LIVE VIRTUAL COMMITTEE MEETING

OCTOBER 12, 2022 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 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

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, OCTOBER 12, 2022

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

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 April 13, 2022

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.)

IV. NON-CONSENT

A. Recommendation as submitted by Scott Zdrazil, Principal Investment Officer: That the Board advance a revised Corporate Governance Committee Charter to the Board of Investments for approval.
(Memo dated September 2, 2022)

V. REPORTS

A. Review of FY2022 Proxy Voting Results and Trends
Scott Zdrazil, Principal Investment Officer
Dale Johnson, Investment Officer
(Memo dated September 30, 2022)

B. Update and Review of Corporate Governance Engagement and Stewardship Initiatives
Scott Zdrazil, Principal Investment Officer
Dale Johnson, Investment Officer
(Memo dated September 30, 2022)

C. Update regarding Council of Institutional Investors Board Nomination
Scott Zdrazil, Principal Investment Officer
(For Information Only) (Memo dated October 3, 2022)

VI. ITEMS FOR STAFF REVIEW
(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agendized item at a future meeting).

VII. ITEMS FOR FUTURE AGENDAS
(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations).

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, APRIL 13, 2022

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

PRESENT: Gina V. Sanchez, Chair

Keith Knox, Vice Chair

Elizabeth Greenwood

David Green, Alternate (Joined meeting at 8:06 a.m.)

ABSENT: Herman Santos

MEMBERS AT LARGE:

Onyx Jones

Joseph Kelly

Patrick Jones (Joined the meeting at 8:20 a.m.)

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Scott Zdrazil, Senior Investment Officer

Dale Johnson, Investment Officer

STAFF, ADVISORS, PARTICIPANTS:

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)

I. CALL TO ORDER

The meeting was called to order virtually by Chair Sanchez at 8:02 a.m.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of November 17, 2021

Ms. Greenwood made a motion, Mr. Knox seconded, to approve the minutes of the regular meeting of November 17, 2021.The motion passed (roll call) with Mses. Sanchez, Greenwood and Mr. Knox voting yes. Messrs. Santos and Green were absent for the vote.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. CONSENT ITEM

Mr. Knox made a motion, Ms. Greenwood seconded, to approve the following consent item. The motion passed (roll call) with Mses. Sanchez, Greenwood and Mr. Knox 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, so long as the State of

IV. CONSENT ITEM (Continued)

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)

Ms. Janine Guillot provided a presentation and answered questions from the Board.

B. Brief Spotlight on Select Topics for 2022 Proxy Season
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(Memo dated March 30, 2022)

Messrs. Zdrazil and Johnson provided a presentation and answered questions from the Board.

VI. ITEMS FOR STAFF REVIEW

There was nothing to report.

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

The Committee welcomed Ms. Onyx Jones to the Board of Investments.

VIII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at approximately at 8:52 a.m.

LACERA

September 2, 2022

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil SZ
Principal Investment Officer

FOR: October 12, 2022, Corporate Governance Committee Meeting

SUBJECT: **Corporate Governance Committee Charter Review**

RECOMMENDATION

Advance a revised *Corporate Governance Committee Charter* to the Board of Investments for approval.

BACKGROUND

The Board of Investments established the Corporate Governance Committee (Committee) in 2007. In 2009, the Board of Investments adopted a "Corporate Governance Committee Policy Statement," which was revised and restated as the "Corporate Governance Committee Charter" (Committee Charter) and approved by the Board of Investments in 2017. As a matter of good practice and per the provisions of the Committee Charter, it is subject to periodic review to ensure it is aligned with the Board of Investments' strategic objectives for the Committee and that it accurately reflects any policy references or organizational changes.

Staff has reviewed the Committee Charter and is recommending modest revisions in the attached redlined version **(Attachment)**, as summarized below. The changes are intended to reflect current practices and accurate policy references, while maintaining clarity and avoiding overlap with other guiding policies that LACERA has adopted. For reference, LACERA also maintains several governance documents that define the role and operational matters of the Board of Investments (Charter, Bylaws, Delegated Responsibilities and Authorities), as well as *Corporate Governance and Stewardship Principles,* which provide guidance on the roles and responsibilities of the Board of Investments, Corporate Governance Committee, and staff in developing, overseeing, and executing LACERA's corporate governance program.

1. **Committee purpose:** The attached redlined Committee Charter adds "stewardship initiatives" to the Committee's oversight of proxy voting and corporate governance to reflect LACERA's expanded stewardship work (corporate engagements, etc.) and the Committee's recent practice of reviewing LACERA's

stewardship efforts (such as periodic reports on LACERA's approach to evaluating ESG integration at external asset managers and corporate engagement efforts).

