

# LIVE VIRTUAL COMMITTEE MEETING

\*The Committee meeting will be held following the Board of Investments meeting scheduled prior.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing [PublicComment@lacera.com](mailto:PublicComment@lacera.com). If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

**Attention:** Public comment requests must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

# AGENDA

## A REGULAR MEETING OF THE CORPORATE GOVERNANCE

### COMMITTEE AND THE BOARD OF INVESTMENTS\*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, OCTOBER 14, 2020\*\*

*This meeting will be conducted by teleconference pursuant to the Governor's Executive Order N-29-20.*

Any person may view the meeting online at  
[https://members.lacera.com/lmpublic/live\\_stream.xhtml](https://members.lacera.com/lmpublic/live_stream.xhtml)

*The Committee may take action on any item on the agenda,  
and agenda items may be taken out of order.*

#### I. CALL TO ORDER

#### II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Committee Meeting of September 9, 2020.

#### III. PUBLIC COMMENT

(\*\*\*You may submit written public comments by email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com). Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.)

You may also request to address the Boards. A request to speak must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

#### IV. NON-CONSENT ITEMS

A. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer and Dale Johnson, Investment Officer: That the Committee advance to the Board of Investments for approval the proposed Minimum Qualifications, Evaluation Criteria, and Scope of Work, thereby authorizing staff to initiate a Request for Proposals for a proxy voting platform provider and proxy research service(s).

(Memo dated September 28, 2020)

B. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Committee advance to the Board of Investments for approval LACERA's nomination of Scott Zdrazil for re-election to the Council of Institutional Investors ("CII") 2021 annual board elections.

(Memo dated September 17, 2020)

#### V. REPORTS

A. Corporate Governance Engagement Initiatives  
Scott Zdrazil, Senior Investment Officer

(Report dated September 25, 2020)

#### VI. ITEMS FOR STAFF REVIEW

#### VII. GOOD OF THE ORDER

(For Information Purposes Only)

#### VIII. ADJOURNMENT

*\*The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Investments. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.*

*\*\*Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Investments meeting. Please be on call.*

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Members at LACERA's offices at

October 14, 2020

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300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

***Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email [PublicComment@lacera.com](mailto:PublicComment@lacera.com), but no later than 48 hours prior to the time the meeting is to commence.***

MINUTES OF THE SPECIAL MEETING OF THE CORPORATE  
GOVERNANCE COMMITTEE AND THE BOARD OF INVESTMENTS  
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., WEDNESDAY, SEPTEMBER 9, 2020

This meeting was conducted by teleconference under the Governor's Executive Order  
No. N-2920

PRESENT: Alan Bernstein, Chair  
Herman Santos, Vice Chair  
Gina Sanchez  
David Muir  
Keith Knox, Alternate

MEMBERS AT LARGE: David Green  
Wayne Moore

STAFF, ADVISORS, PARTICIPANTS

Jonathan Grabel, Chief Investment Officer  
Scott Zdrazil, Senior Investment Officer  
Dale Johnson, Investment Officer  
Meketa Investment Group  
Stephen McCourt, Managing Principal  
Leandro Festino, Managing Principal

Jim Filla, Vice President

I. CALL TO ORDER

The Meeting was called to order by Chair Bernstein at 8:03 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Meeting of the Corporate Governance Committee of October 8, 2019.

Mr. Santos made a motion, seconded by Mr. Muir, to approve the Minutes of the Special Meeting of October 8, 2019. The motion carried by unanimous vote.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. NON-CONSENT ITEMS

- A. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer: That the Committee recommend to the Board of Investments to approve a consolidated *Corporate Governance and Stewardship Principles* policy.  
(Memo dated August 31, 2020)

Mr. Bernstein made a motion, seconded by Mr. Muir, to approve the recommendation to approve a consolidated *Corporate Governance and Stewardship Principles* policy. The motion carried by unanimous vote.

V. REPORTS

A. Proxy Voting Results and Trends for FY2020

Scott Zdrazil, Senior Investment Officer

Dale Johnson, Investment Officer

(Memo dated August 28, 2020)

Messrs. Zdrazil and Johnson answered questions from the Committee.

B. LACERA's 2020 Principles for Responsible Investment Assessment

Scott Zdrazil, Senior Investment Officer

Dale Johnson, Investment Officer

(Memo dated August 28, 2020)

Messrs. Zdrazil and Johnson answered questions from the Committee.

VI. REPORT ON STAFF ACTION ITEMS

There were no items to report.

VII. GOOD OF THE ORDER

(For information purposes only)

There was nothing to report.

VIII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 8:56 a.m.

