LIVE VIRTUAL COMMITTEE MEETING

NOVEMBER 17, 2021 AT 8:00 AM

CORPORATE GOVERNANCE COMMITTEE MEETING

TO VIEW VIA WEB

https://lacera.com/leadership/board-meetings

TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you would like to remain anonymous at the meeting without stating your name, please let us know.

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com.

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

8:00 A.M., WEDNESDAY, NOVEMBER 17, 2021

This meeting will be conducted by teleconference under California Government Code Section 54953(e).

Any person may view the meeting online at
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 Regular Committee Meeting of February 10, 2021.

III. PUBLIC COMMENT
(**You may submit written public comments by email to 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 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. CONSENT ITEMS

A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Corporate Governance Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.
(Memo dated November 8, 2021)

V. NON-CONSENT ITEMS

A. 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") 2022 annual board elections. (Memo dated October 20, 2021)

VI. REPORTS

A. Review of FY2021 Proxy Voting Results and Trends
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(Memo dated October 20, 2021)

B. Update and Review of Corporate Governance Engagement Initiatives
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(Memo dated November 5, 2021)

VII. ITEMS FOR STAFF REVIEW

VIII. GOOD OF THE ORDER
(For Information Purposes Only)

IX. 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.

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 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, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE 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

8:00 A.M., WEDNESDAY, FEBRUARY 10, 2021

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

PRESENT: Alan Bernstein, Chair

Gina Sanchez, Vice Chair

Herman Santos

Shawn Kehoe

Elizabeth Greenwood, Alternate

MEMBERS AT LARGE:

Keith Knox

David Green

Ronald Okum

Joseph Kelly

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Scott Zdrazil, Senior Investment Officer

Dale Johnson, Investment Officer

Rick Fleming, U.S. Securities and Exchange Commission Office of the Investor Advocate

I. CALL TO ORDER

The meeting was called to order virtually by Chair Bernstein at 8:00 a.m.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Meeting of October 14, 2020.

Mr. Santos made a motion, Mr. Kehoe seconded, to approve the minutes of the regular meeting of October 14, 2020.

The motion passed unanimously (roll call) Messrs. Bernstein, Santos, Kehoe and Ms. Sanchez, voting yes.

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, and Dale Johnson, Investment Officer: That the Committee advance for Board of Investments approval a revised Corporate Governance and Stewardship Principles policy. (Memo dated January 20, 2021)

Ms. Sanchez made a motion, Mr. Santos seconded to advance the recommendation to the Board of Investments.

The motion passed unanimously (roll call) with Messrs. Bernstein, Santos, Kehoe and Ms. Sanchez voting yes.

V. REPORTS

A. Educational Speaker Regarding Investor Rights and Regulatory Developments: Rick Fleming, U.S. Securities and Exchange Commission Office of the Investor Advocate and Scott Zdrazil, Senior Investment Officer

Mr. Fleming provided a presentation, and answered questions from the Committee.

B. LACERA Corporate Governance and Stewardship Update
Jonathan Grabel, Chief Investment Officer
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(For Information Only)

VI. ITEMS FOR STAFF REVIEW

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 approximately at 9:15 a.m.

November 8, 2021

TO: Each Trustee,
Corporate Governance Committee

FROM: Steven P. Rice, SPR
Chief Counsel

FOR: November 17, 2021 Corporate Governance Committee Meeting

SUBJECT: Approval of Teleconference Meetings Under AB 361 and Government Code Section 54953(e)

RECOMMENDATION

That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Corporate Governance Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.

LEGAL AUTHORITY

Under Article XVI, Section 17 of the California Constitution, the Board of Investments has plenary authority and exclusive fiduciary responsibility for the fund's investments, actuarial matters, and related issues. This authority includes the ability to manage Board and Committee meetings and evaluate and act on legal options for the conduct of such meetings, such as whether to invoke teleconferencing of meetings under the terms and conditions provided in AB 361 and Government Code Section 54953(e) of the Brown Act to protect the health and safety of Trustees, staff, and the public. It is necessary for the Committee to take separate action at this meeting because the limit of a determination under Section 54953(e)(3) is 30 days, the Board of Investment's October 13, 2021 action invoking the statute was more than 30 days ago, and the November 17, 2021 Committee meeting will take place before the Board of Investments' meeting at which the Board will again consider the issue. The Committee is a separate legislative body under the Brown Act and may properly take this action for its own meetings.

DISCUSSION

A. Summary of New Law.

Section 54953(b)(3), as in effect since before the COVID-19 pandemic, provides for a teleconference meeting if: the agenda is posted at each teleconference location; the agenda identifies all teleconference locations; teleconference locations are accessible to the public and allow for public participation; a quorum of Trustees is located in Los Angeles County; and all votes are by roll call.

The Governor's Executive Order No. N-29-20, issued on March 17, 2020, relaxed these teleconference rules during the COVID-19 State of Emergency. LACERA has held teleconference meetings throughout the pandemic under the authority of Order No. N-29-20. On June 11, 2021, The Governor issued Executive Order No. N-08-21 providing that the relaxed rules expired on September 30, 2021, at which time the regular rules of Section 54953(b), as described above, would again be in effect.

On September 16, 2021, the Governor signed AB 361 which enacted new Government Code Section 54953(e) of the Brown Act to put in place, effective immediately and through December 31, 2023, new relaxed teleconferencing rules that may be invoked by local legislative bodies, such as the Corporate Governance Committee, upon making certain findings and following certain agenda and public comment requirements.

Specifically, Section 54953(e)(3) provides that the Committee may hold a teleconference meeting without the need to comply with Section 54953(b)(3) if a state of emergency under Section 8625 of the California Emergency Services Act remains active or state or local officials have imposed or recommended social distancing rules, provided that the Committee, within 30 days of the first teleconference meeting and every 30 days thereafter, makes the following findings by majority vote:

(A) The Committee has considered the circumstances of the state of emergency;

(B) Any of the following circumstances exist:

- (i) The state of emergency continues to directly impact the ability of the Trustees to meet safely in person;
- (ii) State or local officials continue to impose or recommend measures to promote social distancing.

If the Committee makes the required findings, the Committee may hold teleconference meetings without the need to comply with the regular rules of Section 54953(b)(3) provided that: agendas are prepared and posted under the Brown Act; members of the public are allowed to access the meeting via a call-in option or an internet-based service option; the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment; and public comment is provided on either a timed period or per agenda item.

B. Information Supporting the Required Findings and Process if the Committee Determines to Invoke Section 54953(e).

The Governor's State of Emergency for the COVID-19 pandemic as declared in the

Proclamation of a State of Emergency dated March 4, 2020 remains active. The Proclamation was issued under the authority of Section 8625 of the California Emergency Services Act.

The Los Angeles County Department of Public Health maintains guidance to "Keep your distance. Use two arms lengths as your guide (about 6 feet) for social distancing with people outside your household when you are not sure that they are vaccinated." http://publichealth.lacounty.gov/acd/ncorona2019/reducingrisk/. The County Public Health Department also maintains guidance that employers should, "Implement policies and practices that support physical distancing: Whenever possible, take steps to reduce crowding indoors and enable employees and customers to physically distance from each other. Generally, at least 6 feet of distance (2 arm lengths) is recommended, although this is not a guarantee of safety, especially in enclosed or poorly ventilated spaces." http://publichealth.lacounty.gov/acd/ncorona2019/bestpractices/.

The Centers for Disease Control and Prevention (CDC) also still advise the public that, "Outside your home: Put 6 feet of distance between yourself and people who don't live in your household." https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html#stay6ft%20.

The pandemic continues to present a significant health risk, as the virus presents itself in different variants. LACERA has not yet returned to the office. Management is preparing return to office vaccination and testing protocols to ensure the safety of LACERA employees, members, and others, including Trustees.

Under these circumstances, the Committee may reasonably conclude and find that teleconferencing under Section 54953(e) is appropriate for Committee meetings during the next 30 days because (1) the state of emergency continues to directly impact the ability of the Trustees to meet safely in person, and (2) the County and other authorities continue to recommend measures to promote social distancing, as required by the statute.

If the Committee makes these findings and directs teleconferencing under Section 54953(e), procedures exist and will be implemented to ensure compliance with the agenda and public comment requirements of the statute, as stated above.

CONCLUSION

Based on the above information, staff recommends that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Corporate Governance Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.

c: Santos H. Kreimann
Jonathan Grabel
Luis Lugo
JJ Popowich
Laura Guglielmo
Carly Ntoya
Scott Zdrazil

L//.CERA

October 20, 2021

TO: Each Trustee
Corporate Governance Committee

FROM: Jonathan Grabel
Chief Investment Officer

FOR: November 17, 2021, 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") 2022 annual board elections.

BACKGROUND

Scott Zdrazil, Senior Investment Officer, currently serves as chair of the CII board of directors. All 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 fourth year of CII board service and is eligible for re-election to one additional term. We anticipate that CII will open nominations for board candidates in January 2022 with elections for all CII directors to be held in March 2022. 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 and Stewardship Policy* provides that the Board of Investments approve, upon recommendation from this Committee, any LACERA nomination to a governing board 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 of Investments consideration.

L//.CERA

October 20, 2021

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer

Dale Johnson
Investment Officer

FOR: November 17, 2021, Corporate Governance Committee Meeting

SUBJECT: **Review of FY2021 Proxy Voting Results and Trends**

Please find attached a presentation of LACERA's proxy voting results and trends for Fiscal Year 2021, covering votes cast from July 1, 2020, to June 30, 2021.

Per the roles and responsibilities defined in LACERA's *Corporate Governance and Stewardship Principles* (Principles), this FY2021 report provides an opportunity for the Committee to review results and trendlines of LACERA's proxy voting, consistent with its custom Principles.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Proxy Voting Results and Trends

Fiscal Year 2021

(July 1, 2020, through June 30, 2021)

Corporate Governance Committee

November 17, 2021

Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Discussion Outline

Objective

Review proxy voting results after concerted multi-year effort to refresh LACERA's custom *Corporate Governance and Stewardship Principles* and magnify their reach across LACERA's global equities portfolio through account conversions

Outline

1. FY2021 Proxy Voting Results and Trends
2. Regulatory Developments Related to Proxy Voting
3. Operational Updates

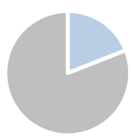
Timeline of Policy Refreshment and Expanded Voting Rights

2017

LACERA adopted refreshed *Corporate Governance and Stewardship Principles*

FY 2018

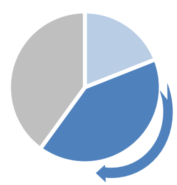
1st proxy season LACERA votes its custom policy



Voted 19%
of equities portfolio
1,610 meetings

FY 2019

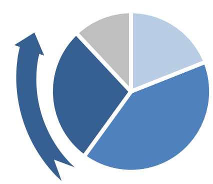
Assumed voting rights for U.S. index fund holdings



Voted 60% of equities portfolio
3,676 meetings

FY 2020

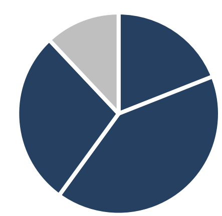
Expanded non-U.S. voting by assuming non-U.S. index holdings vote authority



Voted ~90%
of equities portfolio
7,179 meetings

FY 2021

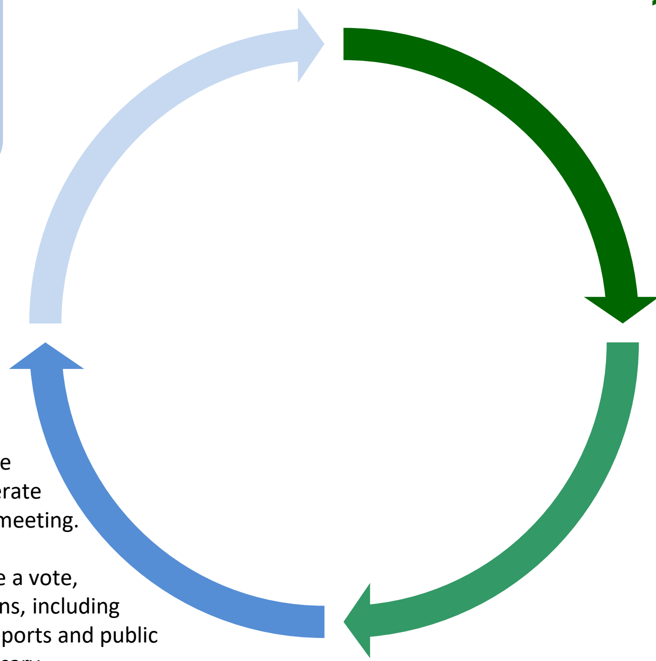
Voted global equities portfolio throughout fiscal year



Voted ~90%
of equities portfolio
8,449 meetings

Proxy Voting Process

LACERA votes proxies in adherence to its *Corporate Governance and Stewardship Principles* in order to support practices that safeguard and enhance shareholder value.



