

LIVE VIRTUAL COMMITTEE MEETING



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

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

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

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

AGENDA

A REGULAR MEETING OF THE CORPORATE GOVERNANCE

COMMITTEE AND THE BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., WEDNESDAY, APRIL 13, 2022

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

Any person may view the meeting online at
<http://www.lacera.com/leadership/board-meetings>

*The Board 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 Meeting of November 17, 2021

III. PUBLIC COMMENT

(Written Public Comment - You may submit written public comments by email to PublicComment@lacera.com. 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.

Verbal Public Comment - You may also request to address the Board. A request to speak may be submitted via email to PublicComment@lacera.com before and during the meeting at any time up to the end of the Public Comment item. We will contact you with information and instructions as to how to access the meeting as a speaker. If you would like to remain anonymous at the meeting without stating your name, please let us know.)

April 13, 2022

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IV. CONSENT ITEM

- 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, so long as the State of Emergency remains in effect, and if so, direct staff to comply with the agenda and public comment requirements of the statute.
(Memo dated March 25, 2022)

V. REPORTS

- A. Educational Presentation and Guest Speaker, "Toward a Global Baseline for Sustainability Disclosure: A Primer on the SASB Standards and Launch of the International Sustainability Standards Board"
Scott Zdrazil, Senior Investment Officer
Janine Guillot, Chief Executive Officer of Value Reporting Foundation and Special Advisor to the International Financial Reporting Standards Foundation (IFRS) International Sustainability Standards Board (ISSB).
(Memo dated March 24, 2022)
- B. Brief Spotlight on Select Topics for 2022 Proxy Season
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(Memo dated March 30, 2022)

VI. ITEMS FOR STAFF REVIEW

- VII. GOOD OF THE ORDER
(For information purposes only)

VIII. ADJOURNMENT

April 13, 2022

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*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.

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626) 564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days' notice before the meeting date.

Requests for reasonable modification or accommodation of the telephone public access and 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, November 17, 2021

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

PRESENT: Alan Bernstein, Chair

Gina V. Sanchez

Herman Santos

ABSENT: Shawn Kehoe

Elizabeth Greenwood, Alternate

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Scott Zdrazil, Senior Investment Officer

Dale Johnson, Investment Officer

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 Regular Meeting of February 10, 2021

Ms. Sanchez made a motion, Mr. Santos seconded, to approve the minutes of the regular meeting of February 10, 2021. The motion passed (roll call) with Messrs. Santos, Bernstein, Ms. Sanchez voting yes.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. CONSENT ITEMS

Mr. Santos made a motion, Mr. Bernstein seconded, to approve the following consent item. The motion passed (roll call) with Messrs. Santos, Bernstein and Ms. Sanchez voting yes.

- 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 ITEM

- A. Recommendation as submitted by Jonathan Gabel, Chief Investment Officer: That the Committee advance to the Board of Investments for approval LACERA's nomination of Scott Zdrzil for re-election to the Council of Institutional Investors ("CII") 2022 annual board elections. (Memo dated October 20, 2021)

V. NON-CONSENT ITEM (Continued)

Mr. Santos made a motion, Ms. Sanchez seconded to advance the recommendation to the Board of Investments. The motion passed unanimously (roll call) with Messrs. Bernstein, Santos, and Ms. Sanchez voting yes.

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)

Messrs. Zdrazil and Johnson answered questions from the Committee.

- B. Update and Review of Corporate Governance
Engagement Initiatives
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer

Messrs. Zdrazil and Johnson answered questions from the Committee.

VII. ITEMS FOR STAFF REVIEW

Trustee Gina Sanchez requested further reporting on diversity.

VIII. GOOD OF THE ORDER
(For information purposes only)

There was nothing to report.

November 17, 2021

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IX. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at approximately at 8:55 a.m.

March 25, 2022

TO: Each Trustee,
Corporate Governance Committee

FROM: Steven P. Rice, *SPR*
Chief Counsel

FOR: April 13, 2022 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, so long as the State of Emergency remains in effect, 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 March 9, 2022 action invoking the statute will be more than 30 days ago at the time of the April 13, 2022 Committee meeting, and that 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.

DISCUSSION

A. Summary of New Law.

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 teleconferencing rules that may be invoked by local legislative bodies, such as the LACERA Boards and committees, upon making certain findings and following certain agenda and public comment requirements.

Specifically, Section 54953(e)(3) provides that the Boards and committees may hold teleconference meetings without the need to comply with the more stringent procedural requirements of Section 54953(b)(3) if a state of emergency under Section 8625 of the California Emergency Services Act impacts the safety of in person meetings or state or local officials have imposed or recommended social distancing rules, provided that the Board or committee makes the following findings by majority vote:

- (A) The Board or committee has considered the circumstances of the state of emergency; and
- (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; or
 - (ii) State or local officials continue to impose or recommend measures to promote social distancing.

If a Board or committee makes the required findings, that Board or committee may hold teleconference meetings for the next 30 days 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; and the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment.

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. It is unclear when the State of Emergency will end, although the Governor recently extended certain COVID-19 emergency provisions only to March 31, 2022 and has actively terminated other emergency provisions. See Order No. N-21-21, issued November 10, 2021, Order No. N-04-22, issued February 25, 2022.

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

Re: Approval of Teleconference Meetings

March 25, 2022

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Health Department also maintains guidance that employers should, “Whenever possible, take steps to reduce crowding indoors and encourage physical distancing: ... Limiting indoor occupancy to increase the physical space between employees at the worksite, between employees and customers, and between customers. For some establishments, telework may be an option to consider.”
<http://publichealth.lacounty.gov/acd/ncorona2019/bestpractices/>.

The City of Pasadena (City), where LACERA’s offices are located and Committee meetings are held, has substantially revised its guidance to give more flexibility. The City still offers guidance that businesses recognize that COVID-19 continues to pose a risk to communities, and it is important for employers to continue to take steps to reduce the risk of COVID-19 transmission among their workers and visitors.
<https://www.cityofpasadena.net/economicdevelopment/covid-19-business-resources/>.

Earlier guidance promoting physical distancing by business also remains posted on the City’s COVID web page as a reference.

The Centers for Disease Control and Prevention (CDC) has recently updated its guidance, but the CDC still advises the public to “Stay 6 feet away from others” and that, “Indoors in public: “If you are not up to date on COVID-19 vaccines, stay at least 6 feet away from other people, especially if you are at higher risk of getting very sick with COVID-19.”
<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 has prepared return to office vaccination and testing protocols to ensure the safety of LACERA employees, members, and others, including Trustees.

Under these circumstances, the Corporate Governance Committee may reasonably conclude and find that teleconferencing under Section 54953(e) is appropriate for Committee meetings during the next 30 days, so long as the State of Emergency remains in effect, because (1) the State of Emergency continues to directly impact the ability of the Trustees to meet safely in person, and (2) the County, the City of Pasadena, and other authorities continue to recommend measures to promote a safe workplace, including 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.

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Re: Approval of Teleconference Meetings

March 25, 2022

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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, so long as the State of Emergency remains in effect, 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

March 24, 2022

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil 
Senior Investment Officer

FOR: April 13, 2022, Corporate Governance Committee Meeting

SUBJECT: **Educational Guest Speaker: “Toward a Global Baseline for Sustainability Disclosure: A Primer on the SASB Standards and Launch of the International Sustainability Standards Board.” Janine Guillot, Special Advisor to the IFRS Foundation’s International Sustainability Standards Board (ISSB) and CEO, Value Reporting Foundation**

LACERA will host Ms. Janine Guillot as an educational guest speaker at the April Committee meeting. Ms. Guillot is the CEO of the Value Reporting Foundation (which oversees the Sustainability Accounting Standards Board, or SASB, to which LACERA is formally affiliated) and is a Special Advisor to the IFRS (International Financial Reporting Standards) Foundation’s newly formed International Sustainability Standards Board. Ms. Guillot will provide an update on ESG reporting objectives, market trends, and notable recent developments, including:

- Why investors seek reliable, comparable, consistent reporting of material ESG factors;
- SASB’s growth and market adoption rates;
- Global efforts towards converging ESG reporting frameworks, including the IFRS’ new International Sustainability Standards Board (ISSB) and consolidation with SASB.

The session is intended to provide Trustees with insights on ESG reporting trends, growth rates, and efforts towards global convergence and acceptance of reporting frameworks to guide both companies and investors, including recent Committee discussion of the “alphabet soup” of ESG reporting acronyms. The presentation will include the opportunity for questions and discussion.

Please find three attachments:

- 1) Biography for Ms. Guillot
- 2) Brief history of LACERA’s involvement with SASB
- 3) Ms. Guillot’s presentation deck

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

SPEAKER BIOGRAPHY

Janine Guillot

CEO of the Value Reporting Foundation

Special Advisor to the International Sustainability Standards Board (ISSB)

Janine Guillot is Chief Executive Officer of the Value Reporting Foundation. As CEO, Janine works to advance progress towards a globally accepted corporate reporting system in which sustainability accounting develops the commensurate level of maturity, credibility, and acceptance as financial accounting. Janine also serves as Special Advisor to the International Sustainability Standards Board (ISSB), where she provides strategic advice and counsel to the ISSB Chair and IFRS Foundation Trustees, focusing on the consolidation of the VRF into the IFRS Foundation and the establishment of the ISSB. Prior, Janine was CEO of the SASB Foundation (SASB) and led the establishment and widespread acceptance of SASB Standards as the leading industry-specific sustainability disclosure standards for the global capital markets.

Janine has a distinguished career in financial services. Prior to joining SASB, she served as Chief Operating Investment Officer for the California Public Employees' Retirement System (CalPERS). Prior to CalPERS, Janine held senior leadership positions at Barclays Global Investors (BGI) and Bank of America, including serving as Chief Operating Officer of BGI's European and Global Fixed Income businesses.