September 28, 2020

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil   
Senior Investment Officer

Dale Johnson   
Investment Officer

FOR: October 14, 2020 Corporate Governance Committee Meeting

SUBJECT: **PROXY RESEARCH SERVICES AND PROXY VOTING PLATFORM RFP**

### RECOMMENDATION

Advance to the Board of Investments for approval the proposed Minimum Qualifications, Evaluation Criteria, and Scope of Work, thereby authorizing staff to initiate a Request for Proposals for a proxy voting platform provider and proxy research service(s).

### BACKGROUND

At the September 2020 Corporate Governance Committee meeting, staff noted during the proxy season review, that LACERA would be bringing forth a recommendation to initiate a Request For Proposal (RFP) for proxy research services and a proxy voting platform. LACERA currently contracts with one vendor (Institutional Shareholder Services, or “ISS”) for an online proxy voting platform that integrates LACERA’s *Corporate Governance Principles*, provides proxy research and analysis, and facilitates electronic vote execution, recordkeeping, and reporting. LACERA contracts with a second vendor (Glass Lewis) to provide a more limited volume of proxy research and analysis, to avail additional perspective on select voting items, such as proxy contests, mergers and acquisitions, and key shareholder proposals. The intent of the search will be to identify one online proxy voting platform provider to facilitate electronic execution of votes, recordkeeping, and reporting, and one or more providers of proxy research to inform analysis and votes.

**ATTACHMENT 1** includes background on the proposed search and the requisite search criteria included in LACERA’s Procurement Policy for Investment-Related Services: (i) scope of services; (ii) minimum qualifications; (iii) search timing; (iv) structure of the evaluation team; (v) evaluation criteria; and (vi) the selection authority.

Attachment

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer



**Proxy Research Advisor and Voting  
Platform Search  
Request For Proposal  
Minimum Qualifications**

**Corporate Governance Committee  
October 14, 2020**

Scott Zdrazil – Senior Investment Officer  
Dale Johnson – Investment Officer



# Recommendation and Background

## Recommendation

**Advance to the Board of Investments for approval the proposed Minimum Qualifications, Evaluation Criteria, and Scope of Work, thereby authorizing staff to initiate a Request for Proposals for a proxy voting platform provider and proxy research service(s).**

## Background

LACERA's *Corporate Governance Policy* states "Proxy votes are plan assets, have value, and should be managed in a manner consistent with fiduciary duty and LACERA's interest in long-term value. LACERA exercises its voting rights for the exclusive benefit of LACERA's members and votes proxies of companies held in its global equity portfolio in accordance with its *Corporate Governance Principles*."

LACERA currently has one online proxy platform provider to electronically cast, record, and report its votes according to LACERA's custom policy and two proxy research providers for multiple perspectives on contentious meetings and/or unique ballot items

Proxy research involves governance research and analysis of proposals contained on a company's annual or special meeting ballot (proxy)

Proxy research providers have the financial and human capital resources to analyze the volume of voting items contained in proxies for thousands of companies



# Rationale for Recommendation

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**Ensure LACERA maintains an efficacious voting platform by which to execute, record, and report on its proxy voting activities, as well as access to adequate research to inform LACERA's analysis and execution of proxy votes consistent with its *Corporate Governance Principles***

LACERA currently retains Institutional Shareholder Services Inc. (ISS) and Glass, Lewis & Co., (Glass Lewis) for proxy research advisory services and ISS for a proxy voting platform.

LACERA has retained ISS since 1993 and Glass Lewis since 2003.

Both contracts expire June 30, 2021.

LACERA has significantly increased its voting exposure as measured by assets under management and by number of companies held in separate accounts over the past three years.

Staff believes the voting profile (number of companies and ballots voted) of the past fiscal year will be representative of our voting profile going forward.

LACERA believes it is prudent to periodically assess the market and current services for proxy research and proxy voting platform service providers.

# Evaluation Process

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## Evaluation Team

The proposed team consists of the corporate governance staff members and additional member(s) from global equity

## Evaluation Process

The team will conduct a two-step process:

Step 1 - Evaluation of written responses

Step 2 - Candidate interviews (virtual) and trial use of proxy voting platform

## Selection Authority

Final scores, evaluation review, and recommendation(s) will be presented to the Board of Investments

# Proposed Search Timeline

The proposed timeline seeks to ensure a thorough and thoughtful process that efficiently enables LACERA to identify and evaluate high-quality providers and ultimately source suitable proxy research and a robust, efficacious proxy voting platform