1. Define Policy Guidance ✓

LACERA's *Corporate Governance and Stewardship Principles* define positions on sound corporate governance practices and the procedures by which LACERA implements the Principles, such as proxy voting.

The Corporate Governance Committee develops, reviews, and recommends Board approval of the *Corporate Governance and Stewardship Principles.*

2. Board Approval ✓

The Board of Investments approves the *Corporate Governance and Stewardship Principles*, as recommended by the Committee.

3. Implementation ✓

The Investment Division integrates the *Corporate Governance and Stewardship Principles* into an online voting platform to apply policy parameters and generate vote recommendations for each annual and special meeting.

Investment staff reviews each voting item to execute a vote, using all available resources to inform voting decisions, including research from two proxy research firms, company reports and public filings with the SEC, and company dialogue, as necessary.

Internal oversight is provided by the CIO and Chief Counsel who are consulted on unique voting items, per policy and running practice.

4. Board Oversight – *Today*

The Corporate Governance Committee reviews proxy voting results and trends, and monitors evolving market trends and issues.

1. Review of Proxy Voting Results and Trends

Fiscal Year 2021 Proxy Votes by the Numbers

8,449

shareholder meetings voted

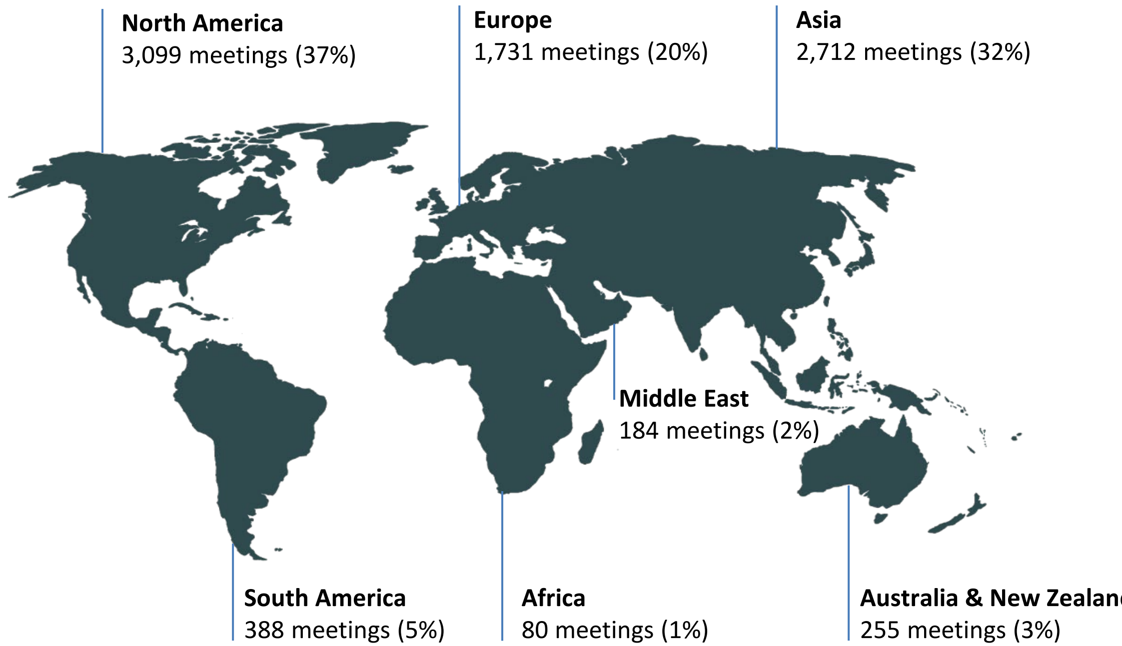
88,798

individual ballot items

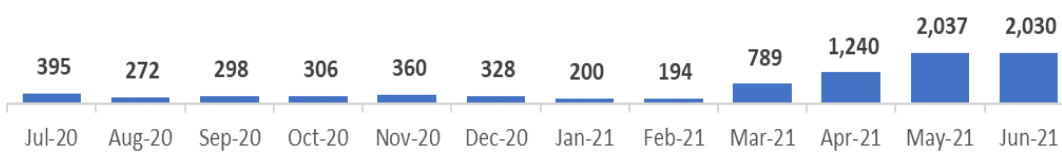
65

global markets voted in

Number of Shareholder Meetings Voted By Region

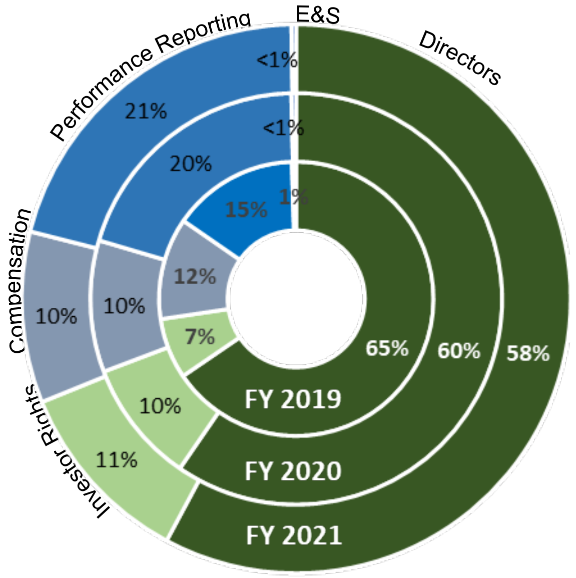


Number of Meetings Voted By Month



Key Topics Voted

Proxy Votes By Subject
FY 2019 through FY 2021

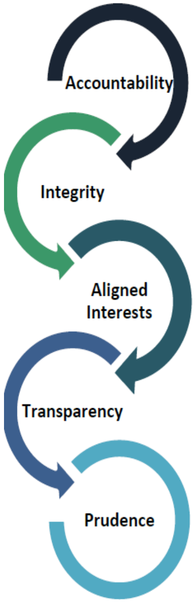


- ***~60%** of votes address **director elections** – the most common topic.*
- ***Less than 1%** of votes addressed environmental and social ("E&S") matters.*

LACERA casts proxy votes at shareholder meetings in order to promote and protect sustainable shareholder value, per policy and fiduciary duty.

Votes are cast in adherence to LACERA's *Corporate Governance and Stewardship Principles*, which address five common subjects appearing on corporate proxies. Each of the five sections is guided by the five core principles outlined below.

LACERA Core Guiding Corporate Governance Principles



Accountability from directors to investors who provide capital
LACERA advocates policies and practices that encourage directors to be accountable to investors. Accountability ensures that a firm's operations and reporting are managed in the best interests of investors.

Integrity in capital markets and fair and equitable treatment of investors
Integrity and trust are the cornerstones of capital markets and essential for economic stability. Core investor rights ensure fair and equitable treatment of investors and help instill investor confidence.

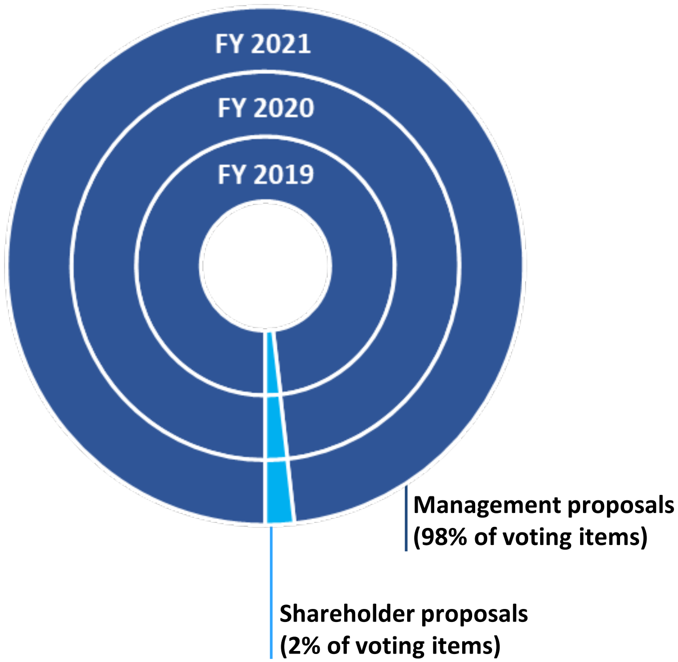
Aligned interests between executives and the investors who provide the firm with capital
Compensation and incentives should align the interests of senior executives with investors who provide the firm with capital. Pay plan design, structure, and goals should be fundamentally derived from and relevant to a firm's core business objectives and collectively promote sustainable value creation. Pay should promote performance.

Transparency in reporting of key financial and operating performance
Transparency of a firm's key financial and operating performance is critical. Financial markets work most efficiently when investors have timely, reliable, and comparable information about material aspects of a firm's performance.

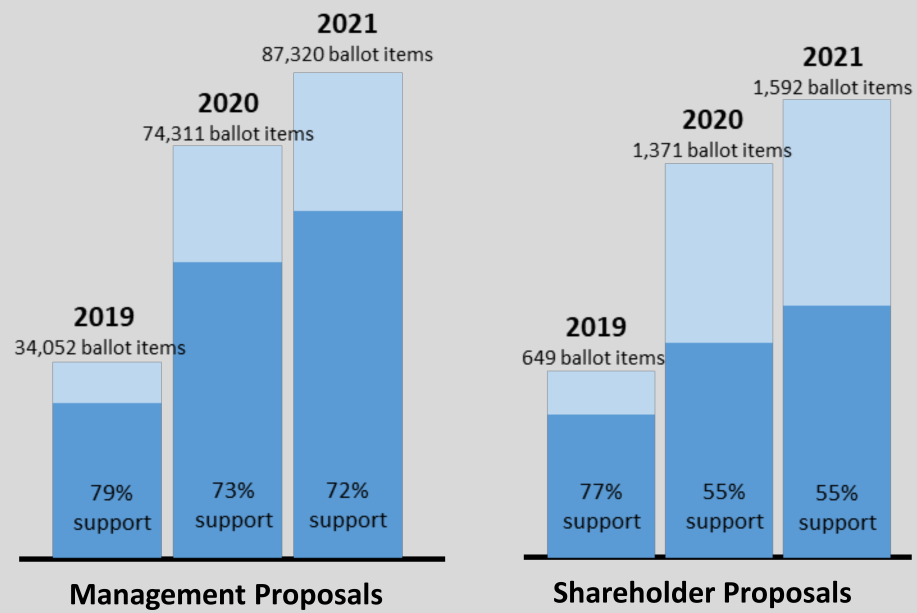
Prudent risk mitigation and management of social and environmental factors
Environmental and social factors may shape and impact a firm's ability to generate and sustain value. Firms should identify and prudently manage social and environmental factors relevant to the firm's business strategy, industry, and geographic markets.

