance & Sustainability Principles

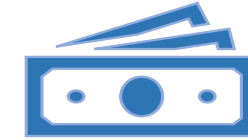
Stewardship | 2024 Proxy Voting and Corporate Engagement



> 10,000 Meetings Voted
> 95,000 Resolutions Voted



**Opposed 395 Directors for
Climate Oversight Concerns**



**Opposed 39%
Say-on-Pay Proposals**



447 Public Company Engagements
****AUM Engaged \$116b****



**Climate Action 100+ Lead
20 Companies**



**Opposed 783 Directors for Board
Composition Concerns**

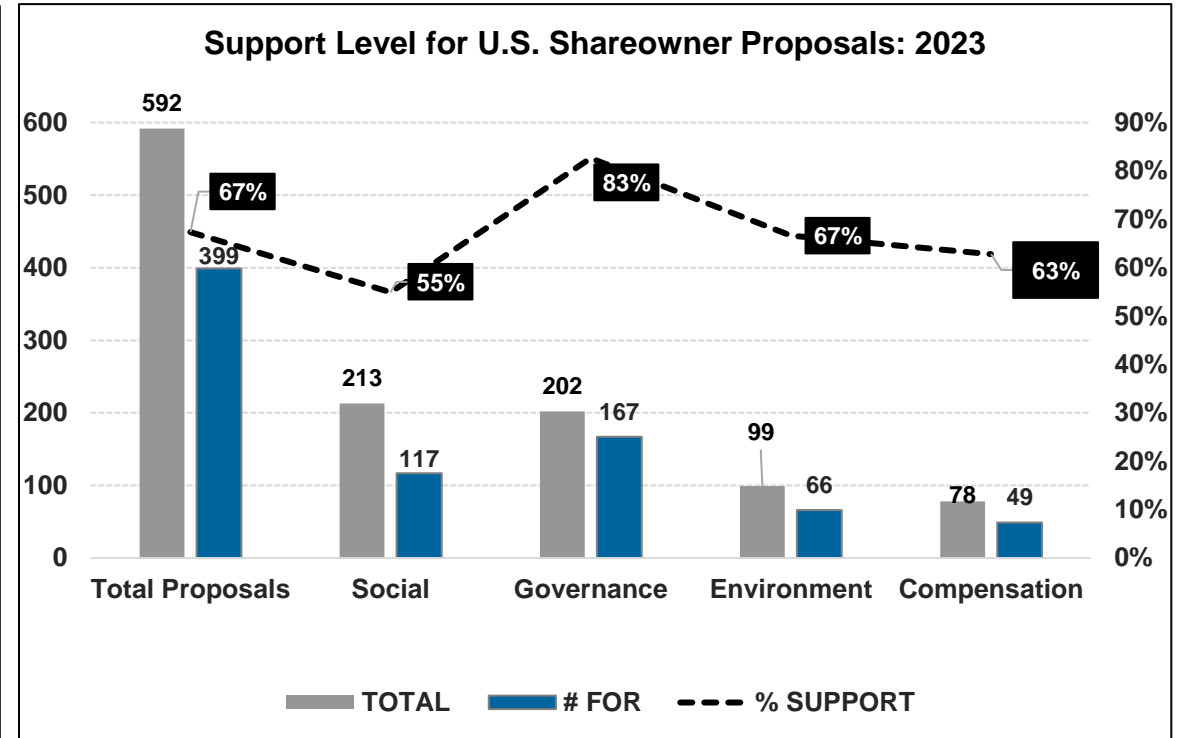
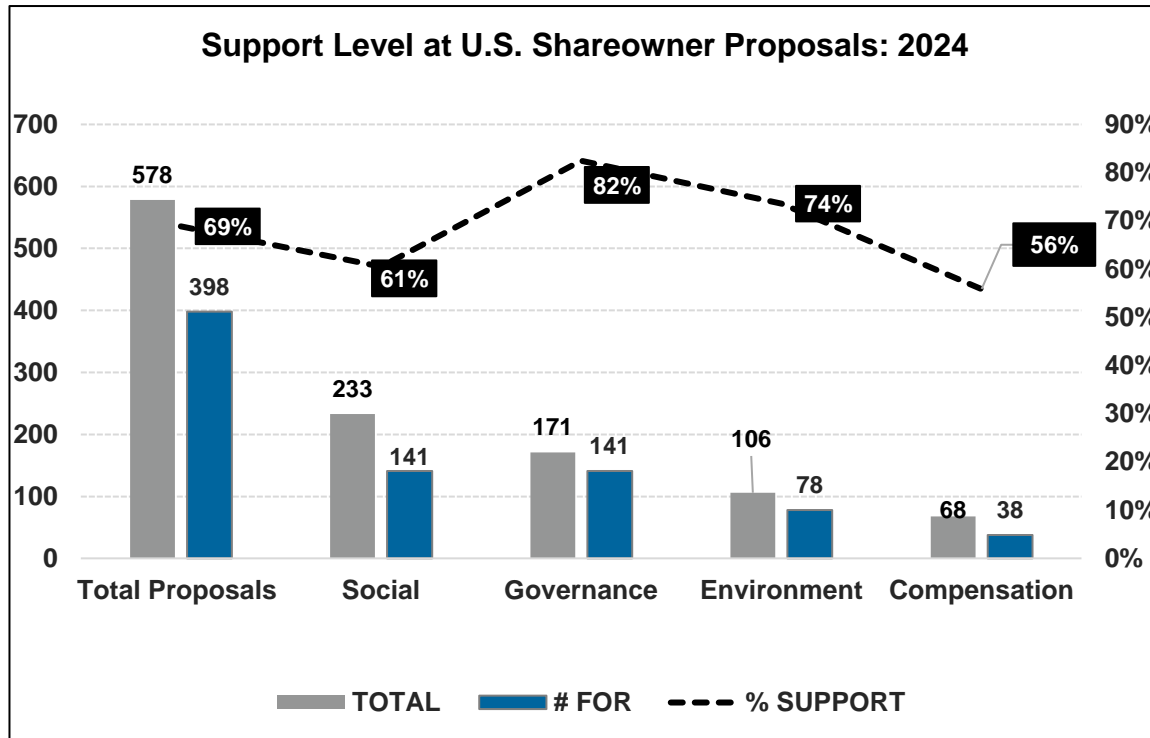
Stewardship | 2024 Key Proxy Votes