Phase	Steps	Actions	Timing
1	RFP Design and Launch	Committee & Board approval of MQs; post RFP on LACERA's website	4Q 2020
2	RFP Evaluation	Staff to review and rank RFP responses; select semi-finalists	1Q 2021
3	Semi-Finalist Evaluation	Staff to conduct virtual interview(s) and trial use of proxy voting platform	1Q 2021
4	Potential Recommendation	Board Recommendation	2Q 2021

# Minimum Qualifications

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**In order to be eligible, responding firms must meet the following MQs:**

1. As of June 30, 2020, the firm must have been in business at least five years providing:
  - a. Proxy research and analysis; and/or
  - b. Proxy voting platform that integrates research to execute LACERA's custom policy and vote recommendations, vote execution, recordkeeping, and comprehensive reporting.
2. Have at least 3 tax-exempt institutional clients with assets of at least \$5 billion in public global equities.



# Scope of Work

**LACERA anticipates retaining one proxy voting platform provider and one or more proxy research and analysis service providers**

Scope of Work Parameters	
1.	Provide an end-to-end electronic, web-based proxy voting platform with integrated research, custom policy vote recommendations, and comprehensive reporting capabilities
2.	Provide timely and accurate proxy research and analysis
3.	Provide LACERA with analysis and research to inform and maintain its custom voting policy
4.	Provide proxy vote recommendations based upon custom voting policy



# Evaluation Criteria

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**Qualified responses will be evaluated and scored on the following seven categories:**

1. Organization
2. Client Profile
3. Personnel
4. Custom Voting Policy Support
5. Proxy Research
6. Proxy Voting Platform
7. Fees





September 17, 2020

TO: Each Trustee  
Corporate Governance Committee

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: October 14, 2020 Corporate Governance Committee Meeting

SUBJECT: **Council of Institutional Investors Director Re-Nomination**

### **RECOMMENDATION**

Advance to the Board of Investments for approval LACERA's nomination of Scott Zdrazil for re-election to the Council of Institutional Investors ("CII") 2021 annual board elections.

### **BACKGROUND**

Scott Zdrazil, Senior Investment Officer, currently serves as a CII board director, board treasurer, chair of the board's audit committee, and a member of its governance committee. CII board directors are subject to annual elections and generally serve five eligible consecutive terms to provide long-term vision and oversight. Mr. Zdrazil is currently in his third year of CII board service. Annual elections for all CII directors will be held in March 2021, with re-nominations anticipated to be due in January 2021. CII has respectfully requested six-month notice from any incumbent member of the board who will not be nominated for re-election.

LACERA's *Corporate Governance Policy* provides that the Board of Investments approve, upon recommendation from this Committee, any LACERA nominations to governing boards of corporate governance associations (such as CII) to which LACERA is formally affiliated. This item is being presented for Committee consideration to allow for timely Board consideration.



September 25, 2020

TO: Each Trustee  
Corporate Governance Committee

FROM: Scott Zdrazil   
Senior Investment Officer

FOR: October 14, 2020 Corporate Governance Committee Meeting

SUBJECT: **Corporate Governance Engagement Initiatives**

The attached presentation is intended to provide the Corporate Governance Committee with a status report and description of prospective next steps on LACERA's key corporate governance engagement initiatives, for review and discussion at the October 14, 2020, meeting and in adherence to LACERA's *Corporate Governance Policy* (**Attachment**).

The Appendix to the presentation summarizes the investor and industry associations related to corporate governance and ESG to which LACERA is affiliated or has formally endorsed. This is being provided following discussion at last month's Corporate Governance Committee meeting related to current affiliations.

Attachment

Noted and Reviewed:



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Jonathan Gabel  
Chief Investment Officer

# Corporate Governance Engagement Initiatives

Corporate Governance Committee

October 14, 2020

Scott Zdrazil – Senior Investment Officer

Dale Johnson – Investment Officer



# Discussion Outline

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1. Recap and Background on LACERA Engagement Priorities
2. Status Reports and Prospective Next Steps of Key Initiatives
  - Public policy advocacy
  - Climate Action 100+
  - Sustainability Accounting Standards Board
  - Corporate Board Diversity Initiative
  - Prospective Initiative on Governance of Workplace Diversity, Equity, and Inclusion
3. Corporate Governance-related Affiliations

## Appendix

Descriptions of corporate governance-related affiliations

# Recap: Focus Areas and Approach to Engagement

LACERA proactively advocates governance practices defined in its [Corporate Governance Principles](#) to support sustainable value

LACERA's recent engagements continue to fall under **defined focus areas**\*



## Financial Market Policy and Regulations

Robust investor rights and fair rules to instill investor confidence and facilitate capital formation

Often collaborating with associations, such as the **Council of Institutional Investors**