2. **Updated name of *Corporate Governance Principles* policy:** LACERA's *Corporate Governance Principles* policy was merged with its corporate governance procedures policy in 2020 and renamed *Corporate Governance and Stewardship Principles* to reflect the policy's role as a reference to guide the fund's stewardship work beyond proxy voting and engagement. The name is updated in the redlined version to reflect the new policy title.

3. **Meetings:** The Committee Charter currently prescribes quarterly committee meetings. In November 2018, the Board took formal action to set the cadence of Board standing committee meetings to a minimum of twice per year, following a multi-month deliberation on guidance for the Board's standing committees. The proposed redlined version of the Charter includes revisions to adhere to the Board's 2018 action by modifying the meetings to at least twice per year. It also cites considerations to guide how and when meetings are scheduled, including the Committee's core responsibilities, the Board of Investment's strategic plan which is reviewed at the beginning of each calendar year, and the calendar of other Board of Investments committees (none of which existed when the Committee was first established). Staff considers that the 2018 Board action and proposed language matches the recent cadence of the Committee, while providing flexibility to convene an additional meeting, as useful. The Committee typically reviews proxy vote results and programmatic developments in the fall after fiscal year end results are available and analyzed. And the Committee typically reviews any policy updates in the spring in advance of the proxy voting season, if there are emerging issues not adequately addressed in LACERA's Principles. Special reports and guest speakers have been added within the twice-per-year cadence in recent years.

4. **Document history:** The redlined version suggests simplifying the document history from a paragraph to a simple list, consistent with common practice.

Attachment

Noted and Reviewed:

____
Jonathan Grabel
Chief Investment Officer

Attachment

Proposed redlined version

Board of Investment Standing Committee Charter —
Corporate Governance Committee (CGC)

Pursuant to the objectives, powers, and responsibilities enumerated in LACERA's Board of Investments' Charter, By-laws, ~~and in furtherance of the~~ Investment Policy Statement, and Powers Reserved and Delegated Authorities,~~governance principles and the Board of Investments Charter adopted by the Board,~~ the Board of Investment has established a standing Corporate Governance Committee (CGC) to oversee~~s~~ and monitor~~s~~ LACERA's policies and overall plan of execution in corporate governance and stewardship activities.

A. Purpose

The CGC recommends policies and exercises oversight ~~identifies, develops, and recommends policies, procedures, and programs~~ related to corporate governance,~~ and~~ proxy voting, and related investment stewardship initiatives.

The CGC strives to promote LACERA's corporate governance interests by communicating and/or coordinating with other relevant parties including, but not limited to, corporate governance advocacy organizations, regulatory agencies, proxy advisors, corporate boards of directors and management of portfolio holdings, investment managers, and other pension funds.

B. Responsibilities

The CGC will review all policy and program issues related to corporate governance.

Each of the following responsibilities is assigned to the Committee.

- Develop and recommend Board approval of adoption and amendments to policies addressing proxy voting, such as the Corporate Governance and Stewardship Principles, and oversee proxy voting.
- Develop and recommend Board approval of adoption and amendments to policies and procedures for corporate governance matters, including the Corporate Governance and Stewardship Principles~~Policy~~, and execute the responsibilities described therein.
- Develop and recommend Board approval of revisions to LACERA's Investment Policy Statement as it pertains to corporate governance and proxy voting.
- Support the Board of Investments and any committees thereof in the development of approaches, policies, or programs for responsible or sustainable investing.
- Undertake any matters defined in the Purpose section of this document.
- Perform any other duties that may be assigned to it by the Board.

- Regularly report to the Board on its activities, through initiatives advanced for Board consideration, production of meeting minutes, and oral reports.

C. Composition

The Board Chair will appoint four CGC members and one alternate from the current members of the Board of Investments to a one-year term and designate the Committee's Chair and Vice Chair. The Board Chair will consider continuity of service when selecting members for the Committee so that development of expertise and familiarity with the subject matter is encouraged and to benefit Committee goals.

The CGC Chair will be responsible for setting meeting dates and agendas. The Chief Investment Officer (CIO) will assign senior LACERA investment officers to liaise with the CGC. The CIO and designated investment officers will assist in performing the CGC's duties. LACERA's general consultant will be invited to participate in Committee meetings.

Board members who are not Committee members may attend and participate in a Committee meeting but may not vote on any matter discussed at the meeting nor make or second motions. The alternate can participate in meetings and make or second motions but may only vote in the absence of at least one Committee member. In the event five or more members of the Board (including members appointed to the Committee) are in attendance, the meeting will constitute a joint meeting of the Committee and the Board. Meeting agendas will be noticed as joint meetings of the committee and Board.