| Company | Proposal Description |
|-------------------------------------|---|
| Boeing (BA) | <ul style="list-style-type: none"> ❖ Withheld vote from board leadership for oversight concerns surrounding quality, safety, and compensation <ul style="list-style-type: none"> ▪ Director “support” range (67% - 90%) |
| Chipotle Mexican Grill (CMG) | <ul style="list-style-type: none"> ❖ Voted “for” Human Capital Management (HCM) shareowner proposals: <ul style="list-style-type: none"> ▪ Regarding Third-Party Audit on Worker Safety (30% support) ▪ Report on Harassment and Discrimination (17% support) |
| Exxon Mobil (XOM) | <ul style="list-style-type: none"> ❖ Withheld vote from the entire board (12 nominees) for significant governance concern at the company <ul style="list-style-type: none"> ▪ Director “support” ranged 87% - 99% (Lead Independent Director received lowest level of support) |
| Norfolk Southern (NSC) | <ul style="list-style-type: none"> ❖ Proxy Contest – Supported management nominees (3 board seats won by dissident slate) ❖ Voted “against” Advisory Vote on Executive Compensation (proposal did not pass with only 13% support) |
| Tesla (TSLA) | <ul style="list-style-type: none"> ❖ Voted “against” the ratification of Elon Musk’s 2018 Stock Option Award (77% support) |
| Wells Fargo (WFC) | <ul style="list-style-type: none"> ❖ Voted “for” shareowner proposal surrounding Freedom of Association and Collective Bargaining (30% support) |

Stewardship | 2024 – CalPERS Votes for Common Shareowner Proposals

| Stewardship Topic | Description |
|---------------------------------------|--|
| <p><u>Environmental Proposals</u></p> | <ul style="list-style-type: none"> ❖ Report and Reducing Greenhouse Gas Emissions (voted “for” 34 of 34 proposals) – Supported 100% ❖ Environmental Report (voted “for” 19 of 19 proposals) – Supported 100% |
| <p><u>Social Proposals</u></p> | <ul style="list-style-type: none"> ❖ Review Political Spending and Lobbying (voted “for” 47 of 58 proposals) – Supported 81% ❖ Compliance with Human Rights Standards (voted “for” 25 of 32 proposals) – Supported 78% ❖ Racial Equity Audit (voted “for” 5 of 6 proposals) – Supported 83% |
| <p><u>Governance Proposals</u></p> | <ul style="list-style-type: none"> ❖ Eliminate Supermajority Vote Requirements (voted “for” 39 of 40 proposals) – Supported 98% ❖ Separate Chairman & CEO (voted “for” 34 of 38 proposals) – Supported 89% ❖ Ability to Call Special Meetings (voted “for” 25 of 26 proposals) – Supported 96% |
| <p><u>Compensation Proposals</u></p> | <ul style="list-style-type: none"> ❖ Regarding Golden Parachutes (voted “for” 11 of 25 proposals) – Supported 44% ❖ Racial/Gender Pay Equity (voted “for” 14 of 15 proposals) – Supported 93% ❖ Recoupment of Unearned Bonuses (voted “for” 5 of 9 proposals) – Supported 56% |

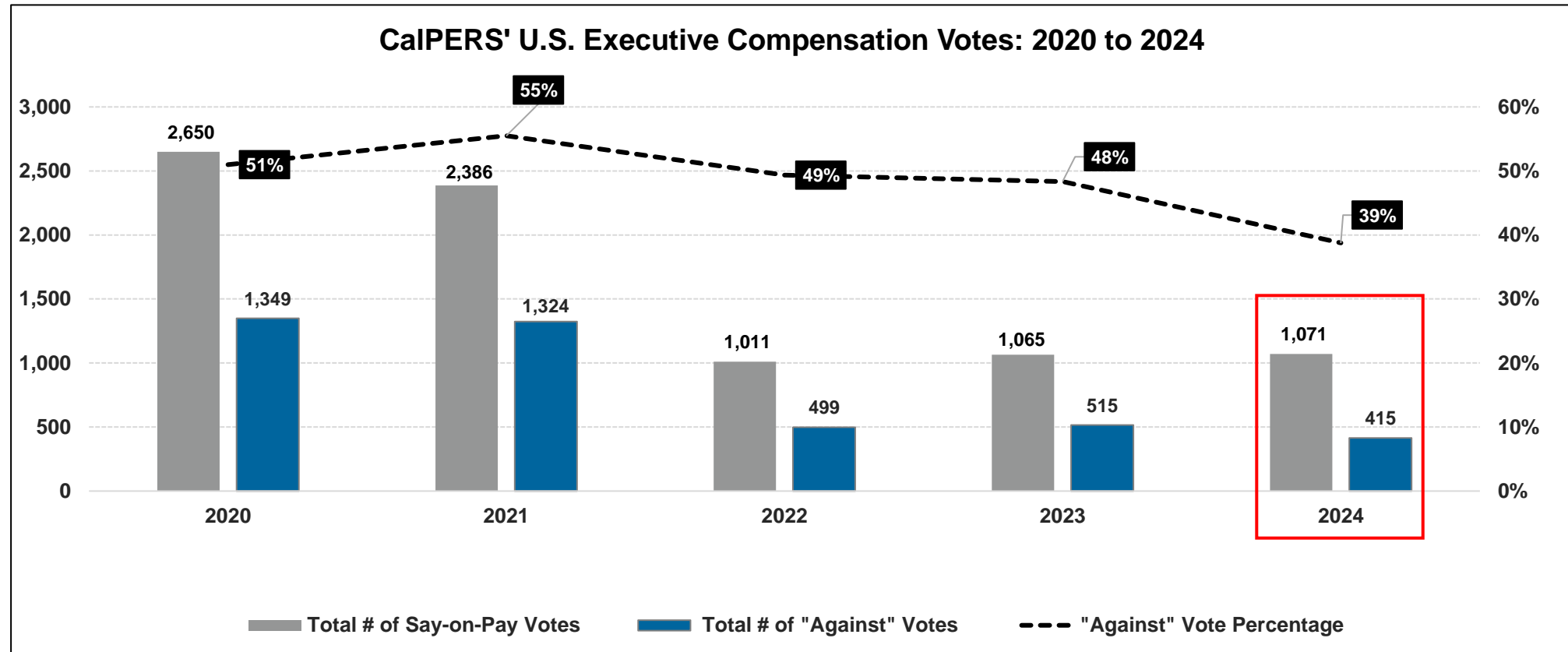
Stewardship | CalPERS Voting Support Levels for Shareowner Proposals