## ESG Data Quality and Disclosures

Reliable, comparable, investment-useful corporate reporting of material ESG

Includes advocating ESG and climate risk reporting in support of the **Sustainability Accounting Standards Board** and **Climate Action 100+**



## Best Practices

Promote market adoption of governance practices linked to outperformance

Includes collaborative initiative to encourage **corporate board diversity**

## Key approaches guiding engagements\*

**Focused priorities:** Intentional action and workload

**Collaboration:** Partnerships enhance effectiveness

**Credibility:** Market credibility broadens impact

**Diplomacy:** Constructive dialogue from viewpoint as “owner”

**Prospects for success:** Initiatives with potential to move the needle



# Policy and Regulatory Engagement



## Objective: Support sound financial market policy

- Amplify LACERA's voice through collaboration with peers and affiliated associations



- Submit separate comment letters when strategic and aligned with Principles

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### Recent Actions

Engaged the Securities and Exchange Commission regarding proposed reforms to regulate proxy research and increase ownership requirements for investors to submit shareholder proposals

- Joined CII [letter](#) to the SEC on anticipated proposed regulation *October 2019*
- LACERA [comment letter](#) to the SEC on proposed proxy research reforms *February 2020*
- LACERA [comment letter](#) to the SEC on proposed changes to shareholder proposal rules *February 2020*

Encouraged clear reporting of corporate human capital practices

- LACERA [comment letter](#) to the SEC on proposed changes to Regulation S-K *October 2019*

Encouraged SEC to finalize proposed “universal proxy rule” for contested director elections

- Participated in industry group [comment letter](#) to SEC to finalize universal proxy rule *October 2019*

Promoted government policies to encourage climate risk reporting and achieve Paris Agreement goals

- Continued participation on Global Investor [Statement](#) to Governments on Climate Change *December 2019*

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### Prospective Next Steps

- Continue collaborative joint communications and strategic individual comment letters
- Participate and support joint efforts by affiliated associations, e.g. Council of Institutional Investors

# ESG Data Quality and Disclosures





# Climate Action 100+

## Objective: LACERA endorsed the Climate Action 100+ initiative in 2018

- Urges 161 carbon intensive companies to disclose climate risks and reduce emissions

## Status: Continued Progress

- Targeted companies continue to announce short and long-term emission reduction objectives
- Some have announced ambitions to achieve net zero emissions no later than 2050  
Including all European oil & gas majors (BP, Repsol, Shell, Total SA); major U.S. utilities (Duke Energy, Southern Company, et al); steel company Arcelor Mittal; and others



**161 Target Firms**

Selected for carbon intensity

**500 Investors**

With over \$47 trillion in assets

**46% of Footprint**

Target firms represent nearly half of LACERA's global equity scope 1 & 2 carbon footprint

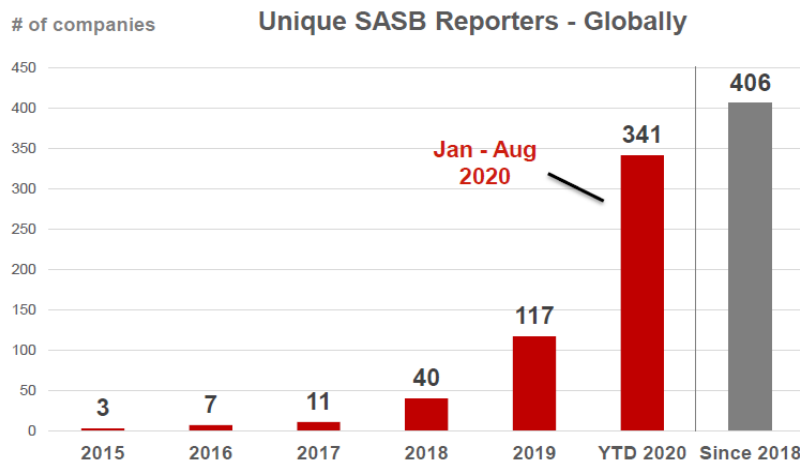
# Sustainability Accounting Standards Board

## Objective: LACERA affiliated with SASB in 2019

- SASB defines industry-specific, material, investment-useful ESG metrics across 77 industries
- LACERA participates on SASB's Investor Advisory Group to expand corporate reporting of SASB standards

## Status: Continued Progress

- Major asset managers (including State Street and BlackRock) encourage SASB corporate reporting
- Number of companies reporting consistent with SASB standards is climbing (see below)
- SASB has set a goal of 75% of S&P 1200 firms publicly reporting SASB metrics by 2025
- SASB coordinates corporate dialogues and industry engagement to spur further reporting