D. Meetings

Unless otherwise announced, Committee meetings will be held on the same day as Board meetings, either immediately before or after the Board meeting. The ~~various~~ Committee aims to meet at least twice per year, consistent with Board action regarding committee scheduling approved in November 2018. M~~m~~eetings will be scheduled in consultation between the Committee Chair and designated staff, taking into consideration core Committee responsibilities and objectives, the Board of Investments strategic plans, and the Board of Investments meeting schedule.~~held on a rotating schedule, so the anticipated meeting frequency is once per quarter, although monthly meetings may be scheduled if necessary.~~ Unless otherwise announced, CGC meetings will be held at 300 N. Lake Avenue in the LACERA Board Room.

E. Compliance with the Ralph M. Brown Act

The CGC is subject to the Brown Act and, in all respects, will comply with its requirements.

F. Self-Evaluation

This Charter shall be reviewed and amended at least every three years, as appropriate.

G. History

~~The Board of Investments adopted a "Corporate Governance Committee Policy Statement" on May 27, 2009. The Corporate Governance Committee Policy Statement was revised and adopted as this Charter by the Board on August 9, 2017.~~
Established as Corporate Governance Committee Policy Statement May 27, 2009
Revised and Restated as Corporate Governance Committee Charter August 9, 2017
Revised [month/date/2022]

LACERA

September 30, 2022

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil SZ
Principal Investment Officer

Dale Johnson DOJ
Investment Officer

FOR: October 12, 2022, Corporate Governance Committee Meeting

SUBJECT: **Review of FY2022 Proxy Voting Results and Trends**

Please find attached a presentation of LACERA's proxy voting results and trends for Fiscal Year 2022, covering votes cast from July 1, 2021, to June 30, 2022.

Per the roles and responsibilities defined in LACERA's *Corporate Governance and Stewardship Principles* (Principles), this FY2022 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

Attachment

Proxy Voting Results and Trends

Fiscal Year 2022

(July 1, 2021, through June 30, 2022)

Corporate Governance Committee
October 12, 2022

Scott Zdrazil, Principal Investment Officer
Dale Johnson, Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Objective and Background

Objective

Review proxy voting results, trends, and related market developments

Context

- ✓ LACERA expanded voting authority to over 90% of equities portfolio
- ✓ LACERA votes according to its custom *Corporate Governance and Stewardship Principles,* refreshed and harmonized five years ago

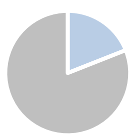
Timeline of Policy Refreshment and Expanded Voting Rights

FY 2018

LACERA adopted refreshed [*Corporate Governance and Stewardship Principles*]

FY 2018

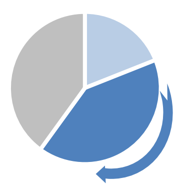
1st proxy season LACERA votes its custom policy



Voted 19%
of equities portfolio
1,610 meetings

FY 2019

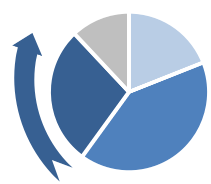
Assumed voting rights for U.S. index fund holdings



Voted 60%
of equities portfolio
3,676 meetings

FY 2020

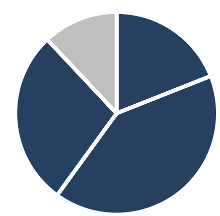
Expanded non-U.S. voting by assuming non-U.S. index holdings vote authority



Voted ~90%
of equities portfolio
7,179 meetings

FY 2022

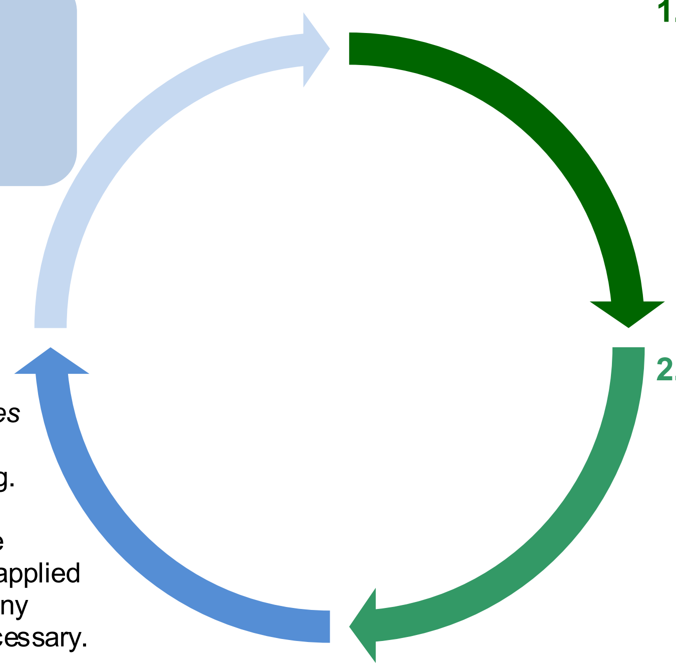
Voted global equities portfolio throughout fiscal year