Stewardship | 2024 Highlights

| Stewardship Topic | Description |
|--|--|
| Executive Compensation (Say-on-Pay) | <ul style="list-style-type: none"> ❖ CalPERS voted “against” 39% (418 of 1,071) 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"> ○ Monitor company activity during the 2025 proxy season ○ 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 2023-24 | <ul style="list-style-type: none"> ❖ Satisfied inaugural year of NP-X filing requirements with the SEC |

Stewardship | U.S. Executive Compensation Votes



2024 Director Accountability: CalPERS opposed 1,147 compensation committee members (vs. 1,236 in 2023)

Stewardship | Climate Action 100+ Initiative

Climate Action 100+ Update

- ❑ CalPERS leading engagement at 20 of the 168 companies, plus leadership responsibilities
- ❑ >90% of companies have aligned reporting with the Taskforce on Climate-related Financial Disclosure (TCFD) or International Financial Reporting Standards (IFRS) Scope 2
- ❑ >80% of companies have a 2050 net zero target or ambition

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

2024

- Evaluated the top 350 carbon emitters from Global Equity Portfolio
- Top 350 companies account for > 80% of total portfolio Scope 1 & 2 and > 50% of Scope 3 emissions
- Result: CalPERS opposed 395 directors at 110 companies
- CalPERS staff engaging the 110 companies

2025

- 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 | 2025 Proxy Voting Guideline Updates

| Stewardship Topic | Description |
|--|---|
| <p>CalPERS Labor Principles</p> | <ul style="list-style-type: none"> ❖ CalPERS has long history of proxy voting and company engagement surrounding HCM issues ❖ Updated CalPERS Proxy Voting Guidelines (pg.4 – Section 14) to mirror CalPERS Labor Principles <ul style="list-style-type: none"> ○ <u>Human Capital Management (HCM) Oversight Failures</u>: We may withhold vote from director nominees that have demonstrated a lack of commitment and/or failed oversight surrounding HCM and other labor issues in-line with the CalPERS Labor Principles. |
| <p>Human Capital Management (HCM)</p> | <ul style="list-style-type: none"> ❖ Hold appropriate director nominees accountable at companies lacking HCM related disclosures consistent with CalPERS Governance and Sustainability Principles and Labor Principles. Focus areas include case by case review of: <ul style="list-style-type: none"> ○ Workforce Disclosure ○ Human Rights Policy ❖ Engage companies with best-in-class HCM practices and disclosures |

Stewardship | Key Issues and Priorities for 2025

Climate/Sustainability

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

Governance

- Corporate Boards (board composition/appropriately qualified directors)
- Executive Compensation – Alignment of Interest
- Support governance shareowner proposals consistent with CalPERS Governance and Sustainability Principles:
 - Artificial Intelligence Reporting/Oversight, Cyber-Security, Simple Majority Vote, Independent Board Chair