ACHIEVE CORPORATE ADOPTION

75% of the S&P 1200  
publicly reporting  
SASB metrics by  
2025

21% in  
2020  
(250)

## Additional Developments

- SASB reassessing its metrics related to [human capital management](#) to further expand emphasis
- Several global efforts on sustainability reporting [announced](#) joint collaboration to address regional variation and promote progress

# Promoting Best Practices





# Corporate Board Diversity Initiative

## Objective: Enhance board quality and diversity at portfolio companies

- Promote long-term value consistent with research
- Encourage boards to cast a wide net to identify qualified directors, inclusive of diverse gender, race and ethnic backgrounds, and the LGBTQ community

## Status: Progress among targeted California companies, particularly on gender diversity

- Started initiative in summer 2018
- Engaged 100 “outlier” companies headquartered in California and lacking board gender diversity
- In partnership with California public funds, most recently CalPERS and CalSTRS
- Joint letters requested dialogue on board quality and refreshment, recommending:
  1. Conduct board self-assessment and identify skills gaps to inform recruitment
  2. Affirm in policies commitment to diversity (including gender, race, ethnicity, LGBTQ)
  3. Include candidates of diverse backgrounds in interview pools
  4. Consider suitable non-corporate candidates (academia, non-profit, regulatory, etc.)

**111** female directors appointed  
at **88** of the **100** targeted companies  
at least **11** of whom are women of color



# Corporate Board Diversity Initiative

## Initiative encourages modifications to company governance documents to define diversity broadly....

### Sample Language Broadly Defines Diversity and Incorporates into the Candidate Pool

“The Nomination Committee believes that the Board should represent a **diverse mix of skills, regional and industry experience, backgrounds, ages and other unique characteristics, such as race, gender and ethnicity**. In furtherance of this goal, the Committee **is committed to actively seeking out highly qualified diverse candidates (including women and minority candidates)** to include in the pool from which Board nominees are chosen.”

### Sample Language Broadly Defining Diversity

“...ensuring that the Board of Directors, as a whole, is diverse (including, without discrimination, **diversity of race, gender, religion, sexual orientation, ethnicity, education, disability and age**) and consists of individuals with various and relevant business and occupational experience, specialized knowledge or skills (such as an understanding of banking, marketing, finance, regulation and public policy), industry knowledge and experience, financial expertise.”

### Sample Language Incorporates Language Directing Search Firms to Consider Diversity

“The Committee will consider the diversity of the Board when evaluating candidates for election or reelection to the Board... the Committee will endeavor to consider gender-diverse and ethnic-diverse candidates who meet the applicable business and search criteria. In furtherance of the foregoing, where a third-party search firm is engaged and requested to furnish an initial list of possible candidates, such firm would be requested to include in such list gender-diverse and ethnic-diverse candidates who meet the applicable business and search criteria.”

## California Law Focus on Gender Diversity

**SB 826** passed in October 2018, requiring of publicly-listed companies headquartered in California

- 1 female director by end 2019
- 2 women by 2021 at boards with up to 5 directors
- 3 women by 2021 at boards with 6 or more directors

Some legal challenges, none resolved

### **New California law (AB279)**

signed September 2020 expands focus at California companies to race/ethnicity and LGBTQ community, requiring at least one director from historically underrepresented communities by end 2021, based on self-identification





# Corporate Board Diversity Initiative: Next Steps Best Practices

- Continued collaboration with CalSTRS and CalPERS, with San Francisco Employees Retirement System joining



- Coalition aims to target largest companies in the U.S. by market capitalization
  - ✓ Generally the largest economic exposures in global equity portfolios
  - ✓ Joint letters from funds owning shares seeking dialogue with Nominating Committee chair
  - ✓ Identified by **no disclosed race/ethnicity diversity**  
(based on available disclosures and sources, since race/ethnicity is not widely disclosed)
  - ✓ Request to adopt **leading board refreshment and recruitment practices** to cast a wide net for director talent
  - ✓ Continue emphasis on **broad definition of diversity**, including gender, race, ethnicity, and LGBTQ community
  - ✓ Urge clear **disclosure of board diversity**
- Estimated 70 targets among S&P 500 Index holdings with no disclosed racial/ethnic diversity

# Workplace Diversity and Equity Initiative

## Objective:

Encourage sound governance and oversight of workforce diversity, equity, and inclusion

## Background: LACERA supports good governance to promote inclusive workplaces

- LACERA's encourages board oversight of constructive human capital practices, inclusive of equal employment opportunity (See LACERA's [Corporate Governance Principles](#), Section V.A, page 19)
- Disclosure of public company workforce demographics enables investor analysis, such as peer comparison and identification of outliers
  - Few companies disclose detailed demographics (only 4% of the Russell 3000)
  - General disclosures of diversity measures increasing (27% of Fortune 100 disclose some information)
- Companies are expanding consideration of diversity, equity, and inclusion