A graduate of Southern Methodist University (SMU), Janine began her career as a technical accountant and auditor with Ernst & Young. In recognition for her leadership at the intersection of sustainability, accounting and finance, Janine was selected as a 2020 and 2021 NACD Directorship 100 Honoree and named to the 2020 Business Insider's 100 People Transforming Business list.

Background on LACERA Involvement with SASB

Multi-Year History to Encourage Investment-Useful ESG Data Availability and Quality in the Market

May
2017



Corporate Governance Committee Education Series Hosts SASB's Janine Guillot

5-part speaker series on ESG research, trends, and strategies to inform and expand LACERA's ESG integration

February
2018



LACERA *Corporate Governance and Stewardship Principles* Incorporate E & S

Principles expand to address key E & S factors (i.e. human capital, climate change) and call, in part, for: "timely, reliable, and comparable information about material aspects of a firm's performance... including environmental, social, and governance matters that may provide valuable information for investors to assess a firm's prospects for delivering sustainable value." (*Principles*, Page 21)

April
2018



LACERA Prioritizes Improving Market "ESG Data Availability and Quality"

Committee reviews 4-pillar framework to advance *Principles* through corporate and policy engagement:

1. Sound Financial Market Policy and Regulations
2. [ESG Data Availability and Quality](#)
3. Best Practices Advocacy (i.e.; board diversity project)
4. Thought Leadership (i.e.; LACERA TIDE DEI initiative)

July and November
2019



LACERA Endorses [SASB](#) and [TCFD](#) to Advance ESG Data Availability and Quality

Sustainability Accounting Standards Board (SASB): Industry-specific, material ESG metrics in 77 industries

- Supported by investors representing \$73 trillion in assets
- LACERA participates in SASB Investor Advisory Group to encourage corporate adoption of SASB metrics

Task force on Climate-related Financial Disclosures (TCFD): Climate risk and opportunity reporting framework

- Supported by investors representing \$25 trillion in assets

November
2021



IFRS Launches International Sustainability Standards Board (ISSB)

- International Financial Reporting Standards (IFRS) is a global accounting standards-setting body
- ISSB to consolidate SASB* and TCFD, among others, to provide "a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs"



Toward a global baseline for sustainability disclosure: a primer on the SASB Standards and launch of the International Sustainability Standards Board

Presentation to Corporate Governance Committee

LACERA Board of Investments

13 April 2022

Janine Guillot

CEO of the Value Reporting Foundation

Special Advisor to Chair of the International Sustainability Standards Board



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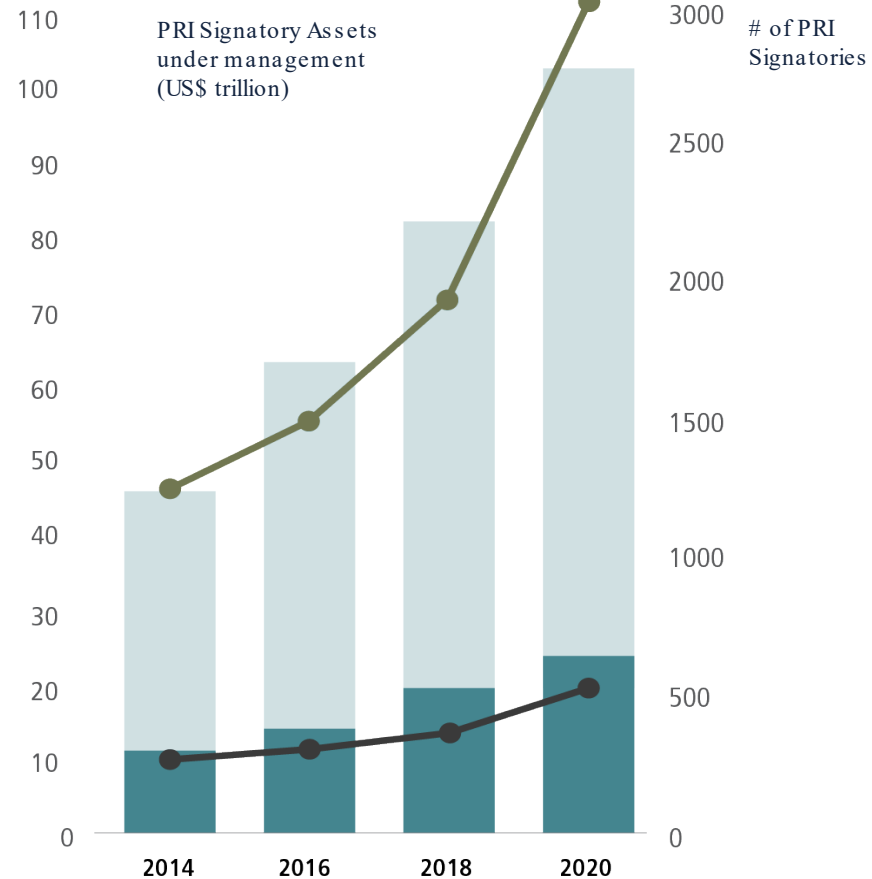
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Growing investor focus on sustainability

A rapidly increasing share of institutional assets are managed with ESG issues in mind

Principles for Responsible Investment (PRI) Signatory Growth



More than 3,100* PRI Signatories commit to**:

- Seek appropriate disclosure on ESG issues by the entities in which they invest
- Incorporate ESG issues into investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into their ownership policies and practices

* As of June 2020

** Reflects only three of six PRI Principles, to which all signatories commit.

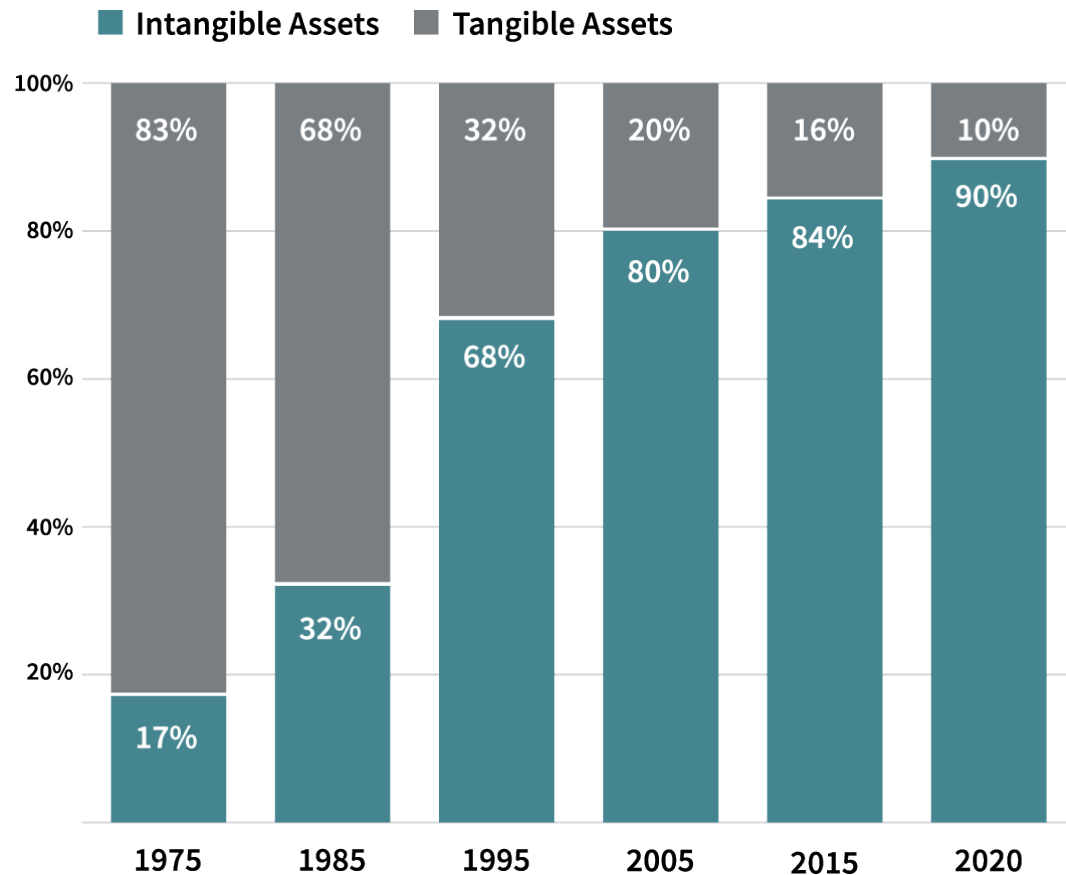
ASSETS UNDER MANAGEMENT
ASSET OWNERS' AUM
NUMBER OF ASSET OWNERS
NUMBER OF SIGNATORIES



ESG factors can influence long-term risk and returns

Changing nature of valuations requires broader information set to understand risk

Components of S&P 500 Market Value



- Intangibles, such as intellectual capital, brand value, customer loyalty are increasing components of corporate valuations
- Investors are exposed to risks from relatively infrequent, but high impact ESG-related events (e.g. safety incidents, ethics scandals, natural resource shortages)
- ESG factors can give forward looking insight into performance and risk
- A broader set of metrics can provide insight into performance on business critical ESG factors.

Source: Ocean Tomo, Ocean Tomo's Intangible Asset Market Value Study, November 2020.





SASB Standards provide investors with comparable information on the sustainability factors most relevant to financial performance and enterprise value.



What differentiates SASB Standards?