Stewardship | Key Issues and Priorities for 2025

Human Capital Management

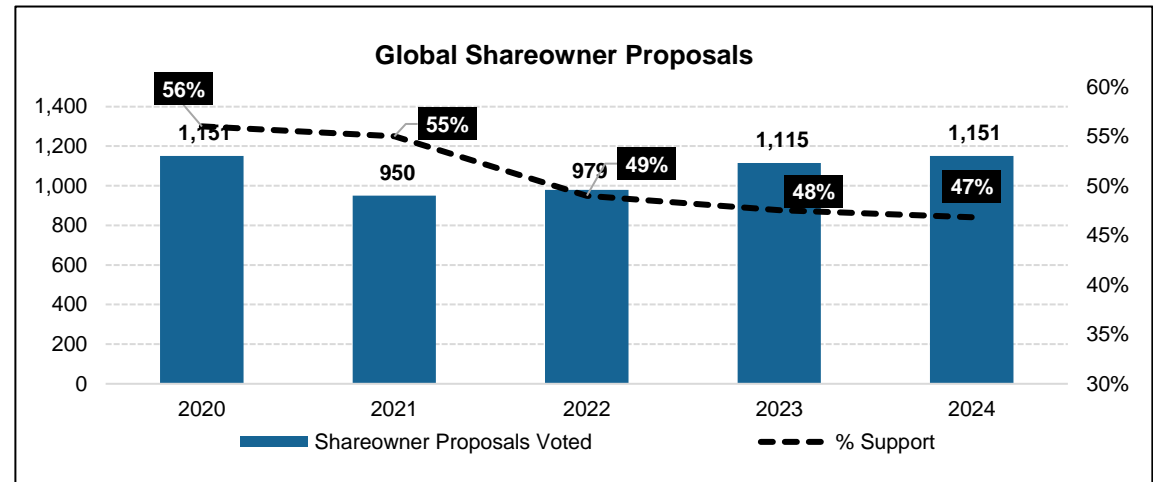
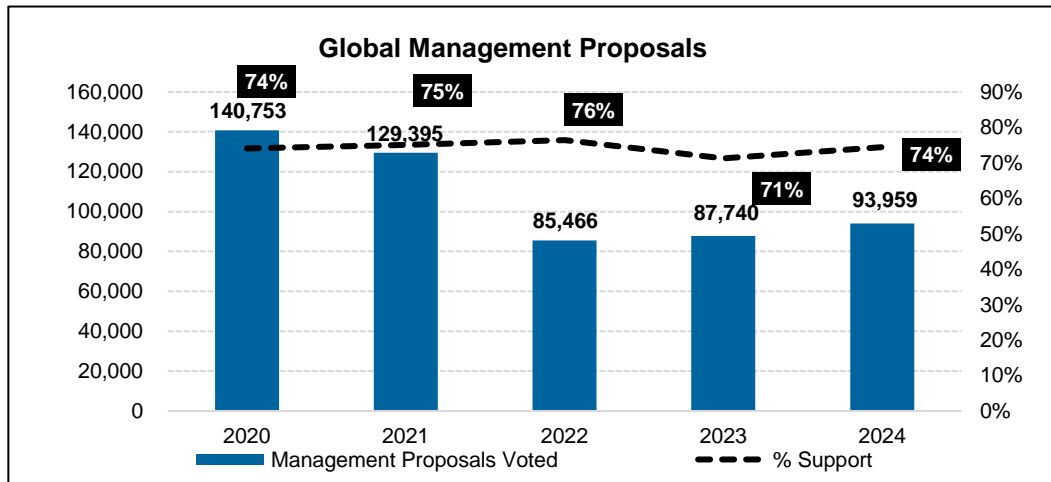
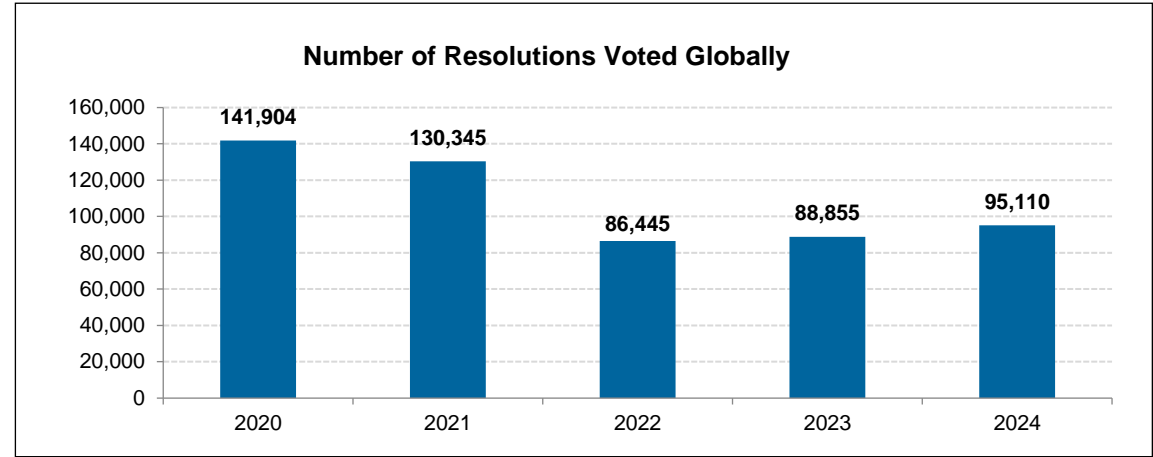
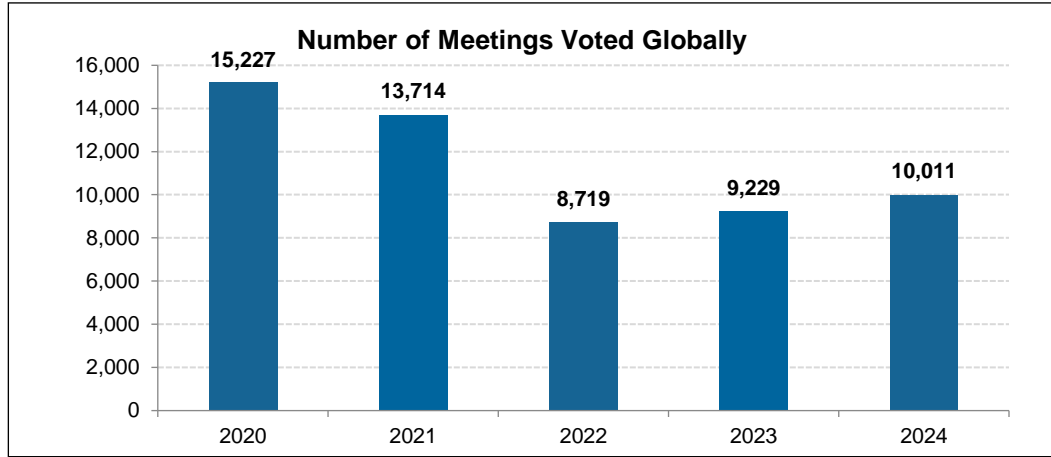
- Continued implementation of CalPERS Labor Principles
- Board Oversight of Human Capital Management
- Human Rights and Workforce Disclosure
- Support social-related shareowner proposals consistent with CalPERS Governance and Sustainability Principles:
 - Freedom of Association, Worker Safety, Labor Rights, Human Rights, Gender Pay Gap