Proxy Proposals By Sponsor and Support Levels

Percentage of Proposals By Sponsor

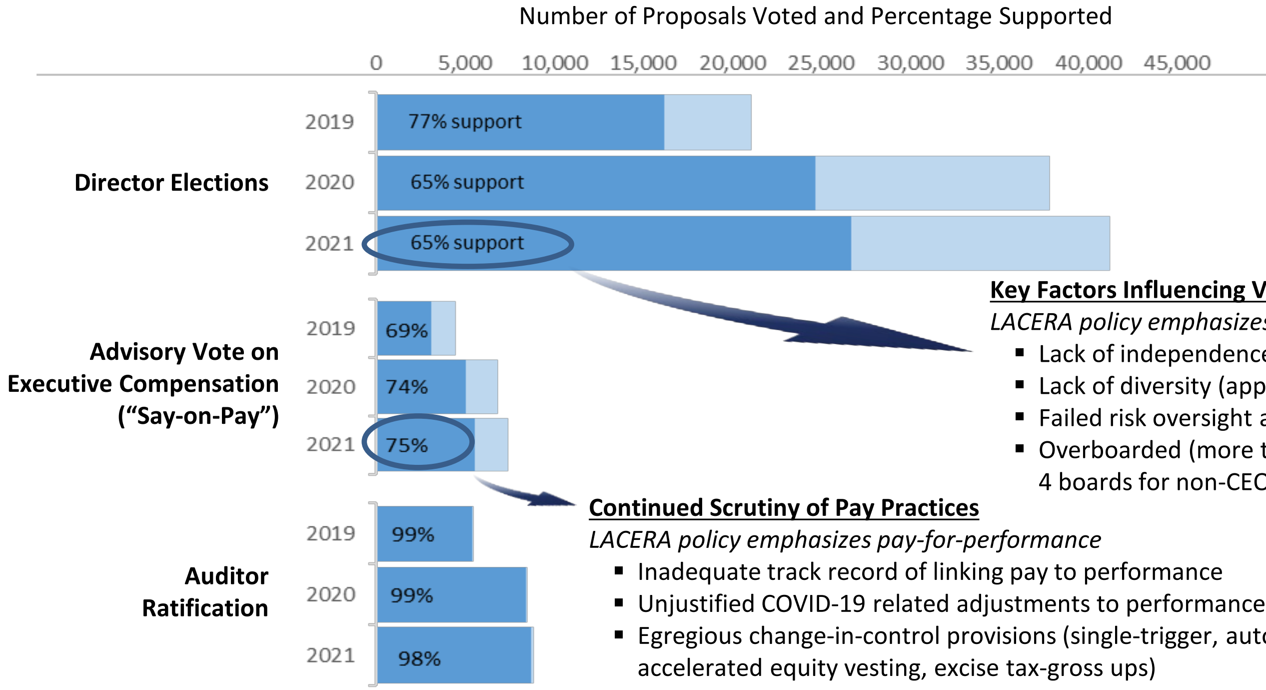


- Nearly all proxy items are sponsored by management (98%)
- Shareholder proposals typically represent 1%-2% of total votes
- LACERA support for management proposals fell slightly in FY21
- Support for shareholder proposals was similar to FY20



Management-sponsored Ballot Items

Key Management Proposal Support Levels



Key Factors Influencing Votes Against Directors

LACERA policy emphasizes board quality and performance:

- Lack of independence (applied globally)
- Lack of diversity (applied globally)
- Failed risk oversight and accountability
- Overboarded (more than 3 boards for CEOs or more than 4 boards for non-CEO directors)

Continued Scrutiny of Pay Practices

LACERA policy emphasizes pay-for-performance

- Inadequate track record of linking pay to performance
- Unjustified COVID-19 related adjustments to performance metrics
- Egregious change-in-control provisions (single-trigger, auto-accelerated equity vesting, excise tax-gross ups)

Select Sample Votes

Director Accountability

Supported 4 dissident directors in proxy contest due to lack of requisite board skills and experience needed to address climate change and energy transition.

ExxonMobil

Director Accountability

Opposed 4 directors, 2 received less than majority support and 2 others resigned prior to meeting, for vote counting irregularities and ensuing controversies following 2020 annual meeting.

TOSHIBA

Pay-for-Performance

Did not support say-on-pay vote for 4th consecutive year, along with 58% of shareholders this year, after company granted CEO $57 million equity award to replace 2018 new-hire award.

Pay-for-Performance

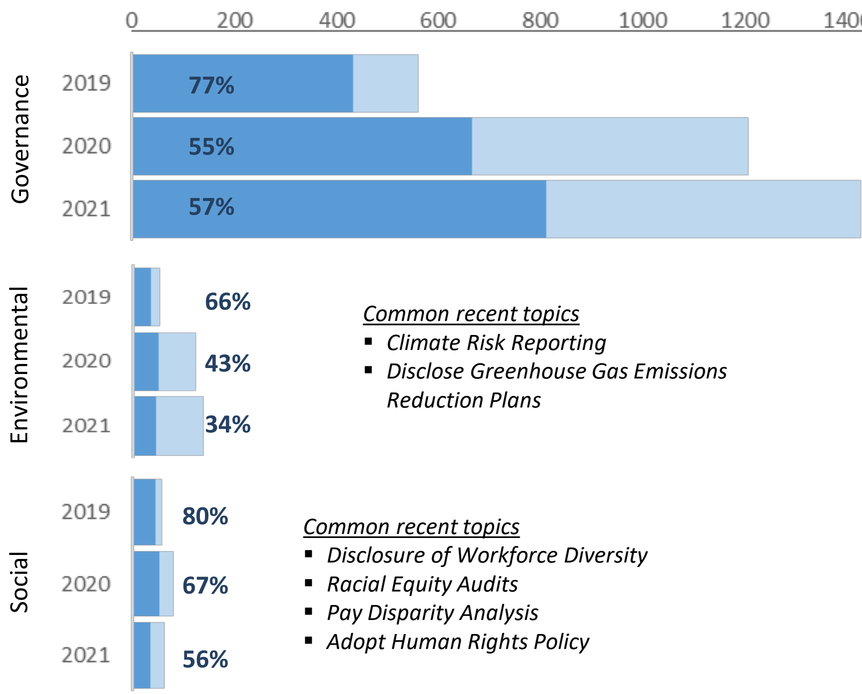
Voted Against say-on-pay, which received 37% support, after the travel technology service provider made inappropriate adjustments to its long-term incentive program in response to COVID-19.

Sabre

Shareholder-sponsored Ballot Items

Support Levels By Shareholder Proposal Subject

Number of Proposals Voted and Percentage Supported



Governance – Common recent topics
- *Right to Act by Written Consent*
- *Independent Chair*
- *Right to Call a Special Meeting*
- *Adopt or Amend Proxy Access Right*
- *Majority Vote Standard*
- *Eliminate Dual-Class Share Structure*
- *Political Contributions and Lobbying Disclosure*

Environmental – Common recent topics
- *Climate Risk Reporting*
- *Disclose Greenhouse Gas Emissions Reduction Plans*

Social – Common recent topics
- *Disclosure of Workforce Diversity*
- *Racial Equity Audits*
- *Pay Disparity Analysis*
- *Adopt Human Rights Policy*

- **Typically non-binding requests of a board to disclose or take an action**
- **Governance topics most common**
- **LACERA policy generally supports proposals regarding sound governance practices and material risks**
- **LACERA policy may oppose a proposal if it might undermine shareholder value, is overly prescriptive, or has already been adopted by the company**
- **Divergence in support for US proposals relative to non-US proposals:**
  - ~82% support of US proposals
  - ~44% support of non-US proposals
  - Non-US proposals generally vague in request, more prescriptive, lack evidence in support of argument
- **Outside of the U.S., shareholder proposals most common in** Brazil, China, Italy, and Japan

Select Sample Votes

Compensation and Incentives
For 2nd consecutive year, supported proposals on deferred short-term incentive compensation and pay recoupment disclosure to more closely align pay with risks related to drug pricing.

Climate Lobbying
Voted in support of proposal, which received 76% support, requesting company provide a report on the alignment of its lobbying activities with the goals of the Paris Agreement.

Climate Risk Reporting
Supported proposal that received 79% support requesting adoption of Scope 1, 2, & 3 GHG emissions reduction targets to advance firm's energy transition and mitigate climate change related risks.

Human Capital Management
Supported proposals at 7 companies, with 3 receiving majority support, requesting an annual assessment report on their diversity, equity, and inclusion efforts.

2021 Themes: Company-Sponsored Proposals

Investor Support for Executive Compensation Remains High Amidst Scrutiny of Performance Alignment and COVID-19 related Adjustments

- ✓ LACERA's *Principles* encourage pay-for-performance
- ✓ Investors cast non-binding "say-on-pay" ("SOP") votes in the U.S.
- ✓ 2021 SOP support fell to lowest level since SOP was mandated in 2011 but remains high
    - Median support of Russell 3000 Index companies was 95.1% in 2021, down from 95.3% in 2020
    - Percentage of failed say-on-pay votes rose to 2.6% in 2021, up from 2.1% in 2020[1]
- ✓ Some adjusted performance metrics in wake of COVID-19, leading to investor opposition if not justified:
    - changing performance goals, metrics, or measurement periods
    - replacing pre-determined performance criteria with discretionary judgment

Support for Directors Remains High, But Heightened Consideration of Director Skills, Experience, and Diversity

- ✓ LACERA's *Principles* encourage boards to be comprised with the appropriate mix of skills, experience, and diverse backgrounds to oversee corporate strategy and risks on behalf of investors
- ✓ Median director support of Russell 3000 Index companies fell slightly in 2021 to 97.8%, down from 98.1% in 2019; in 2021 58 directors failed to receive majority support, up from 47 in 2019[2]
- ✓ Contested election at Exxon Mobil centered on excessive number of former CEO directors lacking industry and energy transition skills and experience; 3 of 4 proposed dissident directors elected to the board

[1] Institutional Shareholder Services, "2021 Proxy Season Review: United States - Compensation"

[2] Institutional Shareholder Services, "2021 Proxy Season Review: United States – Director Elections & Governance"

2021 Themes: Shareholder Proposals

Significant Attention on Climate as a Systemic Risk

- ✓ Investors urge more comprehensive and rigorous emissions reduction targets, including Scope 3, with majority support at Chevron (60.7%), ConocoPhillips (58.6%), and Phillips 66 (79.4%)
- ✓ Surge in support for corporate disclosure of how lobbying efforts align to Paris Agreement goals, with proposals receiving majority support at Delta Air Lines (62.7%), Phillips 66 (62%), Exxon Mobil (64.2%), Norfolk Southern (76.4%), United Air Lines (65%)

Human Capital Remains in Focus with Notable Support Levels

- ✓ Human rights risk reporting in operations and supply chain: Wendy's (94.3% support)
- ✓ Assess mandatory employment-related arbitration provisions: SunRun Inc (58.4% support)

Increasing Scrutiny on Diversity, Equal Employment Opportunity, and Workplace Equity

- ✓ Spike in support to disclose workplace diversity and EEO-1 reports
  - DuPont de Nemours (83.8% support) and Union Pacific (86.4% support)
  - Average support for requests to disclose EEO-1 reports increased to 55% from 40.6% last year[1]
- ✓ Continued strong support for board diversity: Badger Meter (85.4% support), First Community Bancshares (70.6% support), FirstSolar Inc (91.2% support)

Environmental Risk Mitigation

- ✓ Increased support for environmental proposals, with average 41% support in 2021 compared to 32% in 2020[2]
- ✓ Notable majority support key topics
  - ✓ Deforestation: Report on efforts to eliminate deforestation in supply chain received majority support at Proctor & Gamble (67.7%) and Bunge Limited (98.9%)
  - ✓ Plastics pollution: Report on mitigating plastics pollution received 81.2% at DuPont de Nemours

1. Woodham, Kitty. "AGM Season 2021: an analysis of trends." PRI Blog.
2. Sullivan & Cromwell LLP. "2021 Proxy Season Review: Part 1."