Created for the market, by the market



**SASB
STANDARDS**

77 industry-specific
disclosure standards

Used by companies and
investors globally

- Financially material
- Decision-useful
- Cost-effective
- Industry-specific
- Evidence-based
- Market-informed



Our approach to financial materiality

SASB Standards are tailored to the investor need for financially material information



**SASB
STANDARDS**

The SASB standard-setting process

Identifies ESG factors reasonably likely to have a significant effect on the financial condition, operating performance, or market valuation of companies within an industry

Inclusion in SASB Standards requires evidence of both:

Investor Interest in an issue

AND

Material financial impact on
companies in an industry

SASB Standards



Designed for communications to investors

Meet investor needs for comparable, consistent and reliable data

Financial
Accounting
Standards



International Financial Reporting Standards (IFRS) or US Generally Accepted Accounting Principles (GAAP) govern presentation of the financial statements

Communications
to Investors



- Integrated Reports
- Annual Reports
- Regulatory Filings
- Other Investor Communications

 **SASB
STANDARDS**



SASB Disclosure Topics and Metrics designed to guide management's discussion and analysis, risk analysis, strategic analysis as appropriate



SASB Standards Development Process



SASB Standards identify the sustainability impacts most relevant to enterprise value for each of 77 industries

Sustainable Industry Classification System (SICS®) groups industries by resource intensity & sustainability impacts



Consumer Goods

- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Building Products & Furnishings
- E-Commerce
- Household & Personal Products
- Multiline and Specialty Retailers & Distributors
- Toys & Sporting Goods



Extractives & Minerals Processing

- Coal Operations
- Construction Materials
- Iron & Steel Producers
- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas - Midstream
- Oil & Gas - Refining & Marketing
- Oil & Gas - Services



Financials

- Asset Management & Custody Activities
- Commercial Banks
- Consumer Finance
- Insurance
- Investment Banking & Brokerage
- Mortgage Finance
- Security & Commodity Exchanges



Food & Beverage

- Agricultural Products
- Alcoholic Beverages
- Food Retailers & Distributors
- Meat, Poultry & Dairy
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants
- Tobacco



Health Care

- Biotechnology & Pharmaceuticals
- Drug Retailers
- Health Care Delivery
- Health Care Distributors
- Managed Care
- Medical Equipment & Supplies



Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Real Estate
- Real Estate Services
- Waste Management
- Water Utilities & Services



Renewable Resources & Alternative Energy

- Biofuels
- Forestry Management
- Fuel Cells & Industrial Batteries
- Pulp & Paper Products
- Solar Technology & Project Developers
- Wind Technology & Project Developers



Resource Transformation

- Aerospace & Defense
- Chemicals
- Containers & Packaging
- Electrical & Electronic Equipment
- Industrial Machinery & Goods



Services

- Advertising & Marketing
- Casinos & Gaming
- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Professional & Commercial Services



Technology & Communications

- Electronic Manufacturing Services & Original Design Manufacturing
- Hardware
- Internet Media & Services
- Semiconductors
- Software & IT Services
- Telecommunication Services



Transportation

- Air Freight & Logistics
- Airlines
- Auto Parts
- Automobiles
- Car Rental & Leasing
- Cruise Lines
- Marine Transportation
- Rail Transportation
- Road Transportation

A starting point: five broad dimensions of sustainability

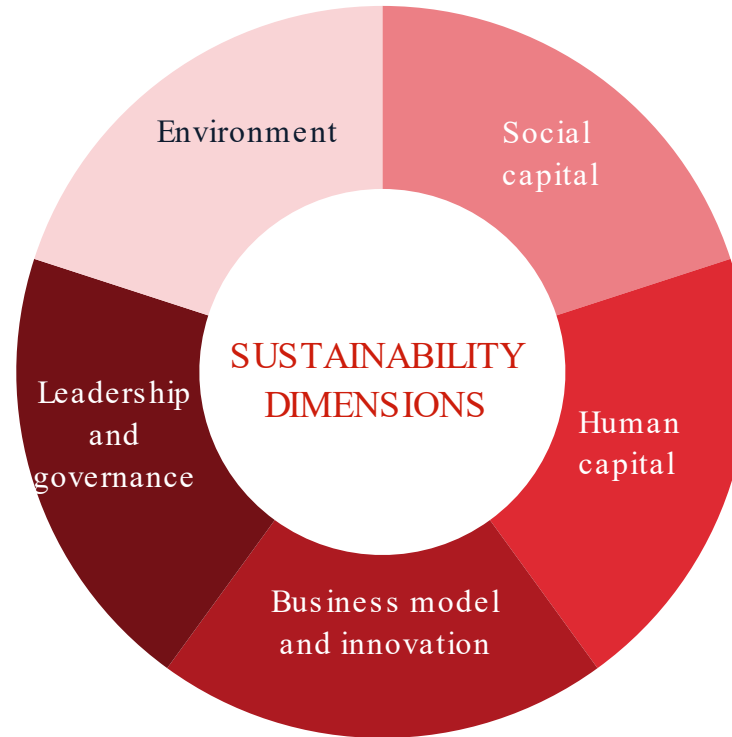
Research underlying SASB Standards begins with a universe of ESG issues, then applies the industry lens

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

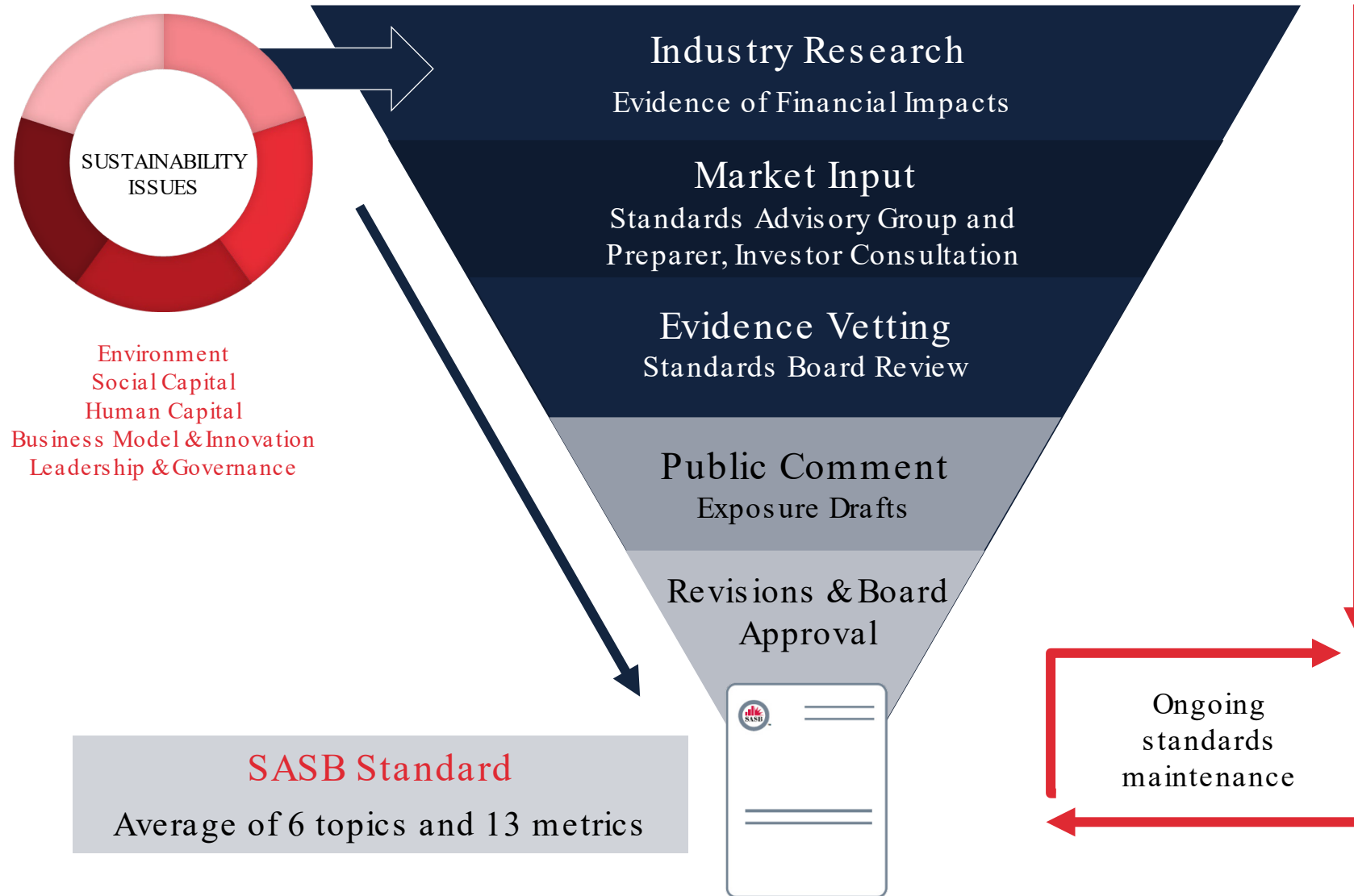
Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion



Rigorous process drives SASB Standards

Standards for each industry are rooted in evidence and shaped by market input



Investor Support for the SASB Standards & Market Adoption Rates



Introduction to SASB's Investor Advisory Group

61 global asset owners and asset managers calling for baseline ESG disclosure via SASB Standards

- 61 members (34% asset owners, 66% asset managers)
- \$52T+ in assets
- Representing 12 markets; 43% domiciled outside the U.S.