Corporate Governance Landscape

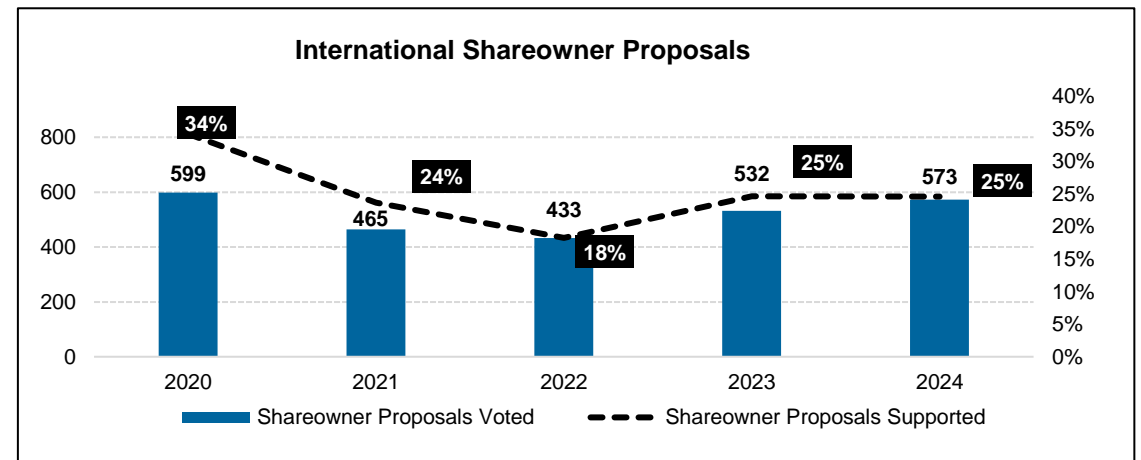
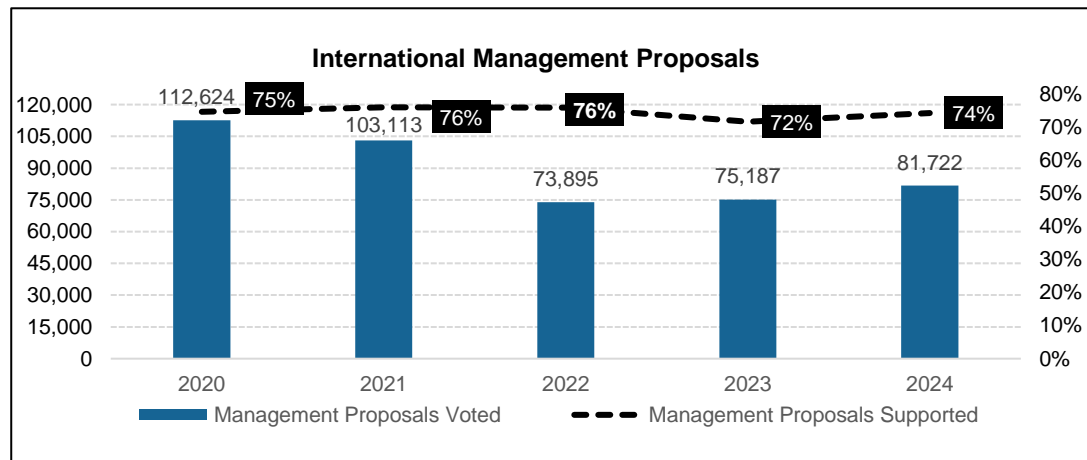
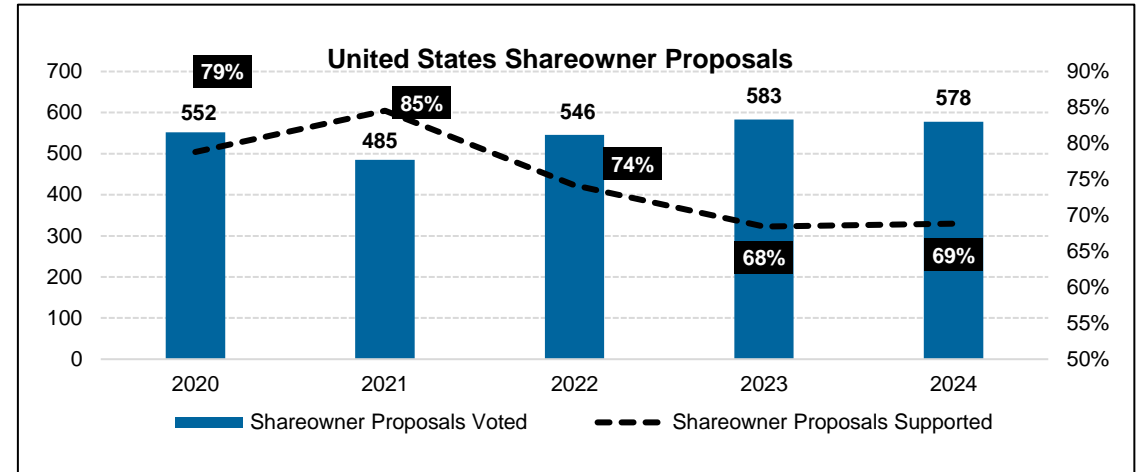
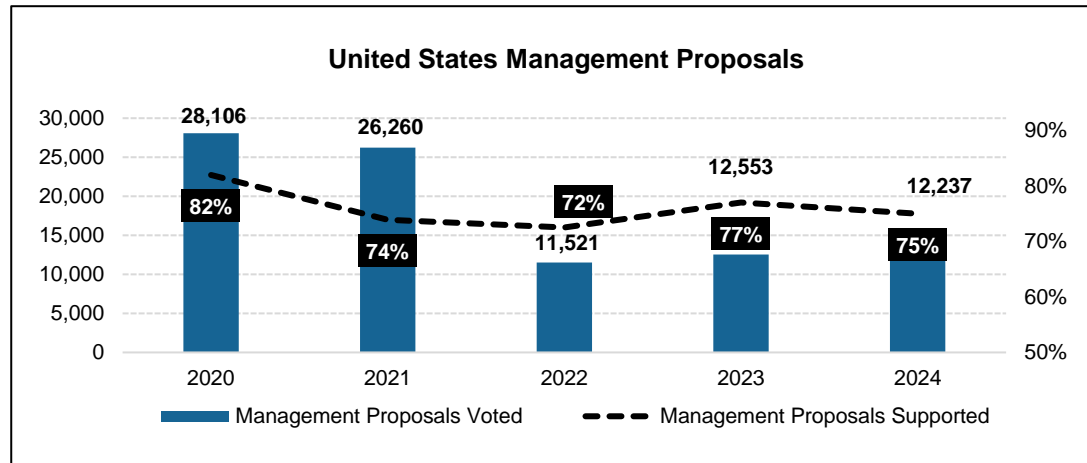
- Continue to advocate for corporate governance best practices consistent with CalPERS Investment Beliefs, Governance and Sustainability Principles, and Labor Principles