Spotlight on Board Diversity

LACERA *Principles* Strongly Support Board Quality and Inclusion

- ✓ LACERA's *Principles* urge boards to be composed of highly-talented directors with the right mix of "relevant sills, competencies, and attributes" to oversee the company's strategy for creating and sustaining value on investors' behalf
- ✓ LACERA encourages companies to cast a wide net and expects to see **a credible track record of inclusivity** (including, but not limited to, diverse gender, racial, and ethnic backgrounds, gender identities, sexual orientations, and disability status)

LACERA Applies *Principles* for Board Diversity in Proxy Votes Universally in All Markets

- ✓ Based on available disclosures (typically limited to gender in most markets), LACERA votes "Against" certain directors (such as nominating committee chair or board leadership) **in all markets** when there is a lack of board diversity
- ✓ Lack of board diversity prompted LACERA to oppose 1.3% of directors up for election in FY2021 [4]

Board Diversity Continues to Increase

- ✓ Women represent about 25% of U.S. board seats (up from 20% in 2019[1]) and 21% of global board seats[2]
- ✓ Larger portion of *new directors* are women (44% of 2020 U.S. additions[1]) and people of color (47% at large firms in 2021[3])

Yet Diversity Remains Limited

- ✓ Approximately 67% of Russell 3000 Index company boards consist of 2 or fewer directors of color[1]
- ✓ About 300 U.S. companies (16%) have fewer than 2 women; 33 have no women [4]
- ✓ Disparate across global markets: Sample markets by percentage of companies with fewer than 2 women on boards

  62% Brazil, 10% Canada, 64% Chile, 1% France, 62% Hong Kong, 46% Singapore, 95% South Korea, 28% Germany [4]

LACERA Enhancing Scrutiny of What Constitutes a "Credible Track Record of Inclusion"

- ✓ Increasing disclosures in all markets enables consideration of director diversity attributes (NASDAQ rule, California law, etc.)
- ✓ Broader evaluation of "credible track record of inclusion" could reduce LACERA's director support by 5-10%[4]

[1] Institutional Shareholder Services, "The Content of Their Character: How Diversity & Inclusion Continue to Drive Change"
[2] MSCI, Women On Boards: 2020 Progress Report
[3] Spencer Stuart, 2021 S&P 500 Board Diversity Snapshot
[4] Analysis by ISS and LACERA (includes companies where LACERA voted from January 1, 2021, through September 30, 2021)

2. Regulatory Developments

Regulatory Developments Related to Proxy Voting

1. **Proxy research regulation**

   Securities and Exchange Commission (SEC) announced June 2021 that it will not enforce and may revise 2020 proxy research regulation:

   - SEC 2020 rule codified 2019 interpretive guidance deeming proxy research as "solicitation" and subject to related terms
   - Must provide companies copy of research no later than concurrent to client distribution and alert clients to company responses
   - LACERA, Council for Institutional Investors (CII), and others opposed 2020 revisions as risk to timely, independent research

2. **Shareholder proposal filing requirements**

   In 2020 the SEC revised rules governing shareholder resolution filings, generally restricting eligibility and adding procedural terms

   SEC in June 2021 that the 2020 rules are under further review

   CII research indicates the 2020 revisions particularly impact proposals for independent chair, political spending disclosure

3. **Universal proxy card rule**

   2016 SEC proposal would enable a "universal proxy card" for investors to select among management and dissident nominees in proxy contests

   SEC reopened comment period in April 2021 for 30 days; Final rule anticipated in near term

   LACERA advocated in earlier SEC comment letters and supported recent CII co-chaired working group letter to SEC to finalize terms

4. **"Proxy plumbing" system**

   LACERA submitted comments to November 2018 SEC Proxy Process Roundtable urging modernization, including vote confirmation

   U.S. lacks system to confirm receipt and tabulation of proxy votes

   SEC continues to highlight ballot and vote tracking and confirmation as key priorities for further reform

3. Operational Updates

Operational Updates

LACERA reviews and monitors key operational aspects to ensure alignment with LACERA's goal to maximize its ability vote shares, where feasible. The following is provided for the Committee's oversight.

Shareblocking

- ✓ About 1% of meetings not voted due to shareblocking restrictions in four countries (Egypt, Ireland, Norway, Switzerland)
- ✓ Shareblocking requires an investor to "block" shares from trading in advance of a meeting in order for investors to vote
  LACERA policy recognizes we may not vote at "shareblocked" meetings that would impede a portfolio manager from trading shares, if and when in LACERA's economic interests
- ✓ LACERA supports the International Corporate Governance Network to advocate regulatory reforms to end shareblocking

Subcustodial Chain Administrative Matters

- ✓ 36 meetings (0.4%) not voted due to administrative matters in the subcustodial chain

Securities lending

- ✓ Approximately 9% of shares were on loan and not voted
- ✓ Preliminary review of companies with shares on loan indicate short activity among:
  - consumer discretionary and real estate related companies potentially impacted by COVID
  - Southern European and South American companies
- ✓ LACERA policy enables LACERA to recall shares on loan when in LACERA's economic interests (i.e. proxy contests)

Proxy Research and Voting Platform

- ✓ LACERA completed proxy research and online voting platform search in first half of 2021
  Maintained same vendor (ISS) as online voting platform and two vendors for proxy research (ISS and Glass Lewis)

November 5, 2021

TO: Each Trustee
Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer

Dale Johnson
Investment Officer

FOR: November 17, 2021, Corporate Governance Committee Meeting

SUBJECT: **Update and Review of Corporate Governance Engagement Initiatives**

The attached presentation (**Attachment 1**) summarizes LACERA's key corporate governance engagement initiatives for the Committee's review, per LACERA's *Corporate Governance and Stewardship Principles.*

Also attached is LACERA's 2021 *Corporate Governance and Stewardship Update* (**Attachment 2**).

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

ATTACHMENT 1

Update and Review of Corporate Governance Engagement Initiatives

Corporate Governance Committee

November 17, 2021

Scott Zdrazil – Senior Investment Officer
Dale Johnson – Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Discussion Outline

1. Background on LACERA Engagement Priorities and Approach

2. Key Initiative Updates
    - Corporate Board Diversity Initiative
    - Workplace Equity Initiative
    - Sustainability Accounting Standards Board
    - Climate Action 100+
    - Public policy advocacy and prospective LACERA policy harmonization

3. PRI Assessment and ESG Update

4. Transparency
    - 2021 Corporate Governance and Stewardship Update
    - lacera.com policies and recent initiatives

Background: Putting Principles into Practice

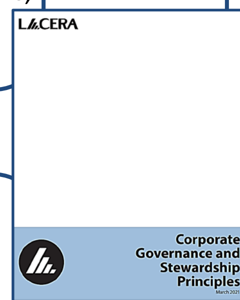
LACERA engages companies and policymakers to advocate practices defined in its *Corporate Governance and Stewardship Principles* to support sustainable value

Financial Market Policy and Regulations

Advance robust investor rights and fair rules to instill investor confidence and facilitate capital formation in financial markets, often in collaboration with associations, such as the **Council of Institutional Investors** and **Institutional Limited Partners Association**

Best Practices

Promote market adoption of sound governance practices, including recent **corporate board diversity** and **workforce equity initiatives**



ESG Data Quality and Disclosures

Reliable, comparable, investment-useful corporate reporting of material ESG factors, including advancing clear disclosures through **Sustainability Accounting Standards Board** and **Climate Action 100+**

Thought Leadership

Elevate market discussion of industry developments (such as SPAC's) and pragmatic strategies to advance LACERA's economic interests (such as LACERA's Towards Inclusion, Diversity, and Equity initiative)

Key considerations guiding engagements include*:

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

*As discussed at April 2018 Committee meeting

Key Initiative Updates

Corporate Board Diversity Initiative

Objective

- Encourage board quality through casting a wide net for director talent, inclusive of diverse backgrounds

Background and Details

- 3rd year of collaborative engagement with CalPERS, CalSTRS, and San Francisco ERS
- Identify and engage portfolio companies lacking board diversity based on available disclosures
- Send joint letters inviting dialogue on key recommendations to encourage inclusive director slates
    1. Conduct board self-assessment and identify skills gaps to inform recruitment
    2. Affirm a commitment to diversity in governance policies (including gender, race, ethnicity, LGBTQ)
    3. Include candidates of diverse backgrounds in interview slates
    4. Consider suitable non-corporate candidates (academia, non-profit, regulatory, etc.)
- Conduct joint dialogues, often with independent directors, including Nominating Committee chair

Update and Status

- 74 large U.S. firms engaged in the past year, selected for lack of any disclosed racial or ethnic diversity and urged focus on gender, race/ethnicity, and LGBTQ inclusion
- 54 firms appointed 76 directors (includes 35 women and 65 directors of color, of which 24 women of color)
- Over three years, 247 directors (female and/or people of color) have been appointed to 141 boards of the 174 total targeted companies over the time period

Current FY21-22 Engagement Cycle

- Joint letters to 57 U.S. firms, including both large- and mid-cap firms, selected for lack of apparent racial diversity and maintaining same broad request for inclusion of gender, race/ethnicity, and LGBTQ community

Sample Revised Policies and Disclosures

Initiatives to Encourage Best Practices

Proxy Disclosure

"The Board views diversity broadly to include, among other things, differences in backgrounds, qualifications, experiences, viewpoint, geographic location, education, skills and expertise, professional and industry experience, and personal characteristics, including age, gender identity, ethnicity, nationality, race, and sexual orientation."

Corporate Governance Guidelines

"When evaluating the diversity of potential director nominees, the Governance and Nominating Committee will consider a broad range of diversity, including diversity with respect to professional experience, skills and background, as well as diversity of gender, race, ethnicity, sexual orientation and identity."

Nominating Committee Charter

The Nominating Committee evaluates "such factors as… the diversity of experience, skills, viewpoints, and backgrounds represented on the Board, including but not limited to the diversity of race, ethnicity, gender, geography and/or areas of expertise."

Corporate Governance Guidelines

"The Company seeks to promote diversity, including gender and racial/ethnic diversity, within the Company and the corporate boardroom. In the event that the Nominating and Corporate Governance Committee determines to recruit candidates from outside the Company as potential nominees to join the Board, the initial candidate pool will include qualified female and racially/ethnically diverse candidates and any third-party search firms will be instructed to include such candidates in initial lists they prepare."

Corporate Governance Guidelines

"Diversity of race, ethnicity, gender, sexual orientation and gender identity are factors in evaluating suitable candidates for Board membership. The Nominating and Corporate Governance Committee will consider diverse candidates in the pool from which Board nominees are chosen, including, without limitation, nominees from both corporate positions beyond the executive suite and non-traditional environments."