Australia

France

Norway

Canada

Germany

Singapore

Denmark

Japan

United Kingdom

Finland

Netherlands

United States

- Nine of the world's ten largest asset managers (15 of the 20 largest)*
- Two of the world's ten largest sovereign wealth funds**

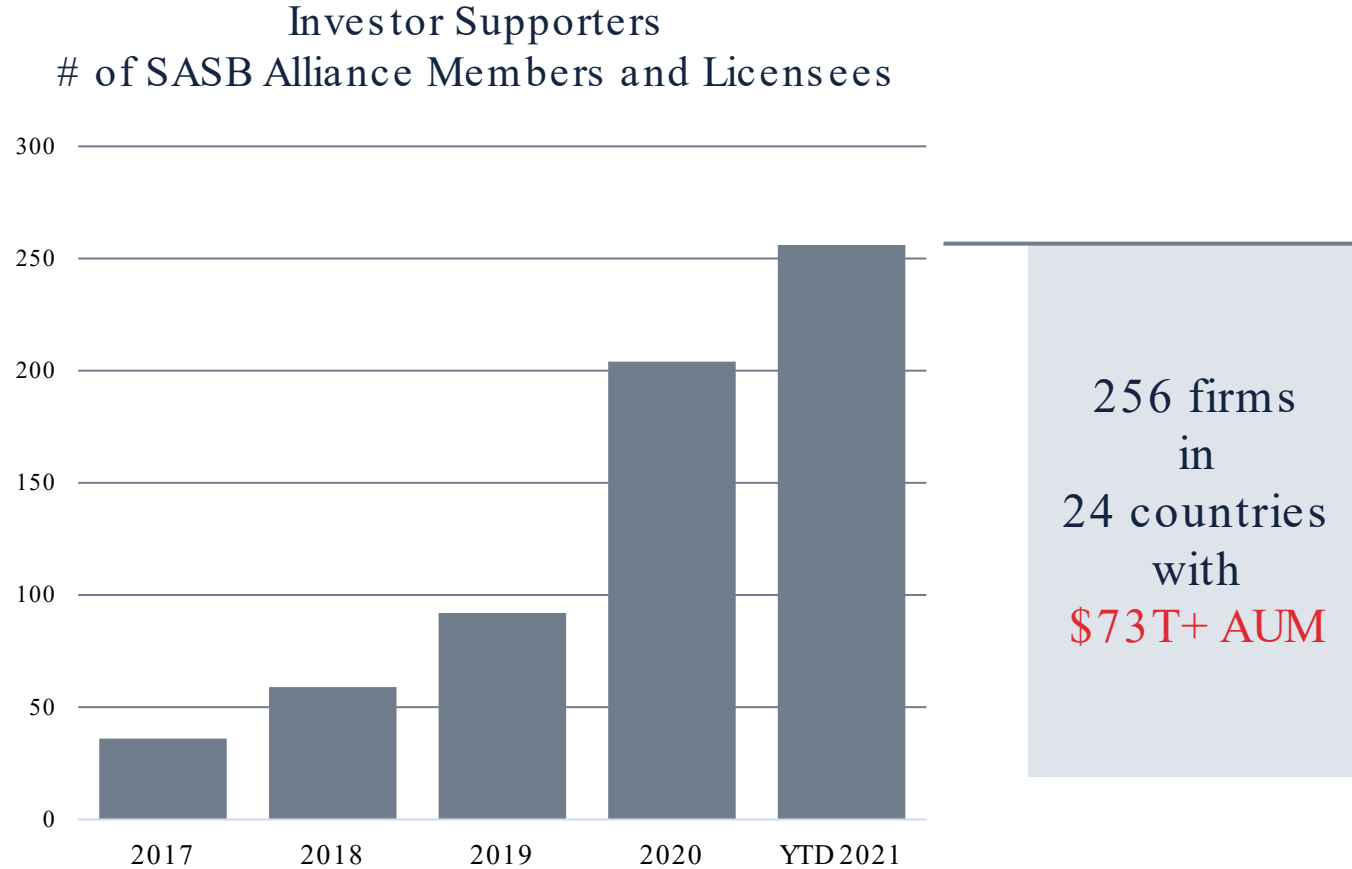
*<https://www.advratings.com/top-asset-management-firms>

**<https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund>



Momentum: international investor support for SASB Standards

Dramatic increase in investors around the world using and licensing the SASB standards, representing \$73T+ in AUM



# of Countries Represented	2017	2018	2019	2020	YTD 2021
	6	9	14	21	24

Updated Sept 2021



Strong Investor Support for SASB Disclosure

Calls from large asset owners and managers for SASB disclosure, often combined with TCFD

BlackRock

A Fundamental Reshaping of Finance

Dear CEO,

As an asset manager, BlackRock invests on behalf of others, and I am writing to you as an advisor and fiduciary to these clients. The money we manage is not our own. It belongs to people in dozens of countries trying to finance long-term goals like retirement. And we have a deep responsibility to these institutions and individuals – who are shareholders in your company and thousands of others – to promote long-term value.

Climate change has a Last September, when climate change, many will have an economic slower to reflect. But a edge of a fundamental

The evidence on climate about modern finance UN's Intergovernmental Institute, and many of socioeconomic implications understanding of how system that finances a

Will cities, for example reshapes the market – a key building block over such a long time impacted areas? What happens to inflation, and in turn interest rates, if the cost of food climbs from drought and flooding? How can we model economic growth if emerging markets see their productivity decline due to extreme heat and other climate impacts?

Investors are increasingly reckoning with these questions and recognizing that climate risk is investment risk. Indeed, climate change is almost invariably the top issue that clients around the world raise with BlackRock. From Europe to Australia, South America to China, Florida to Oregon, investors are asking how they should modify their portfolios. They are seeking to understand both the physical risks associated with climate change as well as the ways that climate policy will impact prices, costs, and demand across the entire economy.

“...This year, we are asking the companies that we invest in on behalf of our clients to: (1) publish a disclosure in line with industry-specific SASB guidelines by year-end...”

STATE STREET GLOBAL ADVISORS

CEO's Letter on our 2020 Proxy Voting Agenda

Dear Board Member,

As one of the world's largest investment managers, each year State Street Global Advisors engages in dialogue with companies about a variety of issues critical to long-term performance – from business strategy to independent board leadership to sustainability. This year we will continue our active engagement with boards on sustainability, but also use our proxy vote to press companies that are falling behind and failing to engage.

ESG: No Longer an Ox Three years ago, we for the environmental, social engaged with companies years, we see that such as climate change believe that addressing essential to a company's value, not value.

Sustainability Report Over the course of the Many directors now understand how it will more clearly approach their businesses. Direct culture are long-term employees, customers issues into their decision our call. For example, our Fearless Girl campaign in which we used our voice

“...leveraging the Sustainability Accounting Standards Board (SASB) materiality framework, R-Factor ... allows us to evaluate a company's performance against both regional and global industry peers ...”



“When issuers seek input, the organization now indicates its preference for companies to align their reporting with the SASB and TCFD standards.”

IN THE CONTEXT OF FACILITATING RESEARCH ON A COMPANY'S ESG PERFORMANCE AND APPROACH, WHAT FRAMEWORKS WOULD YOU RECOMMEND THAT COMPANIES FOCUS ON TO BEST COMMUNICATE THEIR ESG INFORMATION?

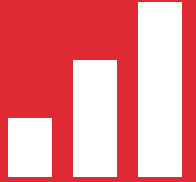
Source: [Morrow Sodali 2020 Institutional Investor Survey](#)

81% SASB

77% TCFD



More Than Half of S&P Global 1200 Now Disclose Using SASB Standards



- S&P Global 1200 index, captures approximately 70% of global market capitalization
- Milestone represents growing international momentum around ESG disclosure to investors
- Achieved this milestone two years earlier than targeted

S&P Global 1200 Breakdown by Index	Unique Companies	SASB Reporters	Adoption Rate
S&P 500	500	324	65%
S&P Asia 50	50	17	34%
S&P Euro 350	350	169	48%
S&P LATAM40	40	23	58%
S&P TOPIX 150	150	23	15%
S&P/ASX All Australian 50	51	10	20%
S&P/TSX60	60	42	70%
	1201	608	51%



Towards Convergence: Introduction to the International Sustainability Standards Board



The sustainability information and analytics landscape

A complex landscape with many non-profit and for-profit providers playing different roles

MULTIPLE ORGANIZATIONS

Value Reporting Foundation / TCFD / CDSB / GRI /
Bloomberg / MSCI / CDP / TruValue Labs / RepRisk /
Sustainalytics / Refinitiv / DJ SI / FTSE4Good

FIT IN 4 DISTINCT GROUPS:

1 Publish guidance for voluntary disclosure, often with company feedback loops



2 Request data from companies via questionnaires



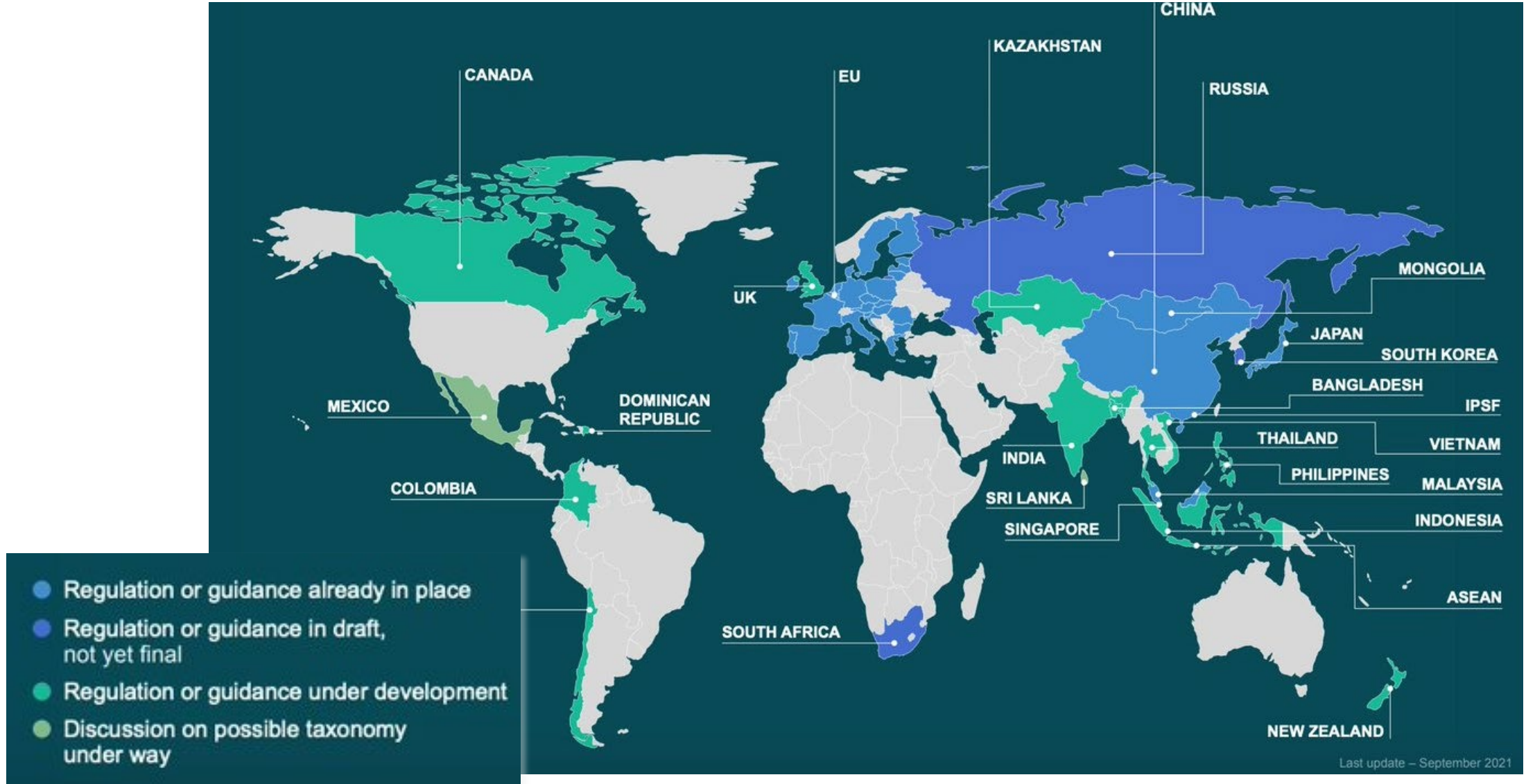
3 Aggregate publicly-available data from companies



4 Create assessments of companies based on public and/or private information to sell to investors



Global overview of sustainability-related policy and regulation



At COP26,
the International Financial Reporting
Standards (IFRS) Foundation announced:



**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY



1. Formation of the
International
Sustainability Standards
Board (ISSB)



2. Consolidation with
Climate Disclosure
Standards Board (CDSB)
(completed Feb 2022) &
Value Reporting
Foundation (June 2022)



3. Publication of climate
and general disclosure
prototype requirements

Together, these developments create the necessary **institutional arrangements** and **technical groundwork** for a **global sustainability disclosure standard-setter** for the financial markets.

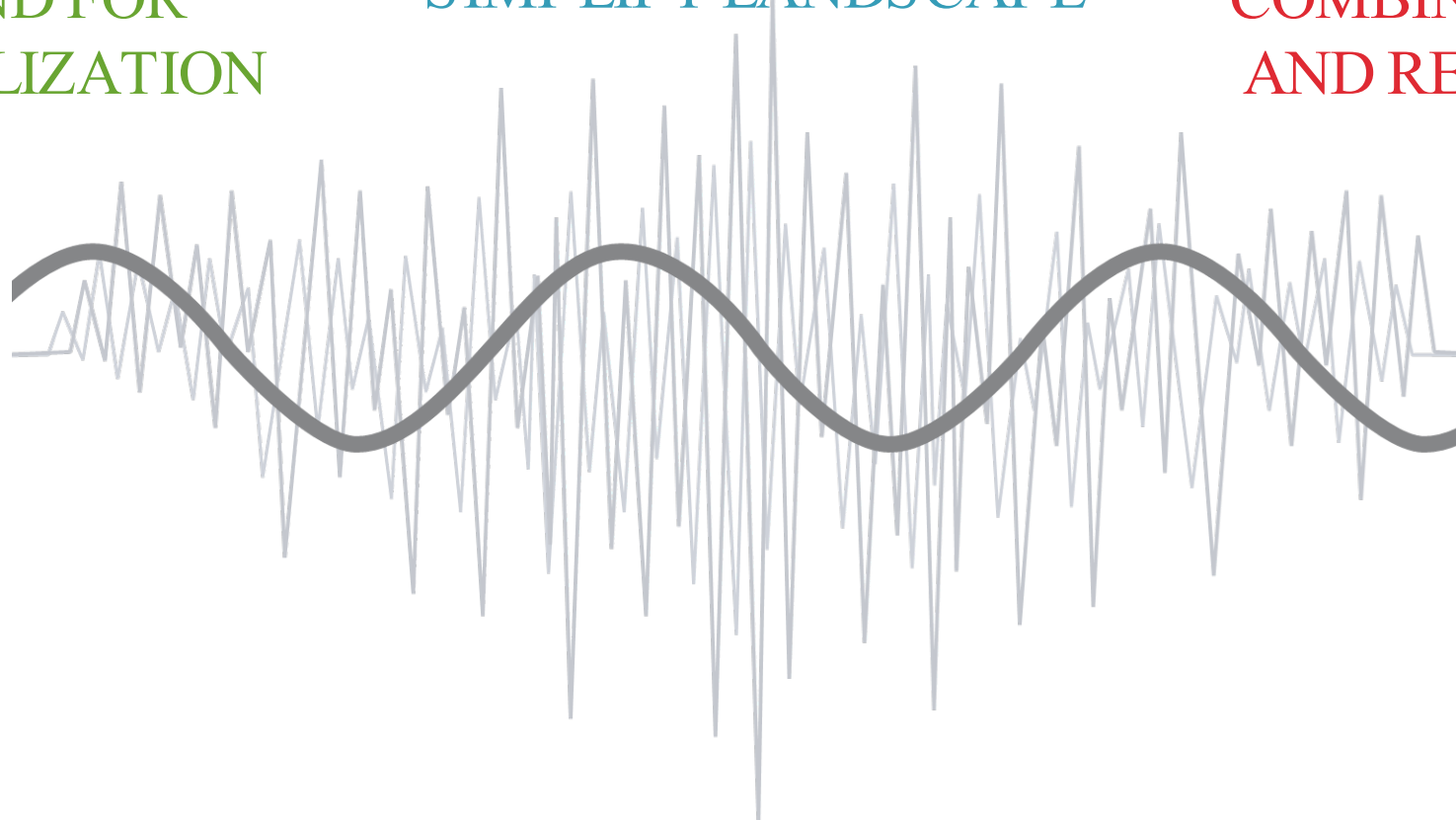


Why did the Value Reporting Foundation, which houses the SASB Standards, agree to consolidate with IFRS?

DEMAND FOR
RATIONALIZATION

DISRUPTION NEEDED TO
SIMPLIFY LANDSCAPE

COMBINE RESOURCES
AND RELATIONSHIPS

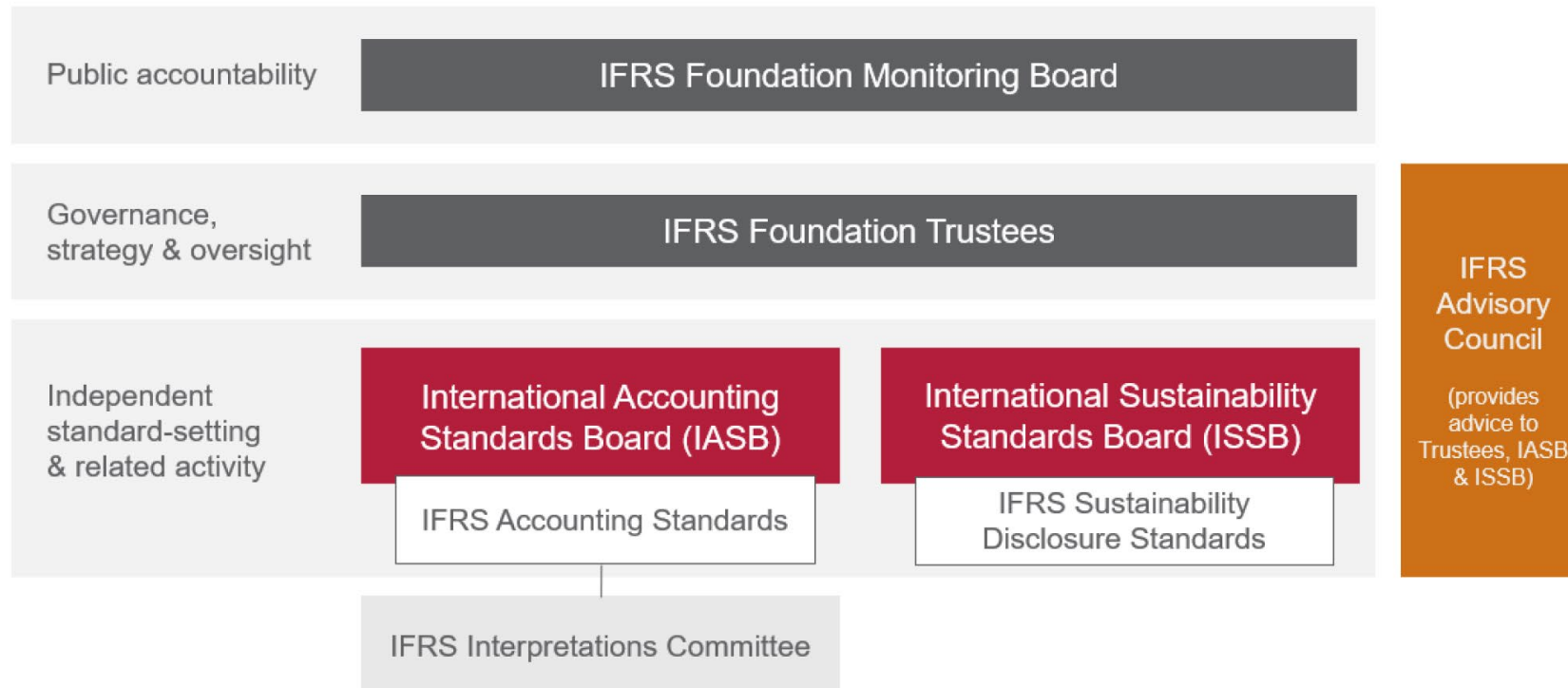


* Same factors that drove the International Integrated Reporting Council (IIRC) and SASB Foundation merger.