Appendix

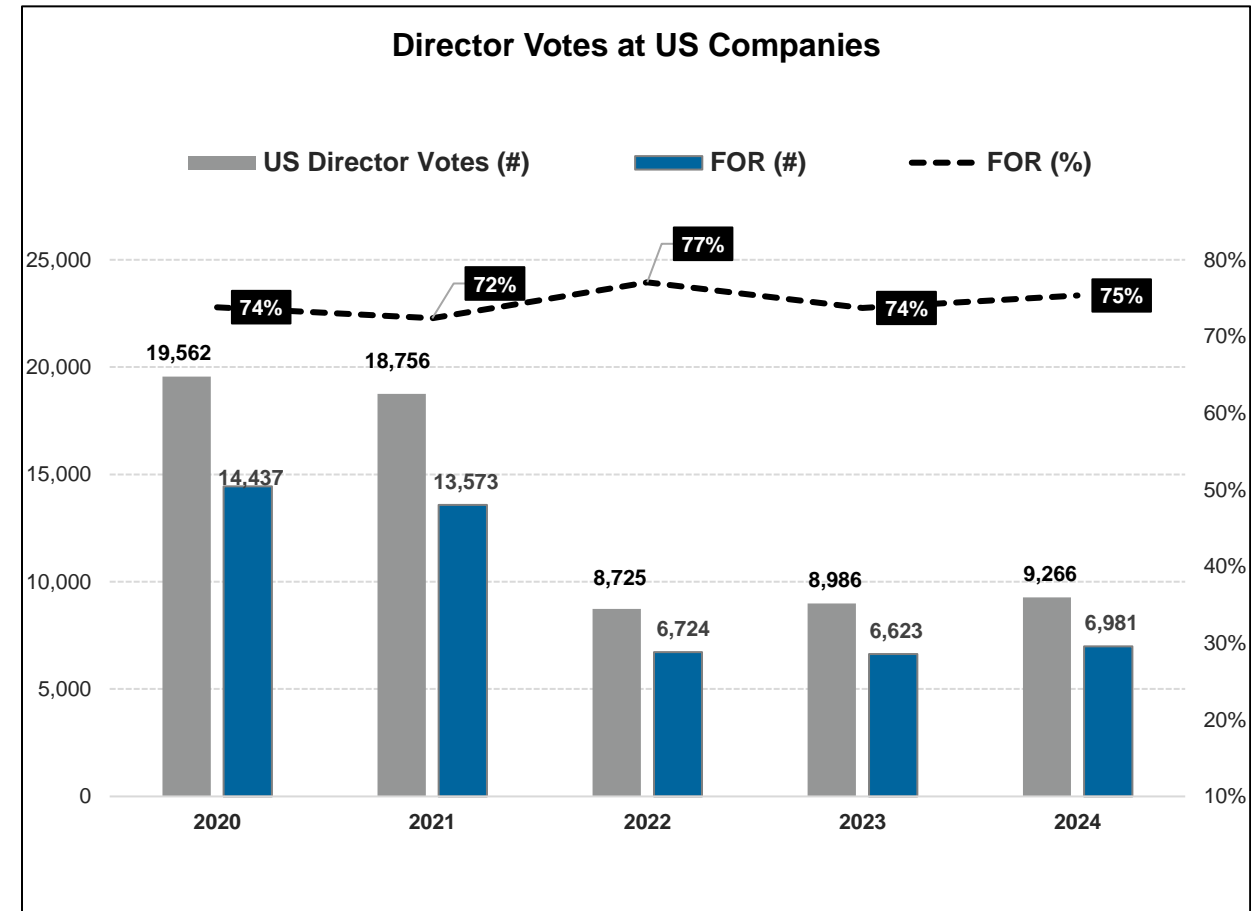
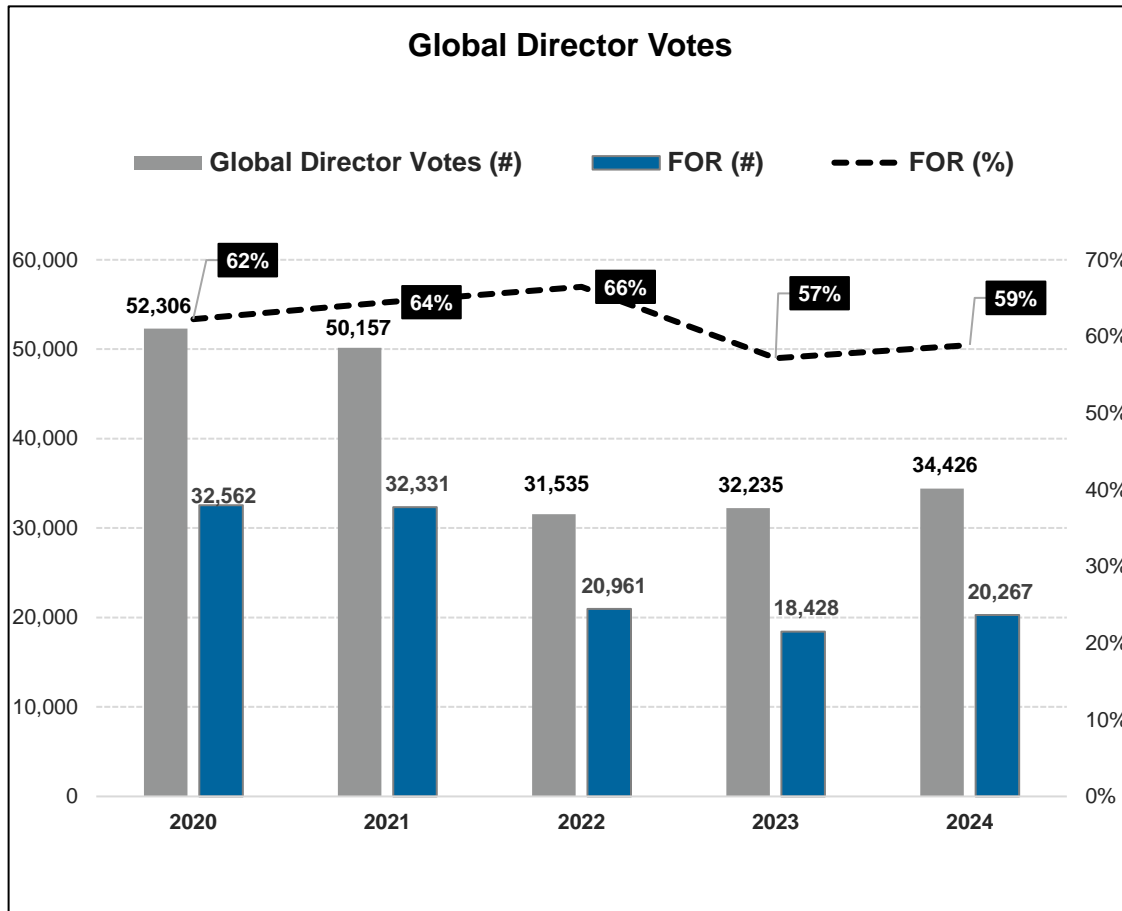
CalPERS Proxy Voting | Global Vote Record – 2020 to 2024