Workplace Equity Initiative

Objective

- Clarify and encourage adoption and disclosure of leading governance measures promoting effective diversity, equity, and inclusion (DEI) in workplace practices among prominent portfolio companies

Background and Details

- The Business Roundtable established a 2020 committee to promote DEI in society and internal practices
- LACERA contacted the 6 publicly-listed multinationals requesting clarity and disclosure of the following:
  1. **Board oversight** of DEI performance metrics, trendlines, and strategy for leadership and integration
  2. **Transparency**: Disclose key workforce demographics, such as EEO-1 reports
  3. **Clawbacks and executive pay**: Ensure robust DEI incentives, such as clear clawback provisions in the event of executive misconduct or violation of DEI policies and anti-harassment commitments
  4. **Pay parity assessments**: Proactively assess equal pay for equal work across accessible workforce data

Update and Status

Evolving market disclosures as firms move beyond platitudes to concrete policies, practices, and KPI's:

- Board oversight is common, but not typically reported; companies committed to expand disclosures
- Transparency is increasing as more companies disclose EEO-1 reports and contemplate additional reporting (i.e. aggregate results of internal surveys of self-identified attributes)
- Clawback policies common but may indirectly incorporate DEI commitments by referencing Codes of Ethics Some companies considering strengthening tie to anti-harassment and diversity policies
- Pay parity assessments often have a limited scope by markets and attributes (i.e. gender in U.S. only) Companies expanding exercises and descriptions of process in public reporting
- LACERA monitoring and incorporating leading practices into asset manager and portfolio company reviews

Sustainability Accounting Standards Board

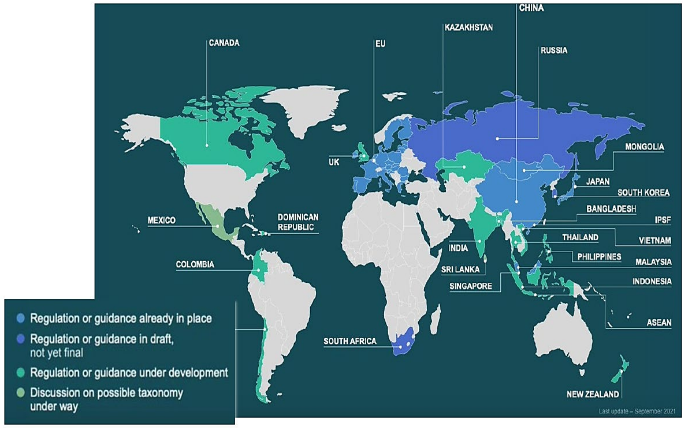
Quality ESG Disclosures

Objective
- Encourage consistent, comparable, investment-useful corporate reporting of financially relevant ESG metrics

Background and Details
- Sustainability Accounting Standards Board establishes industry-driven, material ESG metrics in 77 industries
- LACERA affiliated to SASB in 2019 and is a member of SASB's Investor Advisory Group
- SASB coordinates corporate dialogues to encourage use of SASB standards in corporate reporting

Update and Status
- Strong momentum in market adoption of SASB standards
  - Over half S&P Global 1200 Index now use SASB standards
  - S&P 1200 represents ~70% of global market capitalization
- International Financial Reporting Standards consolidation
  - IFRS initiated consultation in September 2020 to establish an International Sustainability Standards Board (ISSB)
  - November 2021 IFRS announced that it will consolidate SASB into the new ISSB by June 2022
- U.S. Securities and Exchange Commission market regulation
  - SEC requested market input in Spring 2021 on quality, availability, usefulness of ESG and climate metrics
  - LACERA submitted comments in June 2021
  - The SEC is expected to announce proposed rules on climate reporting in the near-term
- IFRS and SASB consolidation aims to harmonize ESG reporting guidance amidst proliferation of market-based regulations in recent years so that companies and investors have consistent information

Global overview of sustainability-related policy and regulation



Climate Action 100+

Quality ESG Disclosures

Objective

- Encourage 167 of the most carbon-intensive companies to report climate risks and emission reduction plans

Background and Details

- Climate Action 100+ is an investor initiative to engage 160+ companies representing ~80% of industrial emissions
- Target companies account for about half of LACERA's public market carbon footprint
- LACERA affiliated in 2018 and actively participates in dialogues with utilities companies in particular

Update and Status

- Growth in participating investors
    - 617 global investors with over $60 trillion in assets across 33 markets
    - Recent affiliations by prominent asset managers BlackRock and State Street

- Target companies continue to commit to short- and long-term emissions reductions
    - Includes net zero pledges across industries, i.e. utilities, European oil & gas, shipping, and airlines

- New Climate Action 100+ benchmark measures companies' progress against consistent performance metrics

- Key focus areas for current engagements include
    - Clarity in interim pathways between short- and long-term commitments
    - Alignment of capital allocation, executive pay incentives, and lobbying efforts with stated commitments

- Increased focus on director accountability in proxy voting at laggard companies

Financial Market Policy

Objective

- Advance LACERA's economic interests through advocating investor rights and prudent rules in financial markets
- Amplify efforts with Council of Institutional Investors (CII) and Institutional Limited Partners Association (ILPA)
- Be engaged and active on federal policy developments while adhering to established LACERA Principles

Background and Details

- LACERA is a member of CII, ILPA, and other associations to advance shared objectives
- Corporate Governance and Stewardship Principles policy and procedures guide comment letters and policy work

Updates

LACERA has been active on numerous topics:

- **Fee transparency**: Joint ILPA investor letter to the Securities and Exchange Commission (SEC)
- Establishment of a "**universal proxy card**" for contested director elections: SEC comment letter
- **Corporate disclosures** of human capital, climate risks, and political spending: SEC comment letter
- **Multiclass stock structures** and other governance reform: Letter to House Financial Services Committee
- **Climate-related investment risks**: Global Investor Statement to Governments in advance of Glasgow Summit
- **Methane mitigation**: Investor statement for consistent market rules on methane emissions

All LACERA letters and communications are available on lacera.com.

Prospective Harmonization of Policies

The Committee and Board of Investments modernized procedures in LACERA's *Corporate Governance and Stewardship Principles* in 2017 to guide LACERA's engagement work, including advocacy on financial market policy.

Procedures are intended to:

- ✓ Ensure alignment of advocacy with Board-approved corporate governance principles in the *Principles* policy
- ✓ Facilitate more active engagement by enabling quick action, including between Board meetings
- ✓ Promote internal cohesion and effective oversight

LACERA's *Principles* guiding all recent comment letters, communications, and other engagement include:

- Internal checks and balances for adherence with Principles (CIO, CEO, and Chief Counsel review each item)
- Corporate Governance Committee Chair pre-review
- Full Board receives communications to enable oversight

Staff considers that the *Principles* have provided adequate guidance and enabled more regular policy engagement.

The Board at its October 2021 off-site meeting suggested continuing and/or elevating LACERA's governance engagement work.

In line with Board feedback, the Investments Division and Legal Offices will collaborate to draft language for Board consideration to refine LACERA's Legislative Policy and delineate the Board of Investments' *Corporate Governance and Stewardship Principles* as the primary guidance for financial market policy engagement. The Legislative Policy will remain to address state and federal policy matters related to benefits and fund administration. Draft language will provide that the Legislative Policy would remain for guidance on any matters for which the *Principles* do not provide adequate clarity or guidance.

PRI Assessment Update

PRI and ESG Integration

Objective
- LACERA integrates financially-material environmental, social, and governance (ESG) factors to safeguard and enhance investment returns

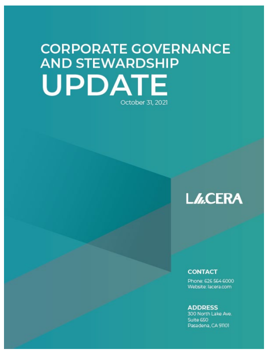
Background and Details
- LACERA became a signatory to the UN-affiliated Principles for Responsible Investment (PRI) in 2008
- LACERA completes a mandatory assessment to the PRI each year to measure our ESG integration
- In recent years, PRI has assessed LACERA's overall strategy and governance of its ESG integration as an A+
- PRI has revised its assessment methodology and postponed releasing 2021 results

Update and Status
- LACERA continues to evaluate ESG as an integral component of upfront due diligence and investment monitoring
  - Proprietary 5-part enhanced analytical framework to assess manager strength in managing ESG factors
- Key upcoming priorities incorporate feedback from the Board of Investments October 2021 offsite and include:
  - Promoting cohesion and consistency across asset classes in ESG assessments
  - Enhancing a Total Fund view of climate risks and opportunities
    - Incorporate data modeling for private asset classes' exposures to complement public markets data
    - Track investment exposures to both concentrated risks and climate transition opportunities
    - Further analysis in investment due diligence
  - Incorporate takeaways from 2-year trial affiliation with Global Real Estate Sustainability Benchmark in upcoming real assets' structure review

Transparency of Stewardship Initiatives

Promoting Transparency of Stewardship Efforts

LACERA publicly reports on its corporate governance initiatives and stewardship efforts

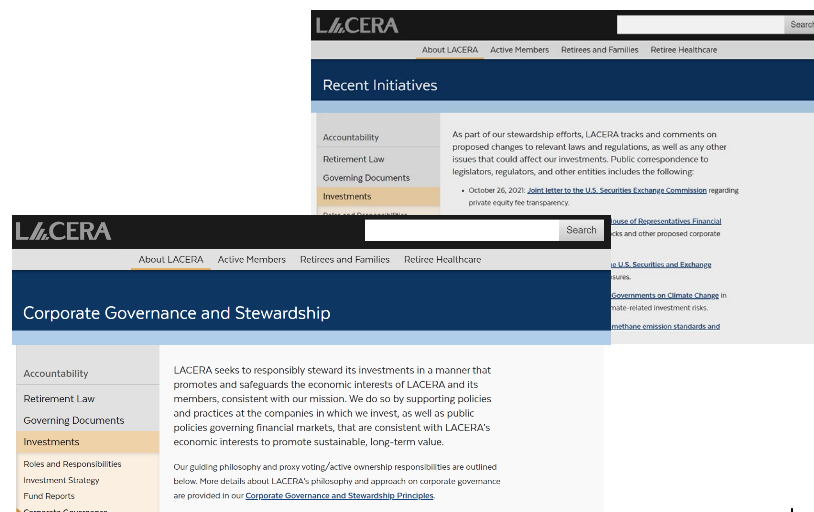


2021 Corporate Governance and Stewardship Update

- Summarizes proxy voting results and corporate engagements
- Outlines ESG integration approach
- Describes fund approach to climate change mitigation
- Follows Taskforce on Climate-related Financial Disclosures framework
- Available on lacera.com
- Included as attachment to Committee material

Lacera.com website

- Includes corporate governance policy
- Links to all public policy comment letters
- Summary description of LACERA's stewardship work



Summary of Next Steps

LACERA aims to continue a deliberate, intentional approach to its corporate governance engagement initiatives and ESG integration.

Key next steps are summarized below:

1. Continue concerted engagements on board diversity, ESG data quality, and Climate Action 100+
2. Continue select comment letters and engagements with regulators and policymakers
3. Work with Legal Office to refine LACERA Legislative Policy for trustee consideration
4. Further ESG integration, including Total Fund climate analysis to inform investment decisions
5. Promote transparency of governance and stewardship engagements on lacera.com and periodic reports and updates

CORPORATE GOVERNANCE AND STEWARDSHIP UPDATE

October 31, 2021

LACERA

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LACERA
MISSION

The Los Angeles County Employees Retirement Association (LACERA) proudly serves over 180,000 members and beneficiaries with an exclusive mission to "produce, protect, and provide the promised benefits."