About the IFRS Foundation

- Not-for-profit, public interest organization
- Sets globally accepted accounting standards – IFRS Accounting Standards
- Required in 140+ jurisdictions, permitted in many more (incl. 500+ private issuers in the US)
- Public accountability through global monitoring board led by IOSCO (the association of organizations that regulate the world's securities and future markets)
- Extensive and inclusive due process.



International Sustainability Standards Board



Develop global baseline of sustainability disclosure standards



Focus on meeting the information needs of investors



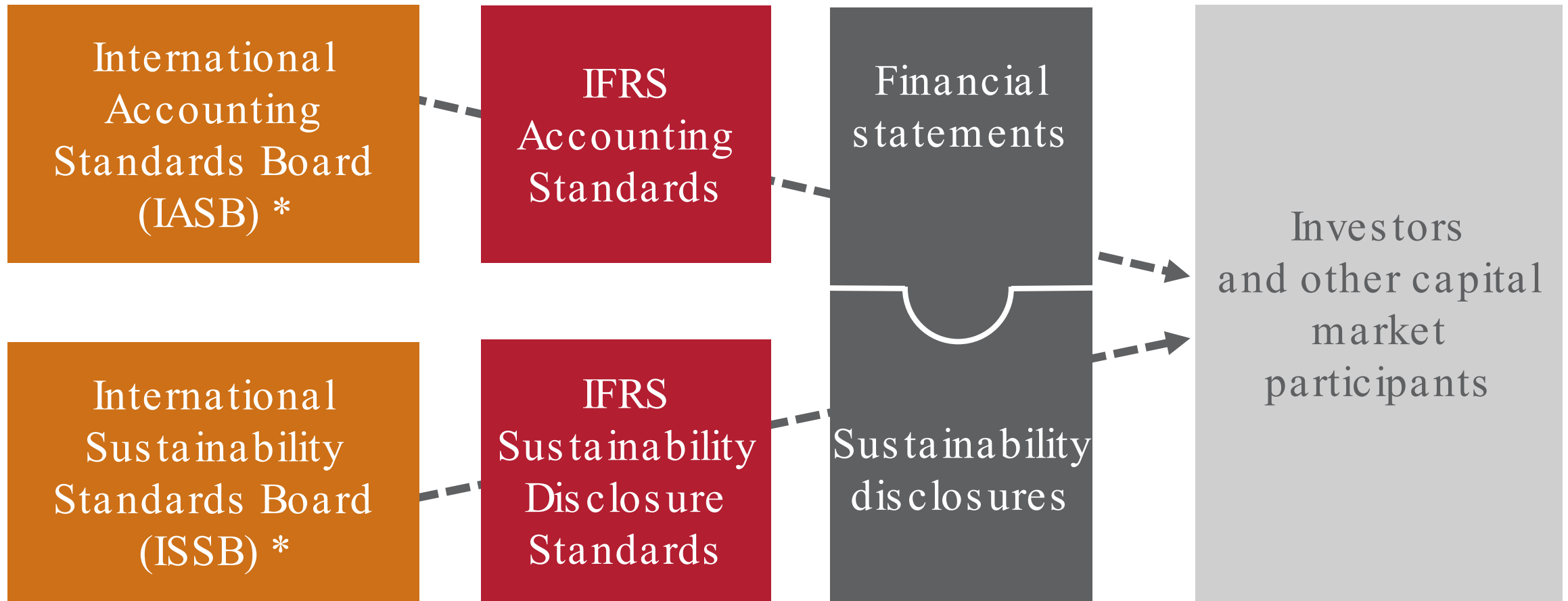
Companies provide comparable, consistent and reliable sustainability information for global capital markets



Building block approach: Facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders.



Compatible standards to meet investors' needs

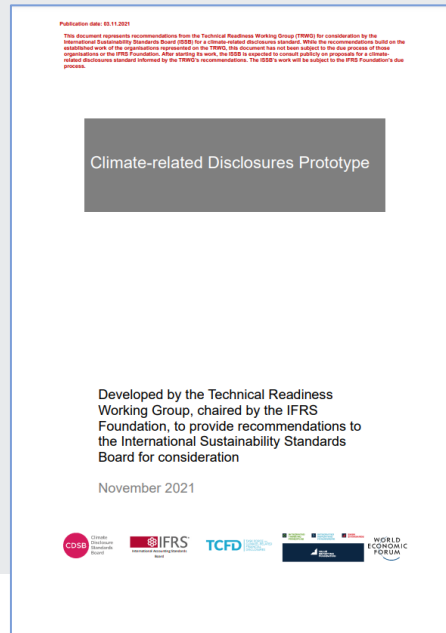


* Integrated Reporting Council advise IASB and ISSB on connectivity via fundamental concepts/ guiding principles of integrated reporting



Initial ISSB Exposure Drafts

Climate-related Disclosures



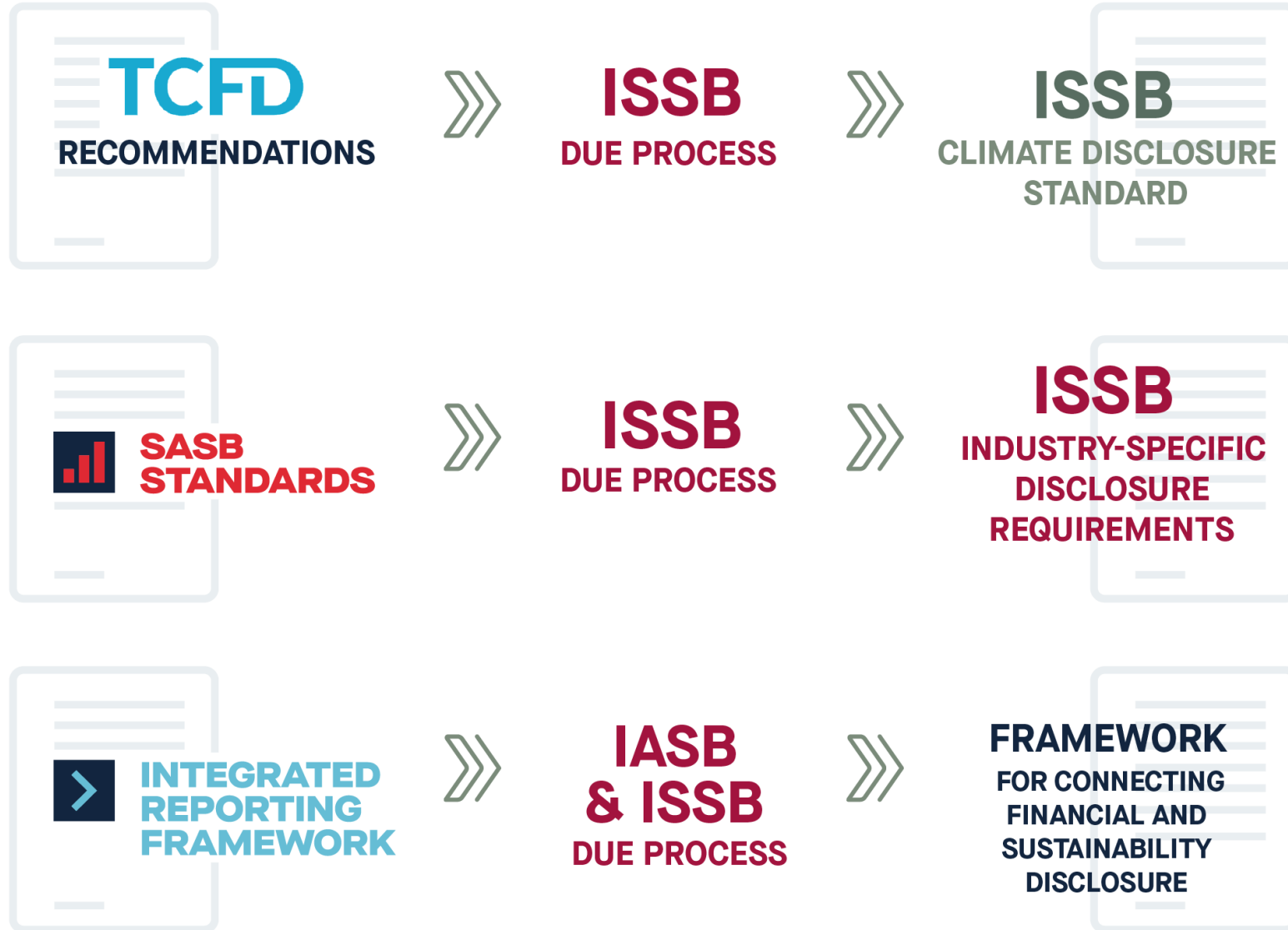
General Requirements for Disclosure of Sustainability-related Information