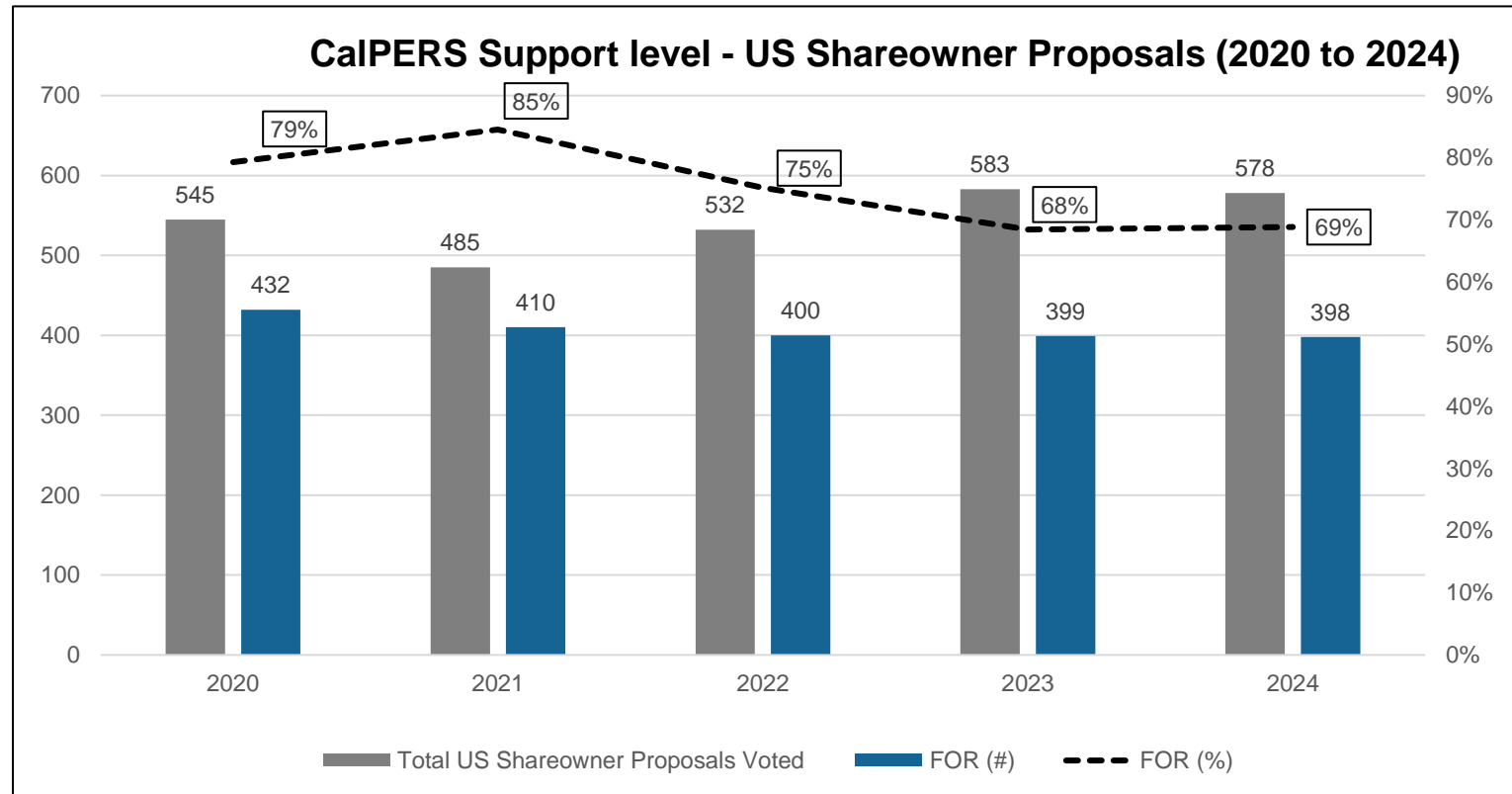
CalPERS Proxy Voting | Proposal Support Level Globally – 2020 to 2024