## Prospective Corporate Engagement Pilot Initiative

- Focused initiative to engage small number of leading companies and request that they:
  - Commit to disclose workplace demographics (consistent with privacy rights and local laws)
  - Adopt leading practices to promote diversity, equity, and inclusion internally
    - Such as ensuring board oversight of diversity efforts and conducting internal equity analyses
- Request would align with LACERA policies and initiatives on diversity, equity, and inclusion
- Prospect for collaboration with leading pension plan(s)

Source: Bloomberg. July 27, 2020. "Big Companies Track Workforce Diversity But Won't Share the Results." Available [here](#);  
EY Center for Board Matters. August 2020. "Four ESG Highlights from 2020 Proxy Season." Available [here](#).

# Affiliated Associations





# LACERA Corporate Governance Affiliations

LACERA formally supports several associations to advance governance and ESG practices

Further details on each is contained within the Appendix



**Asian Corporate Governance Association** is an independent, non-profit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. Member since 2014



**Climate Action 100+** is an investor initiative launched to ensure the world's largest corporate greenhouse gas emitters disclose climate risks and mitigation strategies. Affiliated since 2018



**Council of Institutional Investors** is a nonprofit, nonpartisan association of retirement plans charged with investing public assets that is a leading voice for effective corporate governance, strong shareowner rights and sensible financial regulations that foster fair, vibrant capital markets. Member since mid-1990's



**International Corporate Governance Network** is an investor-led organization, the ICGN's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. Member since 2014



**Principles for Responsible Investment** will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation. Signatory since 2008



**Sustainability Accounting Standards Board** establishes and promotes industry specific disclosure standards across financially material environmental, social and governance topics that facilitate communication between companies and investors about decision-useful information. Member since 2019



**Task Force on Climate-related Financial Disclosures** is an industry-led effort, with 32 global expert members from the private sector to develop voluntary climate-related disclosures that could “promote more informed investment, credit, and insurance underwriting decisions.” Endorsed since 2019



# Next Steps



# Summary of Next Steps

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## Public Policy

- Continue support of affiliated governance and investor associations (joint letters, regulator meetings, etc.)
- Consider separate LACERA comment letters, when strategic and complementary

## Enhance Quality of ESG Disclosures and Data

- Continue support of Climate Action 100+, possibly actively engaging in select corporate dialogue
- Support Sustainability Accounting Standards Board (SASB) efforts to expand corporate reporting

## Promote Best Practices

- Continue collaborative work with California funds on corporate board diversity
- Pursue targeted pilot engagement to encourage select companies to disclose workforce demographics and adopt leading practices on workplace equity

# Appendix



## Appendix: Background Information on Corporate Governance Associations to which LACERA is Affiliated

### Asian Corporate Governance Association (ACGA)

Website: <https://www.acga-asia.org>

**Purpose of Association:** An independent, non-profit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.

**Year Association Organized:** 1999

**Year LACERA Joined/Affiliated:** 2014

**Annual Membership Dues Paid by LACERA:** \$10,350

**Key Accomplishments:** Supports LACERA's efforts to advocate for sound financial market policies, regulations, and stock exchange listing standards to protect and enhance shareholder rights in Asian markets.

**Recent Priorities:** Responded to consultations from regional stock exchanges with comments on potential revisions to stewardship principles and multi-class share structures.

**Governance Structure:** The ACGA Governing Council is the highest decision-making body of ACGA and is responsible for defining its strategy and guidelines for the development of the association. The Secretariat works in partnership with the Governing Council to develop its strategy and execute its objectives.

**Board Structure:** The Governing Council is composed of ten members based in six markets: Australia, China, Hong Kong, Singapore, Taiwan and the United States. Individuals are nominated to serve on the Council based on industry and leadership experience and passion for corporate governance. Each Council member is elected for a two-year term.

**Nomination Process:** Interested members submit their nomination applications and resumes to the ACGA Nomination and Compensation Committee prior to mid-March of every even numbered calendar year for review. The Committee may hold phone interviews with shortlisted candidates and makes its recommendations for election to the Governing Council at the ACGA annual meeting typically held in the calendar 3<sup>rd</sup> quarter.

**LACERA Involvement:** LACERA supports ACGA's policy advocacy and applies ACGA educational resources to inform proxy voting analysis and decisions.