LACERA encourages sound corporate governance practices at the companies in which it invests and prudent policies governing financial markets in order to promote sustainable, long-term financial value and enhance LACERA's ability to fulfill its mission, consistent with our fiduciary duties.

Moreover, LACERA recognizes that environmental, social, and governance factors ("ESG") may influence the risk-return profile and financial performance of investments. Financially material ESG factors may vary by industry, geographic exposure, business strategy, investment time horizon, and other variables. LACERA endeavors to identify, assess, and manage relevant ESG factors in its market research, portfolio construction, and throughout its investment process in furtherance of its mission and fiduciary duties. Careful consideration of ESG factors throughout LACERA's investment process aims to generate sustainable investment returns

The following report summarizse core components of LACERA's recent corporate governance and stewardship work.

GUIDING PRINCIPLES

LACERA's *Corporate Governance and Stewardship Principles* policy articulates our views on sound governance practices and guides LACERA's stewardship initiatives, such as proxy voting, corporate engagement, policy advocacy in financial markets, and ESG integration.

The *Corporate Governance and Stewardship Principles* are centered around five core concepts that collectively provide a framework aimed at promoting sustainable investment returns and responsible stewardship of fund assets:

ACCOUNTABILITY

Governance structures and practices should encourage the corporate boards of portfolio companies in which LACERA invests—as well as LACERA's external asset managers—to be accountable to those who provide the firm with capital. Accountability helps to ensure that a firm is managed in the best interests of investors.

INTEGRITY

Integrity and trust are the cornerstone of financial markets and essential for economic stability. LACERA seeks strong investor rights and protections to safeguard our economic interests and instill confidence in financial markets

ALIGNED INTERESTS

Executive compensation and incentives at portfolio companies and asset management fees should align the interests of senior executives and asset managers with those who provide the firm with capital—its investors. LACERA encourages pay-for-performance to align corporate executives' compensation with investors' interests

TRANSPARENCY

LACERA promotes timely, accurate, and comparable financial reports so that investors may have a transparent view of corporate performance.

PRUDENCE

LACERA expects companies to diligently mitigate operational risks that might jeopardize sustainable financial returns, including environmental and social factors such as resource scarcity, climate change, and human capital.

The *Corporate Governance and Stewardship Principles* are publicly available on LACERA's website at: http://www.lacera.com/accountability/corporate-governance.

TAKING ACTION

VOTE

LACERA votes proxies consistent with our *Corporate Governance and Stewardship Principles* at shareholder meetings of portfolio companies to promote and safeguard the financial value of our investments.

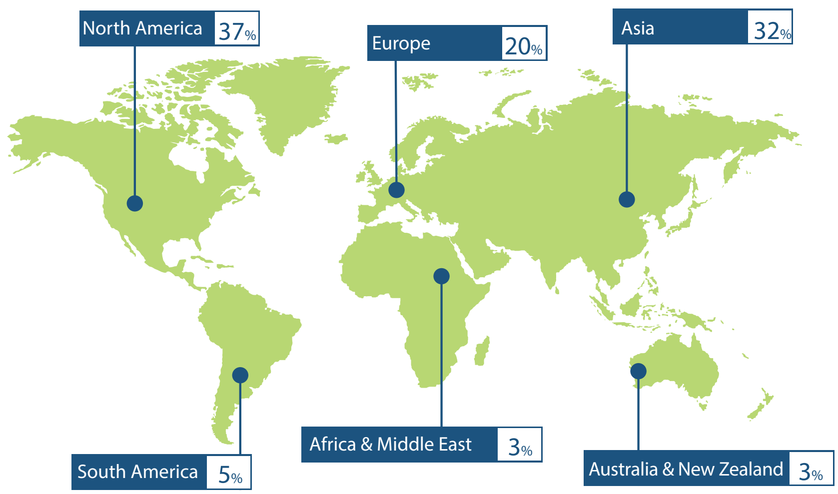
LACERA voted proxies around the globe during the fiscal year ending June 31, 2021:

8,449
shareholder meetings voted

88,798
individual ballot items

65
global markets voted in

Global Reach of LACERA Proxy Votes - Location of Shareholder Meetings by Region



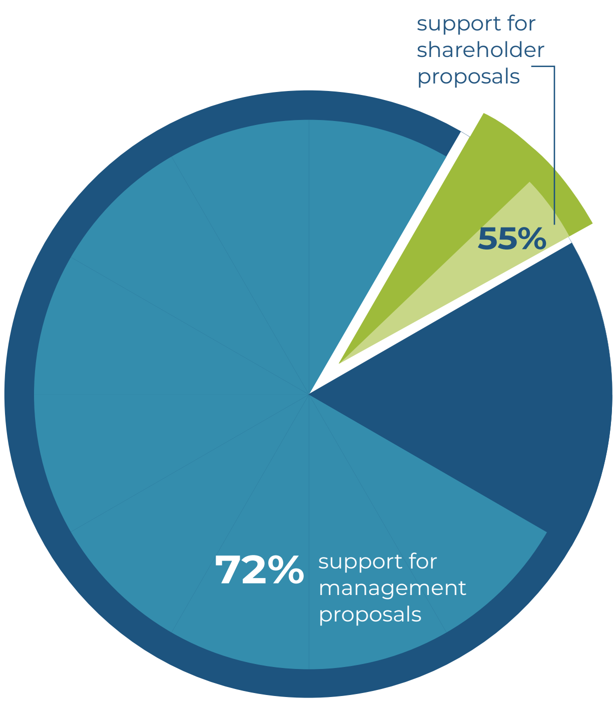
Support Levels by Proposal Sponsor

Of 88,798 individual ballot items, 98 percent were put forward by management and 2 percent were put forward by investors.

LACERA Supported:

72% **OF MANAGEMENT PROPOSALS**

55% **OF SHAREHOLDER PROPOSALS**



TAKING ACTION

VOTE

LACERA expects corporate board directors to serve investors' best interests. In determining whether to vote for or against director nominees, LACERA places particular emphasis on board quality, accountability, and performance.

65% SUPPORT OF DIRECTOR NOMINEES

LACERA may vote against director nominees for several reasons. LACERA opposes directors when there has been an egregious failure of risk oversight at the company. LACERA also examines board composition. We vote against directors if a board lacks robust independence, does not demonstrate a credible track record of inclusion of directors with diverse backgrounds, or directors serve on too many boards to adequately dedicate time to serve investors.

LACERA examines executive compensation practices to assess whether pay is aligned with performance. We vote against pay packages when executive pay is not adequately linked to, and justified by, the firm's financial performance.

OPPOSED ONE OUT OF EVERY FOUR CEO PAY PACKAGES

LACERA cast votes against 25 percent of advisory "say-on-pay" proposals because of excessive CEO pay and poor linkages between pay and performance.

VOTES FOR BOARD DIVERSITY AND INCLUSION

LACERA votes against directors at companies around the globe if a board fails to demonstrate a credible track record of inclusion, such as gender and racial diversity, using available disclosures. LACERA's voting action is driven by empirical evidence that board diversity correlates with better financial performance. Last year, LACERA's voted against directors at 502 companies for lacking gender diversity, a notable decrease from 921 companies the previous year after more companies made progress on gender inclusion.

Sample Proxy Votes

DIRECTOR ACCOUNTABILITY

Supported 4 dissident directors in a contested director election due to lack of requisite board skills and experience needed to address long-term business opportunities and risks related to climate change and a low-carbon energy transition.

ExxonMobil

PAY FOR PERFORMANCE

Voted no on the say-on-pay vote for 4th consecutive year, along with 58% of shareholders this year, after company granted CEO an extraordinary $57 million equity award.

HUMAN CAPITAL MANAGEMENT

Supported proposals requesting an annual assessment report on diversity, equity, and inclusion efforts, which received majority support at several companies.

AMERICAN EXPRESS

IBM

UNION PACIFIC

LONG-TERM PAY INCENTIVES

Supported requests for companies to report and reduce greenhouse gas emissions including proposals that over two-thirds of investors supported.

Chevron

PHILLIPS 66

TAKING ACTION

ENGAGE

LACERA's efforts to encourage sound corporate governance go beyond voting proxies at shareholder meetings. LACERA engages portfolio companies and public policymakers to promote practices in line with our economic interests and to defend investor rights.

In recent years, LACERA has emphasized engagement initiatives that advance best practices across the market, improve quality reporting of financially relevant sustainability performance, and encourage prudent public policies that govern financial markets.

RECENT INITIATIVES

Advancing Corporate Board Diversity

LACERA wants the best talent to represent investors on corporate boards and expects companies to cast a wide net to find qualified directors. Empirical research finds a correlation between boards comprised of directors with diverse backgrounds and better financial performance.

ABOUT 250 DIRECTORS OF DIVERSE BACKGROUNDS APPOINTED

For several years, LACERA has engaged companies lacking board diversity. We urge boards to identify requisite skills for board nominees and then cast a wide net for directors, inclusive of diverse backgrounds, such as gender, race, and the LGBTQ community. LACERA has been joined in these efforts with the California Public Employees Retirement System, the California State Teachers Retirement System, and the San Francisco Employees Retirement System.

In the past three years, the investor coalition engaged 174 companies, sending letters and often discussing board refreshment and recruitment practices with independent directors serving on the companies' boards. Over this time period, 247 directors have been appointed to 141 of the targeted company boards, adding gender and racial diversity. In the past year in particular, the investor coalition contacted 74 of the largest U.S. companies, based upon a lack of any disclosed racial or ethnic diversity on their boards, and encouraged boards to seek directors of diverse backgrounds, inclusive of diverse gender and racial backgrounds, and the LGBTQ community. Fifty-four (54) of the companies have added 76 directors, 35 of whom are women and 65 of whom represent underrepresented racial and ethnic backgrounds.

Beyond the appointment of new directors, the investor coalition has encouraged boards to incorporate into governing documents, such as nominating committee charters, their commitment to diversity inclusive of gender, race, ethnicity, and the LGBTQ community and to ensure that any director search encompasses a diverse slate of candidates for consideration. Companies have improved disclosure of the skills and diversity attributes represented on their boards, as reported by directors on a voluntary, self-disclosed basis, such as gender, race, and the LGBTQ community. These disclosures are increasingly presented in a "skills matrix" of nominated board directors.

TAKING ACTION

ENGAGE *Continued*

Encouraging Sound Financial Market Policy

LACERA advocates financial market policies that ensure strong investor rights and help safeguard its investments. As part of LACERA's recent efforts, we:

- Joined an investor statement to the U.S. Securities and Exchange Commission organized by the Institutional Limited Partners Association to enhance fee transparency from asset managers in private asset classes.
- Discussed concerns about transparency and the market impact of Special Purpose Acquisition Vehicles (SPAC's) with the Council of Institutional Investors, which produced a fulsome report related to SPAC's and investor rights.
- Provided a comment letter to the U.S. Securities and Exchange Commission ("SEC") in support of improved corporate disclosures of financial risks and opportunities related to climate change, human capital management, and political spending.
- Supported a joint investor letter to urge consistent market rules for the regulation and reduction of methane emissions in the oil and gas industry.
- Submitted a letter to the U.S. House of Representatives Financial Services Committee to support proposed legislation to advance equal voting rights at multi-class share companies and other corporate governance reforms.
- Submitted formal comment letters and met with U.S. Securities and Exchange Commission commissioners and staff on numerous occasions to protect investor access to timely, independent corporate governance and proxy research.