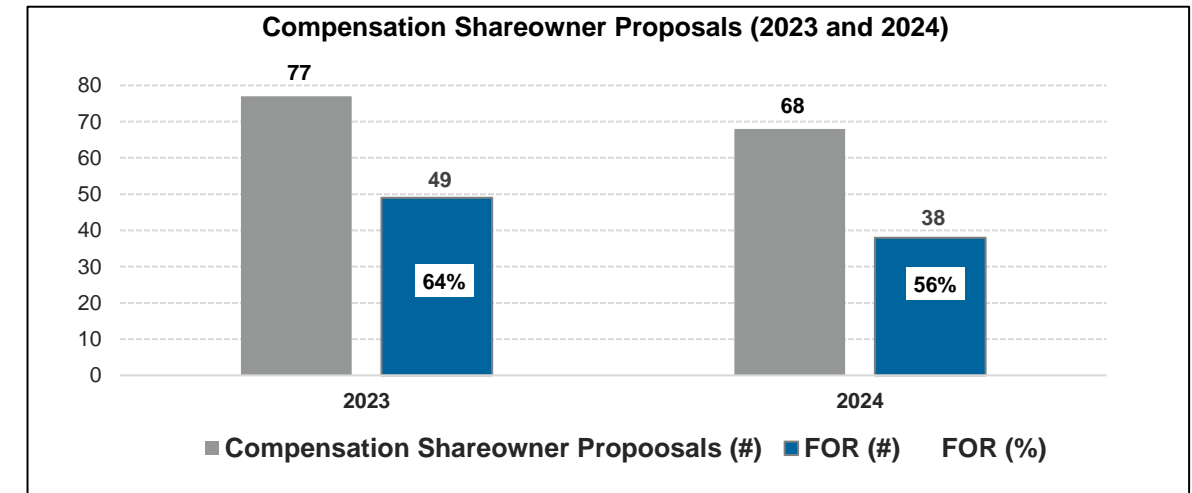
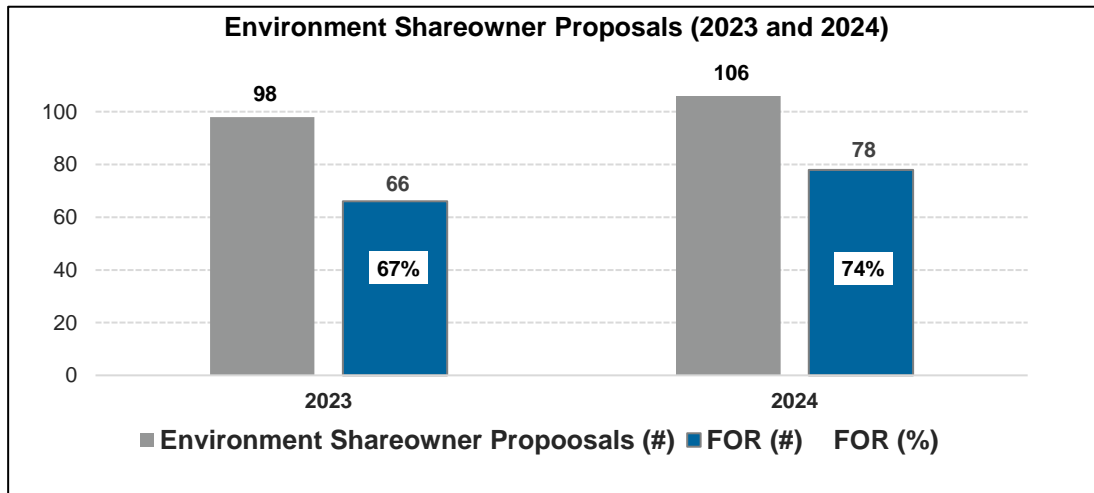
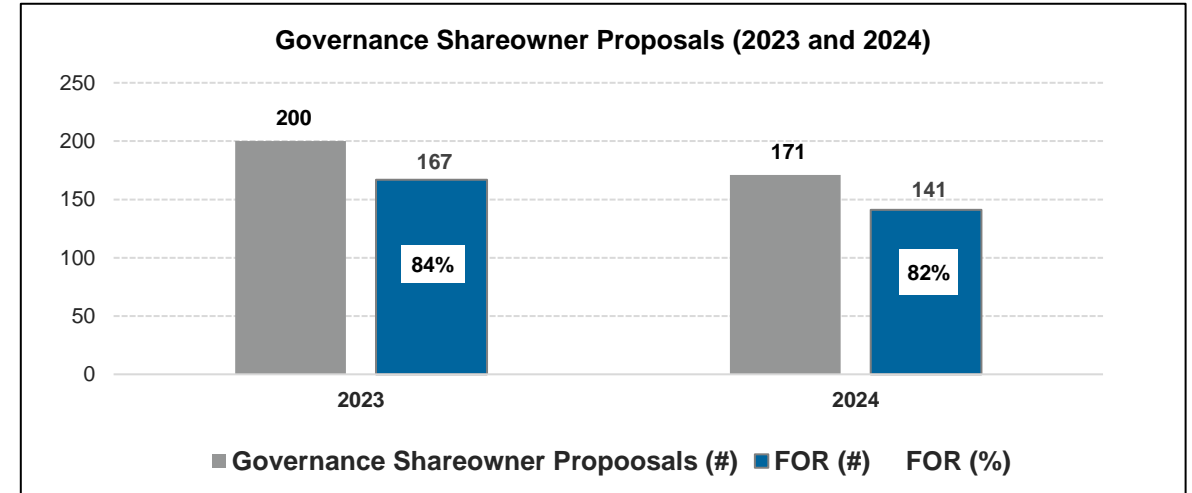
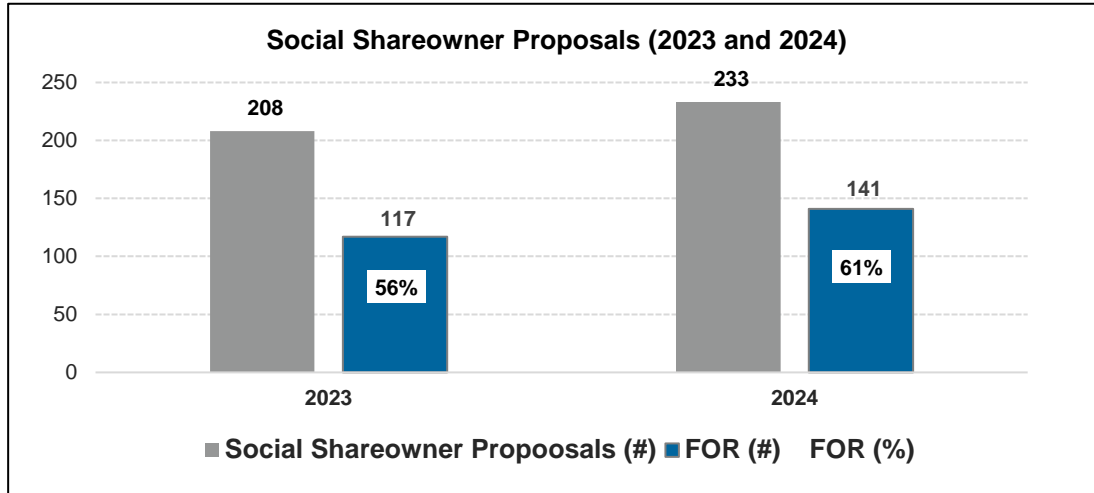
CalPERS Proxy Voting | Director Voting Support Levels – 2020 to 2024



CalPERS Proxy Voting | U.S. Shareowner Proposal Support Levels 2020 to 2024



CalPERS Proxy Voting | U.S. Shareowner Proposal Support Level by Issue 2023 and 2024



CalPERS Proxy Voting | Most Common U.S. Shareowner Proposals – 2024

| Most Common <u>Social</u> Proposals | Proposals (#) | FOR (#) | FOR (%) |
|--|---------------|---------|---------|
| Reviewing Political Spending or Lobbying | 58 | 47 | 81% |
| Human Capital Management | 46 | 25 | 54% |
| Compliance with International Human Rights Standards | 32 | 25 | 78% |
| Racial Equity Audit | 6 | 5 | 83% |

| Most Common <u>Environmental</u> Proposals | Proposals (#) | FOR (#) | FOR (%) |
|--|---------------|---------|---------|
| Report and Reducing Greenhouse Gas Emissions | 32 | 32 | 100% |
| Report on Climate Change | 24 | 11 | 46% |
| Environmental Report | 19 | 18 | 95% |
| Climate Lobbying | 10 | 10 | 100% |

| Most Common <u>Governance</u> Proposals | Proposals (#) | FOR (#) | FOR (%) |
|---|---------------|---------|---------|
| Eliminate Supermajority Provisions | 40 | 39 | 98% |
| Separate Chair CEO | 38 | 34 | 89% |
| Right to Call Special Meetings | 26 | 25 | 96% |

| Most Common <u>Compensation</u> Proposals | Proposals (#) | FOR (#) | FOR (%) |
|---|---------------|---------|---------|
| Regarding Golden Parachutes | 25 | 11 | 44% |
| Race/Gender Pay Equity Report | 15 | 14 | 93% |
| Recoupment of Unearned Bonus (Clawback) | 9 | 5 | 56% |

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
 - ✓ Japan Board Independence

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