LACERA Investments

### Climate Action 100+ (CA100+)

Website: <http://www.climateaction100.org>

**Purpose of Association:** An investor initiative launched to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. More than 450 investors with over \$40 trillion in assets collectively under management are engaging companies to: curb emissions, improve governance, and strengthen climate-related financial disclosures.

**Year Association Organized:** 2017

**Year LACERA Joined/Affiliated:** 2018

**Annual Membership Dues Paid by LACERA:** No dues.

**Key Accomplishments:** Received commitments from the largest emitters to become net-zero emitters by 2050 (e.g. Royal Dutch Shell, Southern Company, Total). Supports LACERA's efforts to collaborate with other investors to engage portfolio companies on mitigating climate risk and its impact on the broader economy.

**Recent Priorities:** Engaged executives and directors at 161 global companies encouraging them to commit to net-zero business strategies.

**Governance Structure:** Climate Action 100+ is coordinated by five regional partner organizations and governed by a global steering committee made up of the lead executives of these five organizations and representatives of five investor signatories appointed by the regional partners. The North American regional organization is CERES.

**Board Structure:** N/A

**Nomination Process:** N/A

**LACERA Involvement:** LACERA publicly endorses the CA100+, supports shareholder proposals at companies that receive requests to report on efforts to mitigate climate change risk, and engages in staff level monitoring and planning.



LACERA Investments

## Council of Institutional Investors (CII)

Website: <https://www.cii.org>

**Purpose of Association:** A nonprofit, nonpartisan association of U.S. public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately \$4 trillion. CII is a leading voice for effective corporate governance, strong shareholder rights and sensible financial regulations that foster fair, vibrant capital markets. CII promotes policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries.

**Year Association Organized:** 1985

**Year LACERA Joined/Affiliated:** Believed to be in the mid-1990s.

**Annual Membership Dues Paid by LACERA:** \$31,000

**Key Accomplishments:** Supports LACERA's efforts to collaborate, engage, and advocate for sound corporate governance practices and public policies, primarily in the U.S. market where LACERA has the most economic exposure.

**Recent Priorities:** CII regularly engages with regulators and legislators on protecting and enhancing shareholder rights.

**Governance Structure:** The Board of Directors is responsible for the oversight of the operations of the Council.

**Board Structure:** The Board of Directors consists of fifteen (15) members representing various constituency groups; nine public fund members, four labor fund members, and two corporate fund members.

**Nomination Process:** Members of the Board of Directors are elected by a vote of the members of their constituency group at each annual spring Council business meeting. Each constituency group decides how to conduct its director elections and includes nomination and election procedures as determined by each constituency group.

Public fund members nominate candidates each year who may serve five consecutive terms, subject to annual member elections (consistent with CII's expectations of corporate board directors). Nominations open in January with elections occurring at the Spring Conference, normally March or April.

**LACERA Involvement:** LACERA actively collaborates with CII on a range of governance and regulatory advocacy, including policy work with the Securities and Exchange Commission and other pertinent U.S. regulatory bodies. LACERA is also represented on CII's board as a Public Fund Board member, Treasurer, and Audit Committee Chair.



LACERA Investments

## International Corporate Governance Network (ICGN)

Website: <https://www.icgn.org>

**Purpose of Association:** An investor-led organization, the ICGN's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.

**Year Association Organized:** 1995

**Year LACERA Joined/Affiliated:** 2014

**Annual Membership Dues Paid by LACERA:** estimated \$8,000 in 2021

**Key Accomplishments:** Supports LACERA's efforts to advocate for sound financial market policies to protect and enhance shareholder rights in global (particularly European) markets. Has advocated improvements in proxy voting market practices, such as share blocking, that may impede international investors from casting votes.

**Recent Priorities:** Provided insight and best practices guidance on virtual meetings and board of director expectations for engagement on climate change. Sent comment letters to regulators on modernization of disclosures to incorporate ESG considerations and protect investors right to incorporate ESG considerations in investments.

**Governance Structure:** The ICGN Board is composed of governors with the mix of skills, backgrounds, knowledge, experience, geographic locations and gender. Governors are elected by members of ICGN at the Annual General Meeting. The day-to-day management of the organization is delegated to the Executive Director.

**Board Structure:** Up to 12 candidates are elected to the ICGN Board by Members at the AGM and thereafter re-elected for a maximum tenure of six consecutive one-year terms. Board candidates are voted on individually and must receive at least 50% of the valid votes to be elected.

**Nomination Process:** Generally, beginning in March, ICGN Members may put forward candidates to the Nomination Committee which then considers the candidate in relation to the incumbent board composition and the future strategic direction of the ICGN. Candidates for the board are presented for election at the AGM, which typically is held in July.