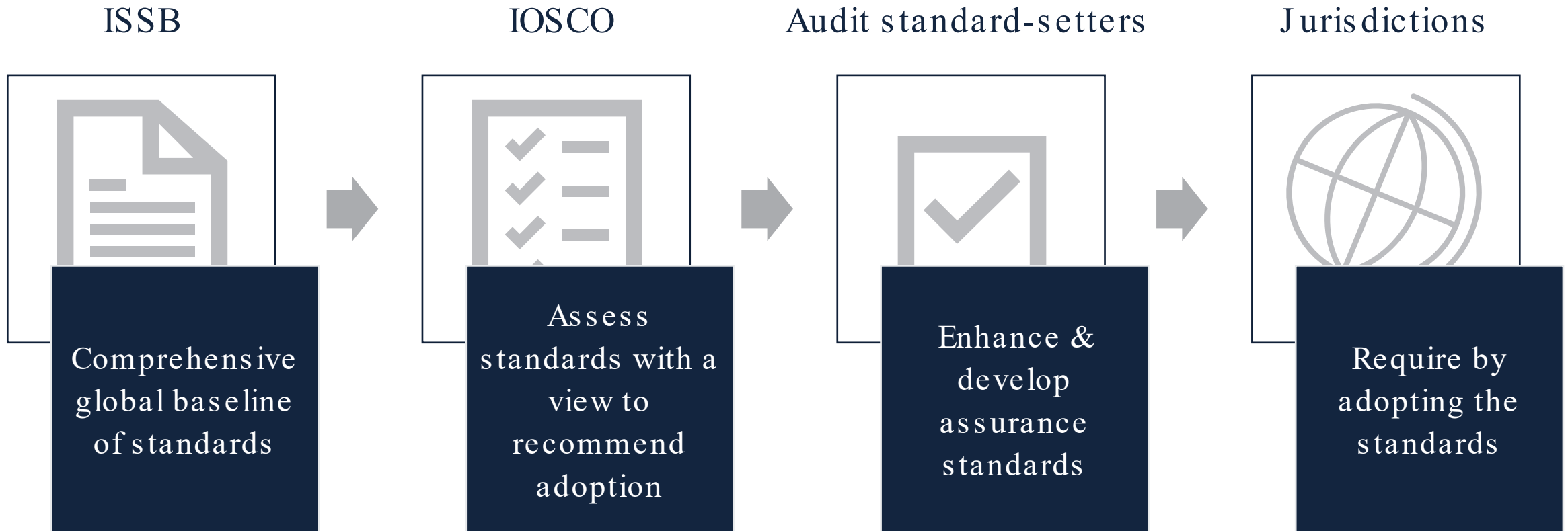
- Based on prototypes developed by the IFRS Technical Readiness Working Group published at COP 26.
- Exposure drafts due in H1 2022.



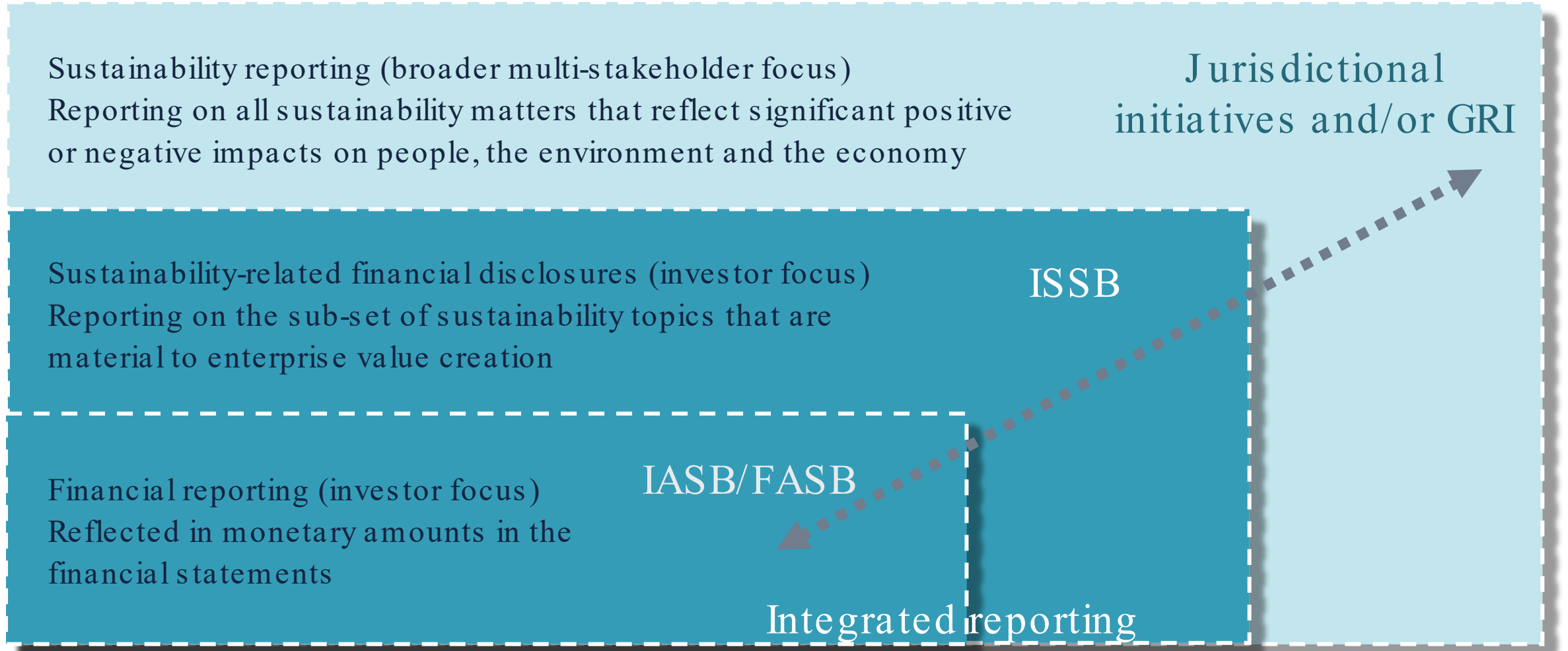
Streamlining Disclosure



Steps to achieving global capital market standards



Compatible standards and global baseline approach



IFRS Sustainability Disclosure Standards will focus on investor needs but will be compatible with jurisdictional requirements to meet broader stakeholder-information needs.





Once in a lifetime opportunity to build a global corporate reporting system, utilizing existing frameworks and standards and respecting individual jurisdictional requirements, consistent with a building blocks approach.

We count on your input and support as we develop and deliver this system.

Thank You & Questions



March 30, 2022

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil 
Senior Investment Officer

Dale Johnson 
Investment Officer

FOR: April 13, 2022, Corporate Governance Committee Meeting

SUBJECT: **Brief Spotlight on Select Topics for 2022 Proxy Season**

Please find attached a presentation highlighting a select number of current topics staff anticipates voting in the upcoming proxy voting season and how LACERA's [Corporate Governance and Stewardship Principles](#) (Principles) apply. The presentation is intended to provide the Corporate Governance Committee (Committee) with brief insights of how LACERA's Principles apply to several dynamic and evolving governance topics.

The Committee and Board of Investments has undertaken significant work in recent years to harmonize the Principles to be a consolidated, concise, and accessible policy articulating LACERA's high-level, principles-based positions on corporate governance matters. The Principles guide LACERA's stewardship work—including proxy voting—and cover the range of governance topics that appear on corporate proxies, such as director nominations, investor rights, transparency in financial and corporate reporting, and prudent management of environmental, social, and other operational risks.

Staff has reviewed the Principles in advance of the upcoming high-volume, time-compressed proxy season and believes they remain robust and position LACERA well to vote proxies consistent with high, credible standards of good governance conducive to supporting durable value creation. Accordingly, staff is not recommending any revisions to the Principles at this time.

Staff has included a brief presentation to highlight how the Principles apply to several corporate governance topics, consistent with the current Principles. In adherence to policy and practice, proxy voting results and trends will be presented to the Committee as part of its regular cycle of proxy voting review in the fall.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Corporate Governance and Stewardship Principles

Brief Spotlight on Select Topics for 2022 Proxy Season

Corporate Governance Committee
April 13, 2022

Scott Zdrazil, Senior Investment Officer

Dale Johnson, Investment Officer



Discussion Outline

Objective

Provide the Committee with insights of how LACERA's *Corporate Governance and Stewardship Principles* ("Principles") apply to a select number of dynamic and evolving topics in advance of the 2022 proxy season

Outline

1. Overview of the Principles and Key Figures
2. Summary of How the Principles Apply to Three Governance Topics
 - Multiclass share structures and differentiated voting rights
 - Corporate board diversity
 - Director accountability for climate risks

Principles Overview and Proxy Season Outlook



LACERA votes proxies in adherence to its [Corporate Governance and Stewardship Principles](#) (“Principles”) in order to support practices that safeguard and enhance shareholder value.

The Principles articulate LACERA’s views on five common topics:

- Corporate board directors and practices
- Investor rights and capital structure
- Executive compensation and incentives
- Performance reporting
- Environmental and social factors

Staff believes the Principles remain robust and adequately guide LACERA’s proxy votes on current topics. Therefore, **staff is not recommending any revisions to the Principles in advance of the 2022 proxy season.**

LACERA strives to maintain **high, credible, and pragmatic standards** in applying the Principles in a universal manner across markets.

In advance of the 2022 proxy season, the following slides describe how the Principles apply to a select number of dynamic and evolving corporate governance issues.