Sustainability Reporting

LACERA recognizes that environmental, social, and governance ("ESG") factors can impact the risk-return profile of our investments. We encourage timely, relevant, and comparable disclosures of how companies are managing material ESG factors.

To advance clear market information of sustainability data, LACERA supports the Sustainability Accounting Standards Board ("SASB"). SASB is an industry-led initiative to define and encourage corporate reporting of sustainability practices that are financially material to companies in 77 industries. By improving corporate reporting of clear, comparable, consistent information about sustainability risks and performance, investors have better information to take into account in our own investment decisions.

Through focused investor dialogues, more than half of the S&P Global 1200 now disclose sustainability performance data using SASB's reporting standards, as of this year.

LACERA is a member of the SASB Investor Advisory Group to provide input and support SASB's focused work to improve ESG reporting quality in financial markets.

TAKING ACTION

ENGAGE *Continued*

Promoting Inclusive Workplaces

LACERA recognizes that portfolio companies' success relies, in part, on how well they recruit, manage, and retain talent. Equal employment opportunity and workplaces free of harassment of any kind are integral to constructive workplace practices. Effectively harnessing diversity can lead to improved performance and benefit companies, their workforces, and investors alike.

In the last year, LACERA engaged several leading multinational portfolio companies to advance governance practices that we consider promote inclusive and equitable workplace practices.

Board Oversight: We encouraged corporate boards to oversee key performance indicators, trendlines, and risks related to talent management, including diversity, equity, and inclusion.

Transparency: We recommended greater transparency of workforce demographics, such as disclosing EEO-1 reports and voluntary, self-identified diversity attributes that enable investors to assess companies' track records against stated commitments.

Pay Equity: We encouraged conducting pay equity analyses to ensure employees performing similar work are paid equitably, regardless of gender, race, or other diversity attributes. Proactively assessing pay equity may strengthen employee engagement and mitigate prospective legal, operational, and reputational risks in the event of any disparate pay levels.

Executive Compensation and Clawback Provisions: We encouraged companies to have policies in place by which senior executives' pay may be recouped in the event of workplace misconduct or violation of anti-harassment or equal opportunity employment commitments. Clear clawbacks help establish the tone at the top and incentives for compliance at portfolio companies and enable a company to take action in the event that misconduct occurs.

Engaged companies continue to enhance both practices and disclosures to encourage workforces of diverse backgrounds are managed in an equitable and inclusive manner. LACERA continues to monitor and encourage leading practices to protect and promote sustainable financial performance at portfolio companies.

TAKING ACTION

COLLABORATE

LACERA works with other pension fund systems and institutional investors to amplify our voice and advance common interests in sound corporate governance practices and public policies. We are affiliated with numerous institutional investor associations.

COUNCIL OF INSTITUTIONAL INVESTORS

CII is a nonprofit, nonpartisan association that is the leading voice for effective corporate governance, strong shareowner rights and vibrant, transparent, and fair capital markets. CII promotes policies that enhance long-term value for U.S. institutional asset owners and beneficiaries. Its members include U.S. asset owners with combined assets of $4 trillion and asset managers with more than $35 trillion in assets under management.

PRINCIPLES FOR RESPONSIBLE INVESTMENT

The PRI is a global investor initiative, affiliated with the United Nations, comprised of investors representing over $80 trillion who commit to understand the investment implications of environmental, social, and governance (ESG) factors and incorporate these factors in their investment and ownership practices.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

SASB helps businesses around the world identify, manage, and report on the sustainability topics that matter most to their investors. Its Investor Advisory Group includes leading asset owners and asset managers representing over $34 trillion who are committed to improving the quality and comparability of sustainability-related disclosures to investors.

INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

With over 500 member institutions representing more than $2 trillion of private equity assets under management, ILPA is the only global organization dedicated exclusively to advancing the interests of limited partners (LPs) and their beneficiaries through best-in-class education, research, advocacy, and events.

CLIMATE ACTION 100+

Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Its members include more than 615 investors with more than $55 trillion in assets under management.

INTERNATIONAL CORPORATE GOVERNANCE NETWORK

Led by investors responsible for assets under management in excess of $54 trillion, the ICGN is a leading authority on global standards of corporate governance and investor stewardship. It promotes high standards of professional practice among companies and investors alike in their pursuit of long-term value creation contributing to sustainable economies worldwide.

ASIAN CORPORATE GOVERNANCE ASSOCIATION

The ACGA is an independent, nonprofit membership organization dedicated to working with investors, companies, and regulators in the implementation of effective corporate governance practices throughout Asia.

LEADERSHIP

LACERA serves in a leadership capacity in a number of organizations to encourage sustainable business practices and sound governance practices in financial markets.

- **Council of Institutional Investors**
  - Board of Directors
- **Institutional Limited Partners Association**
  - Diversity and Inclusion Advisory Council
- **Sustainability Accounting Standards Board**
  - Investor Alliance
  - Investor Advisory Group
- **UN Principles for Responsible Investment**
  - Asset Owners Technical Advisory Committee
  - Western North America Advisory Committee
  - Private Equity Advisory Committee
- **International Corporate Governance Network**
  - North American Conference Planning Committee

PRI AND ESG INCORPORATION

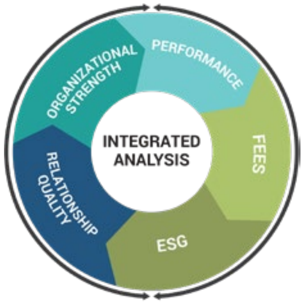
As an integral part of fulfilling our mission to LA County employees, LACERA has adopted leading practices to diligently and pragmatically consider environmental, social, and governance ("ESG") factors that might impact the risk/return profile of our investments and ultimately our ability to generate sustainable returns.

LACERA seeks to steward its investments in a responsible manner that promotes sound corporate governance and sustainability practices and mitigates the downside risks that governance failures present. In doing so, LACERA aims to achieve stable financial returns and fulfill our mission. ESG factors include the corporate governance practices of companies we invest in, environmental risks such as climate change and resource scarcity, and social factors like how companies access and manage human capital. LACERA recognizes that such ESG factors may present investment risks and opportunities and, in line with our fiduciary duty, should be prudently assessed.

LACERA maintains an A+ assessment by the United Nations-affiliated Principles for Responsible Investment (PRI) for our overall approach to responsible investing and ESG integration. LACERA has been committed to the PRI for twelve years, having become a signatory to the PRI in 2008.

ESG is a core component of LACERA's due diligence and active monitoring of all external asset managers who manage investment mandates on our behalf. We seek to understand how external managers identify, assess, and incorporate ESG factors that may impact the financial performance of the mandate in which LACERA is invested. The extent to which a manager incorporates ESG factors that may impact the financial performance of our investments is integrated into a "Manager Scorecard," by which we assess and monitor manager quality.

ESG is one pillar of the scorecard, alongside other aspect such as fees, performance, and operational due diligence, to promote a holistic, multivariate view of manager quality. The assessment is incorporated into our recommendations whether to award an investment mandate to an asset manager and may inform whether we increase or decrease investments with the manager.



Monitoring of External Assets Managers Includes ESG as One of 5 Core Components

LACERA uses ESG data and analytics tools from multiple service providers, including carbon and climate data. These tools help inform and evaluate ESG risks and exposures in investment portfolios managed by external asset managers, as well as across LACERA's public market investments.

A+ PRI Principles for Responsible Investment

The United Nations Principles for Responsible Investment (PRI) has scored LACERA's ESG efforts an A+ for overall strategy and governance.

LACERA Assesses Asset Managers' Capacity to Assess and Integrate ESG Factors

The combination of qualitative and quantitative approaches to ESG integration is intended to provide a comprehensive view of ESG factors that can affect LACERA's ability to fulfill its mission to pay benefits. LACERA recognizes that our ESG integration will evolve with improved ESG data and disclosures from companies. Our efforts to advance clear, consistent, and comparable reporting of ESG – through collaboration with SASB, policy advocacy, and other engagement initiatives – are aimed at enhancing our access and use of meaningful ESG analytics.

APPROACH TOWARDS CLIMATE RESILIENCE

LACERA recognizes that climate change presents far-reaching consequences, including shaping and influencing the business prospects of individual companies in our portfolio and the broader economy in which we invest. LACERA has sought to pursue a prudent and deliberate approach to assess climate change impacts and inform LACERA's investment decisions. LACERA's efforts aim to consider financial risks and opportunities related to climate change and facilitate an orderly transition to a low-carbon future. Consideration of climate change is a core, consistent component of investment analysis across the fund and is part of our efforts to promote sustainable, long-term value that enhances LACERA's ability to fulfill its mission.

LACERA endorsed the Task Force on Climate-related Financial Disclosures ("TCFD") in 2019 as part of the fund's focus on climate change. The TCFD was established by the Financial Stability Board and co-chaired by Mary Shapiro (former Chair of the U.S. Securities and Exchange Commission) and Michael Bloomberg (Co-founder of Bloomberg, L.P., and former Mayor of New York). The TCFD encourages corporate analysis and reporting of climate risks for investor use and aims to improve focus, availability, and reliability of data related to the financial impacts of climate change in the global economy.

The TCFD recommended guidelines for climate risk reporting center around four core elements of how organizations operate and are intended to be applicable to organizations across sectors and jurisdictions.[1]

CORE ELEMENTS OF THE TCFD'S RECOMMENDED DISCLOSURES

Governance
The organization's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Consistent with LACERA's commitment to transparency and prudence—which are two of the core concepts of LACERA's own *Corporate Governance and Stewardship Principles*—LACERA has applied the TCFD's framework to provide insight into the fund's approach to address climate-related risks and opportunities in its investments.

[1]See www.tcfdhub.org.

APPROACH TOWARDS CLIMATE RESILIENCE

Governance

LACERA's Board of Investments oversees all aspects of LACERA›s investment program, including setting the fund's strategic asset allocation through a climate-aware lens and developing policies addressing ESG factors like climate change. The Board has a dedicated Corporate Governance Committee to oversee specific corporate governance and sustainable investment initiatives. LACERA management and staff develop, recommend, and implement policies and initiatives for assessing and managing climate-related risks and opportunities.

Strategy

LACERA has sought to assess the prospective range of impacts from climate change on its investment strategy and portfolio to identify potential areas of concentrated risk as well as investment opportunities. LACERA recognizes that climate change's impact may vary by the geography or locations where a portfolio company operates, its industry, the investment time horizon, and the specific nature of the business strategy of a portfolio company. Government policies to mitigate climate change—both current and prospective future measures and regulations—also vary by market and may have different impacts on different industries and companies.

In 2021, LACERA undertook a comprehensive analysis to revisit and refine its strategic asset allocation. For the first time, LACERA strived to incorporate emerging data and analyses so that the capital market assumptions and estimations that inform the strategic asset allocation would consider prospective risks and opportunities related to climate change. In doing so, LACERA aimed to establish a refined strategic asset allocation that is "climate aware." LACERA uses "climate aware" to mean an analytical process by which the fund deliberately, prudently, and systematically accesses available information to inform investment decisions with insights regarding how climate change may impact investment performance and LACERA's ability to fulfill its mission.