**LACERA Involvement:** LACERA has formally endorsed the ICGN's Global Stewardship Principles and historically actively participated in ICGN educational forums, such as its annual conference. Staff collaborate with other ICGN members via ICGN networks, including input on topical content for ICGN events and conference planning.



LACERA Investments

## Principles for Responsible Investment (PRI)

Website: <https://www.unpri.org>

**Purpose of Association:** The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

**Year Association Organized:** 2006

**Year LACERA Joined/Affiliated:** 2008

**Annual Membership Dues Paid by LACERA:** \$11,326.43

**Key Accomplishments:** Supports LACERA's efforts to collaborate, engage, and advocate for sound corporate governance practices and financial market policies to protect and enhance shareholder rights in global markets.

**Recent Priorities:** Educate and inform signatories, regulators, and legislators on the potential financial impact of a delayed response to climate change and encourage signatories to take action on the Sustainable Development Goals.

**Governance Structure:** The PRI Association is governed by the PRI Association Board (the Board) as set out in the Articles of Association of PRI Association.

**Board Structure:** The Board is composed of one independent Chair and ten Directors (seven elected by asset owner signatories, two by investment manager signatories and one by service provider signatories). There are two Permanent UN Advisors to the board, representatives from the PRI's founding UN partners: UN Global Compact and UNEP Finance Initiative. Directors serve staggered terms.

**Nomination Process:** Eligible candidates must be nominated by their signatory organization and seconded by another signatory within the same signatory category. Nominations for available positions open in late May for approximately two months. Elections typically occur beginning early October and remain open for approximately six weeks.

**LACERA Involvement:** LACERA has steadily improved its annual PRI Assessment scores and provides input and collaborates with PRI signatories on best practice guidance and ESG integration practices. Staff is member of PRI's Western North America Advisory Committee and Private Equity Advisory Committee



LACERA Investments

## Sustainability Accounting Standards Board (SASB)

Website: <https://www.sasb.org>

**Purpose of Association:** To establish and improve industry specific disclosure standards across financially material environmental, social and governance topics that facilitate communication between companies and investors about decision-useful information.

**Year Association Organized:** 2011

**Year LACERA Joined/Affiliated:** 2019

**Annual Membership Dues Paid by LACERA:** \$8,500 in 2019

**Key Accomplishments:** Supports LACERA's efforts to encourage corporate adoption of material, investment-useful ESG reporting standards across 77 sectors, as well as advocacy of sound sustainability practices and public policies.

**Recent Priorities:** On September 11, 2020, five organizations—CDP, CDSB, GRI, IIRC and SASB—announced [a shared vision](#) for a comprehensive corporate reporting system and their commitment to collaborate to achieve it.

**Governance Structure:** The SASB Foundation operates in a governance structure that includes a board of directors ("the Foundation Board") and a standard-setting board ("the Standards Board"). The Standards Board develops, issues, and maintains the SASB standards. The Foundation Board oversees the strategy, finances, and operations of the entire organization, and appoints the members of the Standards Board.

**Board Structure:** Up to 21 Directors

**Nomination Process:** N/A

**LACERA Involvement:** LACERA is a member of SASB's Investor Alliance and has senior staff serving on its Investor Advisory Group to collaborate on corporate engagement and advocacy of corporate adoption of SASB's reporting standards.



LACERA Investments

## Task Force on Climate-related Financial Disclosures (TCFD)

Website: <https://www.fsb-tcfd.org/>

**Purpose of Association:** An industry-led effort, with 32 global expert members from the private sector to develop voluntary climate-related disclosures that could “promote more informed investment, credit, and insurance underwriting decisions.”

**Year Association Organized:** 2015

**Year LACERA Joined/Affiliated:** 2019

**Annual Membership Dues Paid by LACERA:** No dues.

**Key Accomplishments:** Defined an industry-led framework for corporate assessment and reporting of climate-related financial risks and opportunities for adoption and guidance by companies, regulators, and other organizations.

**Recent Priorities:** Released [update](#) on status of progress in level of corporate disclosure on climate-related risks and opportunities.

**Governance Structure:** Task Force created by the Financial Stability Board, comprised of the key banking authorities in G20 member countries.

**Board Structure:** The TCFD’s 31 members were chosen by the FSB to include both users and preparers of disclosures from across the G20’s constituency covering a broad range of economic sectors and financial markets.

**Nomination Process:** N/A

**LACERA Involvement:** LACERA publicly endorsed the TCFD, encourages corporate reporting consistent with the TCFD framework as one demand of the Climate Action 100+ initiative, and reports on LACERA’s efforts to align with the TCFD as part of LACERA’s annual PRI assessment.



LACERA Investments