Key Figures for LACERA 2022 Proxy Season



over

8,000

shareholder
meetings



about

65

global markets



75%

occur April - June

1. Weighted Voting Rights

LACERA Principles oppose weighted voting rights

Principles call for voting rights to be proportionate to investors' economic interest; a.k.a "1-share, 1-vote"

- ✓ Weighted voting rights may entrench and privilege certain investors (often founders) over others
- ✓ Difficult for investors to end weighted voting structures due to the inherent entrenched voting power
- ✓ Research indicates a valuation discount at companies with weighted voting starting 6-9 years after an IPO¹

LACERA may oppose directors who fail to establish sound governance practices

- ✓ LACERA assesses directors' performance when evaluating whether to support nominees
- ✓ Poor governance practices may trigger withhold votes on directors, committees, or the full board

Market Developments

Weighted Voting Rights Remain Prevalent²

- ✓ ~10% of U.S. public companies, including 4 of 12 largest (Alphabet, Facebook, Visa, Berkshire Hathaway)
- ✓ A growing proportion of U.S. IPO's
- ✓ Globally, about 13% of the MSCI ACWI IMI Index (682 companies)
- ✓ Some stock exchanges – Singapore and Hong Kong – revised listing standards in recent years to permit weighted voting, in part, to compete with other exchanges, creating a risk of a "race-to-the-bottom"

New Investor Protections Emerging

Several emerging practices counter "perpetual" multiclass structures

- ✓ Sunset provisions: 51% of U.S. multiclass IPOs have clauses to end weighted voting after 7 to 10 years²
- ✓ Coattail provisions: Toronto Stock Exchange requires equal voting on some business combinations
- ✓ Proposed legislation in the U.S. would require listing exchanges to mandate sunset provisions

¹ Cremers, K. J. Martijn and Lauterbach, Beni and Pajuste, Anete, The Life-Cycle of Dual Class Firm Valuation (September 30, 2020). European Corporate Governance Institute (ECGI) - Finance Working Paper No. 550/2018, Available at SSRN: <https://ssrn.com/abstract=3062895> or <http://dx.doi.org/10.2139/ssrn.3062895>

² Analysis by Council of Institutional Investors and LACERA



1. Weighted Voting Rights – Director Accountability

LACERA Application of *Principles to* Support 1-share, 1-vote

LACERA has used its proxy votes to encourage adoption of 1-share, 1-vote structures

- ✓ Support shareholder proposals requesting firms with weighted voting to adopt equal voting
- ✓ Oppose directors at newly IPO'd companies with poor governance provisions, including weighted voting

LACERA is amplifying director accountability to underscore the importance of equal voting

- ✓ Oppose incumbent directors at companies with weighted voting *absent compelling investor protections*
- ✓ Adequate investor protections may vary by market
- ✓ Protections may include sunset provisions, shareholder approval, or other measures that may emerge
- ✓ Voting practice aimed at encouraging adoption of sunset provisions and avoiding weighted voting
- ✓ Estimated impact of about 2% of director votes (about 700 directors)

2. Corporate Board Diversity

LACERA Principles support board quality and diversity

Principles call for boards to be composed of highly-talented directors with requisite mix of skills, competencies, and attributes, as well as diverse backgrounds, to oversee corporate strategy to create and sustain value

- ✓ Diversity defined broadly, including –but not limited to – expertise, geographic familiarity, and professional backgrounds, as well as gender, race, the LGBTQ community, and disability status
- ✓ Research indicates board diversity is correlated with financial outperformance¹

LACERA may oppose directors when boards fail to demonstrate a *credible track record of inclusion*

- ✓ LACERA assesses disclosures of diversity attributes, where available, to apply Principles in all markets

Continued Empirical Support for Diversity

Research Continues to Support Board Diversity and Critical Mass Matters²

- ✓ U.S. firms with 2 or more women outperformed 0.77% annually over 3 years and 0.73% annually over 5 years
- ✓ U.S. firms with 3 or more racially diverse directors outperformed 0.60% annually over 3 years, 1.01% annually over 5 years

Market Trends

Some Increases in Board Diversity But Progress Remains³

- ✓ Women hold 22.6% of board seats globally (MSCI ACWI Index of large cap companies) up from 20.0% in 2019
- ✓ About half (47%) of new S&P 500 director appointments in 2021 were people of color; however, only 21% of S&P 500 directorships are held by people of color
- ✓ All male boards still comprise 14.2% of the constituents of the MSCI ACWI Index

Available Disclosures Increasing

- ✓ Investor interest and new rules (NASDAQ, California law) propel growing disclosures of diversity attributes
- ✓ Increasing LGBTQ visibility: whereas only 24 U.S. directors voluntarily disclosed as LGBTQ in 2019, LACERA’s review of recent proxies indicates an increase in voluntary disclosures

¹ Research includes but not limited to: McKinsey & Co. May 2020. Diversity Wins: How Inclusion Matters. <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>. Karsten Strauss. January 25, 2018. More Evidence That Company Diversity Leads to Better Profits. <https://www.forbes.com/sites/karstenstrauss/2018/01/25/more-evidence-that-company-diversity-leads-to-better-profits/?sh=69c2609c1bc7>. McKinsey & Co. April 2017. Is there a payoff from top-team diversity. <https://www.mckinsey.com/business-functions/organization/our-insights/is-there-a-payoff-from-top-team-diversity>.

² Institutional Shareholder Services, “[2021 Proxy Season Review: United States – Director Elections & Governance.](#)”

³ Spencer Stuart, [2021 S&P 500 Board Diversity Snapshot](#). MSCI, [Women On Boards: 2021 Progress Report](#).



2. Board Diversity – Vote Application

LACERA Application of *Principles to* Support Board Diversity

LACERA has opposed certain directors where available disclosures indicate clear laggards who fail to demonstrate LACERA’s Principles calling for a “compelling track record of inclusion”

- ✓ LACERA approach is distinguished by being universally applied to all markets
- ✓ Oppose nominating committee leadership in all markets if boards lack any gender inclusion
- ✓ In the U.S. and if data is available and credible, oppose certain directors if boards lack diversity
- ✓ LGBTQ disclosures are limited, but may be referenced where available to assess track record of inclusion

LACERA underscoring director accountability for casting a wide net for directors

- ✓ Aim to identify companies that are clear laggards by virtue of lacking multiple directors of diverse backgrounds, referencing increasing disclosures and data, where available and credible, regarding gender, race/ethnicity, or LGBTQ backgrounds of nominees
- ✓ LACERA would continue to hold nominating committee leadership accountable
- ✓ If there is no disclosed diversity (such as gender), oppose all incumbent nominating committee members
- ✓ Voting practice aims to align with empirical research that critical mass matters
- ✓ Estimated opposition of about 9% of director votes (about 3,600 directors)
- ✓ Vote impact anticipated to decline as board diversity trends continue to reflect increasing diversity

3. Board Accountability of Climate Risks

LACERA
Principles
support board
oversight of
strategy and risks

Principles call for directors to avoid material failures of governance, risk oversight, or fiduciary responsibilities relevant to a firm's ability to generate sustainable financial returns, which may include climate-related risks

- ✓ Climate change may present financial, operational, and regulatory risks to a firm's financial performance
- ✓ Support shareholder proposals requesting boards provide reasonable disclosures of how companies assess and manage material climate-related risks

LACERA may oppose directors when boards fail to exercise adequate risk oversight of material financial risks

- ✓ LACERA assesses if boards fail to exercise or disclose adequate financial risk oversight and mitigation
- ✓ Clear laggards may trigger votes against specific directors, members of a board committee, or entire board

Continued
Support for
Disclosures

Research Continues to Highlight Potential Risks from Climate Change

- ✓ Intergovernmental Panel on Climate Change released February 2022 report noting "Taken as a whole, the range of published evidence indicates that the net damage costs of climate change are likely to be significant and to increase over time."¹

Market Trends

Efforts to Encourage Transition Planning and Disclosure for Durable Financial Performance

- ✓ Climate Action 100+ benchmarking 167 most carbon intensive firms on disclosures and risk mitigation
- ✓ Proxy research firms and asset managers escalating expectations of disclosures and board accountability

Available Disclosures Increasing

- ✓ LACERA has endorsed Climate Action 100+ and Task force on Climate-related Financial Disclosures to increase disclosures of climate risks so that the market may better price risk and return
- ✓ Securities and Exchange Commission has proposed rules to expand corporate climate risk reporting

¹ IPCC Sixth Assessment Report, Summary for Policymakers. <https://www.ipcc.ch/report/ar6/wg1/#SPM>



3. Climate and Director Accountability

LACERA Application of Principles to Support Board Oversight of Climate Risks

LACERA has supported shareholder proposals focused on climate related risks

- ✓ Requests boards to reasonably disclose how they assess and manage material climate-related risks
- ✓ Encourage alignment of capital expenditures and incentives to support durable shareholder value
- ✓ Endorse disclosing clear business plans to identify and mitigate regulatory and physical climate risks
- ✓ Promote alignment of political and lobbying expenditures with business plans for low-carbon economy

LACERA may oppose directors who fail to disclose mitigation plan to address climate risk on company value

- ✓ Scrutinizing companies according to the following parameters, consistent with the Principles:
- ✓ *Highest risk portfolio companies*: Focus on firms with the greatest climate-related financial risk, which are generally the same firms that Climate Action 100+ engages, which LACERA formally supports
- ✓ *Lagging in risk mitigation*: Assess companies that have not adequately disclosed how they are identifying, evaluating, addressing, and mitigating potential climate-related risks on firm value
- ✓ *Track record of investor responsiveness*: Consider any history of how the company has responded to investor requests related to climate risks, such as Climate Action 100+ dialogue and shareholder proposals
- ✓ Estimated voting impact on LACERA's director support levels anticipated to be minimal, as focus will be on select companies, per the Principles and above parameters

Next Steps

LACERA has an annual cadence for proxy voting policy, implementation, and oversight of results, trends, and takeaways



Proxy Voting Season

In line with LACERA policy, staff will vote proxies through the remainder of the fiscal year ending June 30th, including the spring proxy season



Analysis for Full Fiscal Year

Per practice and policy, staff will gather and assess full year proxy voting results and trends across all topics at the conclusion of the fiscal year



Oversight by Corporate Governance Committee

Per practice and policy, staff will present proxy voting results and trends at the Committee meeting currently scheduled for October 2022