Central to the strategic asset allocation climate study, LACERA incorporated climate-related analysis to inform the potential prospective impact on return and risk (volatility) of the fund, individual asset classes and strategies. The process evaluated the potential future growth trajectory of various macroeconomic factors based upon climate-related scenarios (prospective temperature changes, policy changes, and technology innovations). The conventional macroeconomic factor analyses were "shocked" by introducing various climate-related scenarios through multiple simulations to derive modified sets of macroeconomic factors relevant to each climate-related scenario. Finally, numerous asset allocation simulations were applied to each of the climate-related scenarios to extrapolate a range of climate-related impacts on the return and risk profile of an unmodified asset allocation. This exercise provided information to compare to the baseline macroeconomic analyses for non-climate aware asset allocation returns and risk. By adding these scenarios,

Building a "Climate-Aware" Investment Portfolio

LACERA incorporated a broader range of returns and risk expectations as informed by the various climate-related scenarios.

Several observations emerged from the exercise. The analysis revealed both prospective decreased long-term expected returns and increased volatility across all asset allocation mixes related to various climate change scenarios. The combination of lower expected returns and increased volatility, while appearing to be relatively small individually, could result in a prospective 10% to 20% reduction in risk-adjusted returns, as measured by the Sharpe ratio. The range of return and volatility outcomes also reflects the variability of impacts of future climate change and highlights the importance of employing a climate-aware approach to understand prospective implications of various investment exposures going forward on the fund's performance.

APPROACH TOWARDS CLIMATE RESILIENCE

Strategy *continued*

LACERA identified several key points to monitor and manage as it implements the climate-aware strategic asset allocation:

1. Available modelling indicates that climate change may result in prospective lower-than-expected returns across nearly all asset classes, as well as increased volatility, particularly in select asset classes such as global equity
2. Climate change is not all downside risk: Being attentive to climate change in investment decisions may also provide attractive investment opportunities
3. Prospective lower equity returns and increased volatility will likely require more effort to identify higher expected return opportunities in other asset classes
4. Beyond the strategic asset allocation, strategy selection and portfolio construction within asset classes is an important component of mitigating climate risk and pursuing related opportunities
5. Precise climate change impacts are not easily identifiable and the modeling may vary depending upon the assumptions incorporated, future policy developments, availability of high-quality data, and other variables

In addition to informing LACERA's strategic asset allocation research, LACERA uses data and analytical tools to inform careful analysis of climate-related financial impacts and opportunities within asset classes. As a starting point, LACERA completed an inaugural carbon footprint of its public markets exposures in 2020, which account for about 48% of the total fund. LACERA conducted the analysis in public markets because data is more readily available for publicly listed companies than is presently available in private market asset classes. LACERA continues to track its public markets carbon emission exposures and pursue opportunities to access data on private markets, such as collaborating with the Global Real Estate Sustainability Benchmark to access data on private real estate investments.

LACERA's public market carbon footprint analysis and monitoring continue to reveal a number of insights, including that emissions are driven across several prominent sectors and concentrated among key companies within the public markets portfolios:

- Three emissions-intense sectors—energy, materials, and utilities—account for 78% of Scope 1 & 2 emissions
- 50 companies accounted for approximately 54% of the Scope 1 & 2 weighted average carbon intensity

Energy, utilities, and materials sectors represent about three quarters of LACERA's Scope 1 & 2 carbon footprint

LACERA also conducted scenario analyses to identify and assess forward-looking financial risks and opportunities and the global public market portfolio's alignment with the Paris Agreement goals. These exercises evaluate future developments and impacts related to:

- **Policy Risks** - Changes to the regulatory framework that could prompt a reassessment of the value of an asset or investment in LACERA's portfolio.
- **Physical Risks** - Impact on the value of a portfolio holding that might arise from climate-related events that damage property or disrupt trade, such as flooding, drought, or extreme weather events.
- **Technology Opportunity** – Possible innovations and technological advances resulting from the process of adjustment towards a lower-carbon economy that could prompt revaluation of assets.

Scenarios vary by the timing and scale of policy constraints on emissions, the severity of physical impacts, and the pace of technological innovations. They can be a tool to assess and inform investment decisions.

These analyses identified areas of concentrated risks as well as prospects for investment opportunity. Downside risks—similar to the carbon footprint exercise—are concentrated in the energy, materials and utilities sectors, which represent approximately 60% of the portfolio value at risk from climate change. Upside opportunities exist across the portfolio, including in information technology and industrial sectors, such as construction, engineering, and manufacturing.

APPROACH TOWARDS CLIMATE RESILIENCE

Risk Management

LACERA is pursuing a multi-faceted strategy to address climate-related risks and opportunities in its portfolio, as informed by ongoing analysis and leading investment practices:

1. **Public Policy** – LACERA is a formal signatory to the Global Investor Statement to Governments on Climate Change. As a signatory, LACERA joins with 733 global investors representing $52 trillion in assets (about 50% of global invested assets). The statement, released in advance of the Global COP26 Climate Change Convention held in Glasgow, Scotland, urges governments to achieve the Paris Agreement goals and to pursue measures to facilitate a low-carbon economic transition.

2. **Corporate Engagement to Mitigate Climate Risks** – Recognizing that a concentrated number of industries and companies account for significant portions of the climate-related risks in LACERA's portfolio, LACERA has joined a global investor effort named the Climate Action 100+. Climate Action 100+ is a global network of 615 investors with $55 trillion in assets. Affiliated investors are engaging 167 of the most carbon intensive companies. Collectively, these companies account for an estimated 80% of global industrial emissions. The targeted companies also account for approximately half of LACERA's carbon footprint of Scope 1 & 2 emissions.

   To date, over half (87) of the targeted companies have committed to net zero emissions by 2050 in line with the Paris Agreement. Over a third have adopted specific targets that, if achieved, make progress towards that goal.

   In the utility sector—where LACERA participates in numerous company dialogues—each target company has committed to net zero emissions by 2050 and is pursuing short-term business strategies to reduce the carbon intensity of their energy mix. Through dialogue, investors are encouraging companies to provide greater clarity of their pathways towards net zero and disclose how their business strategies align with their stated climate goals. For example, investors welcome utility companies to disclose interim pathways and targets; describe how their capital allocation, executive pay incentives, and lobbying efforts align with their stated climate objectives; and explain how their climate mitigation efforts take into account their employees and other stakeholders to support a "just transition."

   By engaging the most emissions-intense companies, LACERA supports mitigating climate risks at both individual companies as well as in the broader economy into which LACERA invests.

3. **Prudent Investment Due Diligence** - LACERA's due diligence and active monitoring of all external asset managers is focused on understanding how extensively external managers identify, assess, and incorporate ESG factors, including climate change, that may impact the financial performance of the mandate. Asset managers' consideration of ESG factors, including climate factors, is integrated into a "Manager Scorecard," by which we assess and monitor manager quality. LACERA uses carbon and climate data and analytics as part of its review of externally-managed investment portfolios. The data and tools help inform evaluation of the portfolio and integration of ESG factors.

4. **Proxy Voting** – LACERA uses its legal rights as an investor to vote proxies in support of resolutions requesting companies to assess, report on, and mitigate climate-related risks. These proposals are presented across a wide range of industries, not only in the most emissions-intense sectors. LACERA voted in support of numerous climate-related shareholder proposals in the last year, such as requests for:

   - Disclosure and reduction of Scope 3 emissions at Chevron (Proposal passed)
   - Climate risk reporting at oil and gas company Phillips 66 (Proposal passed)
   - Climate risks evaluation at General Electric

APPROACH TOWARDS CLIMATE RESILIENCE

Risk Management *continued*

(Proposal passed)

- Alignment of lobbying by Norfolk Southern with Paris Agreement (Proposal passed)
- Report on efforts to reduce the use of plastics at DuPont de Nemours (Proposal passed)

5. **Better Market Data and Corporate Reporting** – To evaluate and address climate risks, investors need reliable and widely available information. LACERA is one of over 1,000 endorsers of the Financial Stability Board's Task force on Climate-related Financial Disclosures (TCFD), a global framework to guide companies to report how they are addressing climate risks. Efforts such as the TCFD aim to address shortcomings in currently available data. For example, only about half of the public companies in LACERA's portfolio disclose their carbon emissions, requiring LACERA and other investors to access tools to estimate and model emissions and climate risks. Expanding clear and reliable information about company facilitates investors' ability to take such information into account in investments.

Metrics and Targets

Prudent investment decisions are rooted in sound data and analysis. LACERA is aware that the data and tools around climate changes are nascent and evolving. As such, LACERA is actively advocating clear market reporting of climate risks and is committed to incorporating data and tools into our own analysis. LACERA continues to incorporate available data and conduct analyses to identify areas of concentrated risks and lean into investment opportunities related to climate. Such analysis helps to inform investment decisions and portfolio construction. LACERA has not yet set metrics or targets.

In the near-term, LACERA intends to further build out its data and tracking of investment exposures. Clear data and analysis help inform and evaluate investment opportunities, portfolio positioning, and ultimately LACERA's climate resiliency.

LACERA actively pursues deliberate and pragmatic approaches to identify climate-related investment risks and opportunities and position our investment portfolio for long-term resiliency and success. We recently conducted "top-down" stress testing of the capital market assumptions that underlie our strategic asset allocation. And we conduct "bottom-up" assessment of portfolio climate change impacts and consider climate change in investment due diligence and portfolio positioning. We remain active in global investor initiatives and policy advocacy to address the negative externalities that climate change presents to LACERA's investments and facilitate a market-wide transition to low-carbon future.

LACERA's consideration of climate-related investment risks and opportunities is an ongoing and iterative process. It will evolve and be refined as data disclosures and analytical tools also evolve and become more refined. In the short-term, LACERA endeavors to continue pursuing a total fund approach to climate resiliency by encouraging better information tools in private asset classes, such as private equity and real assets, to complement information available from publicly listed companies, and tracking total fund exposures to both climate-related upside investment opportunities and concentrated risks.

LACERA's attention to climate change remains rooted in our commitment to responsibly steward investments in a manner that promotes and safeguards the economic interests of LACERA and its members, consistent with LACERA's mission to "produce, protect, and provide the promised benefits."

TIMELINE

LACERA has a lengthy history of advocating sound corporate governance practices in financial markets.

2001	Joined Council of Institutional Investors
2003	Adopted LACERA *Corporate Governance Principles*
2007	Established dedicated Corporate Governance Committee of LACERA's Board of Investments
2008	Became signatory to the United Nations-affiliated Principles or Responsible Investment
2012	Joined investor initiative advocating annual elections for corporate board directors, prompt sharp increase in declassified boards in U.S. market
2014	Joined International Corporate Governance Network and Asian Corporate Governance Association
2017	Expanded LACERA's *Corporate Governance Principles* to address investment risks related to environmental and social factors such as climate change, human rights, and human capital
2018	Endorsed the Stewardship Principles of the International Corporate Governance Network
2018	Signed the Global Investor Statement to Governments on Climate Change
2018	Formally joined the global Climate Action 100+ investor initiative
2019	Endorsed the Financial Stability Board's Task force on Climate-related Financial Disclosures
2019	Affiliated to the Sustainability Accounting Standards Board's Investor Advisory Group
2020	Completed expansion of proxy voting authority from 19% to over 90% of global public equity portfolio
2020	Conducted first climate analysis and carbon foot printing of public markets investments
2020	Expanded *Corporate Governance Principles* to incorporate fund-wide stewardship activities in new *Corporate Governance and Stewardship Principles* policy
2021	Conducted climate-aware strategic asset allocation study

A COMMITMENT TO CONTINUOUS IMPROVEMENT

LACERA remains committed to a deliberate and pragmatic approach to responsibly integrating ESG and other sustainability strategies into our investment process. In doing so, we maintain a steadfast view towards our fiduciary duties to pursue and advance leading investment practices that strengthen our ability to deliver a secure retirement to LACERA members.