Voted over 90%
of equities portfolio
7,542 meetings

Proxy Voting Process

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



1. Define Policy Guidance ✓

LACERA's *Principles* define positions on sound corporate governance practices and the roles and responsibilities to implement them, including voting proxies.

The Committee develops and recommends Board approval of the *Principles*.

2. Board Approval ✓

The Board of Investments approves the *Principles*, as recommended by the Committee.

3. Implementation ✓

The Investment Division integrates the *Principles* into an online voting software platform to apply policy parameters and facilitate electronic voting.

Investment staff executes votes, using available resources to inform voting decisions, including applied research from two proxy research firms, company reports filed with the SEC, and 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.

Fiscal Year 2022 Proxy Votes by the Numbers

7,542

shareholder meetings voted

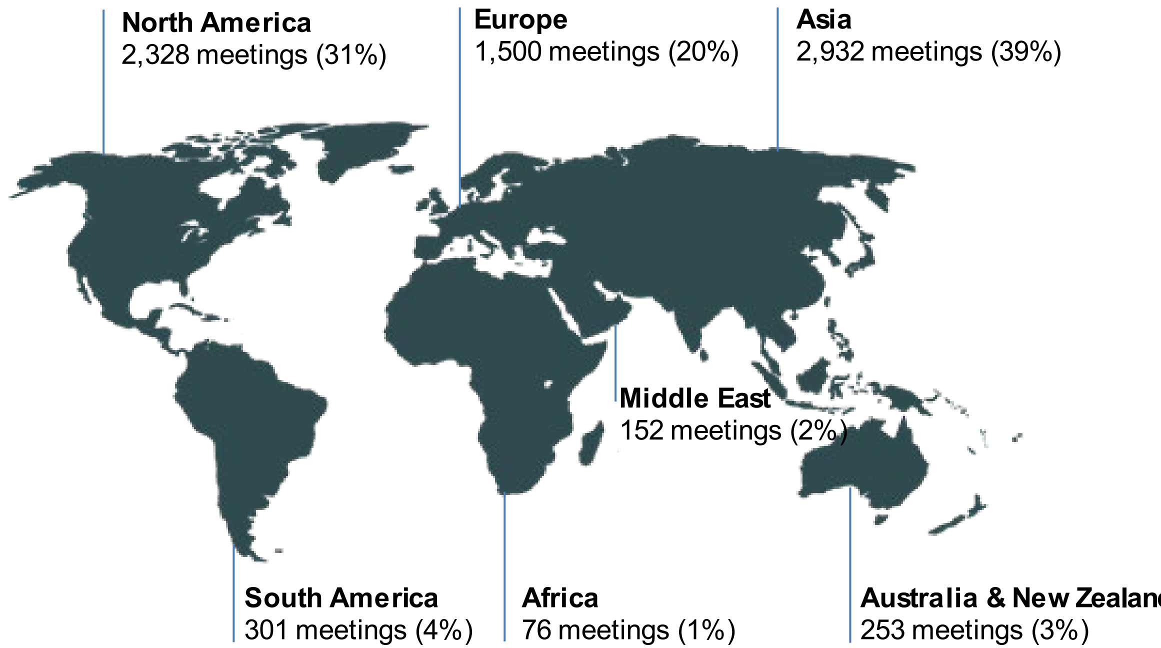
79,817

individual ballot items

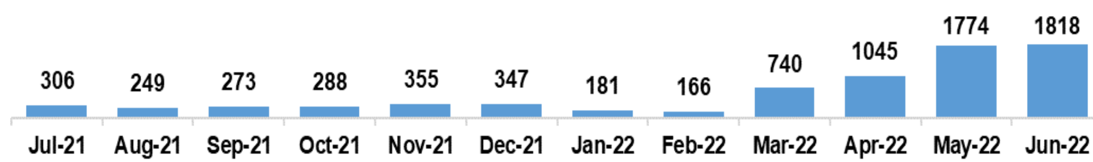
65

global markets voted in

Number of Shareholder Meetings Voted By Region

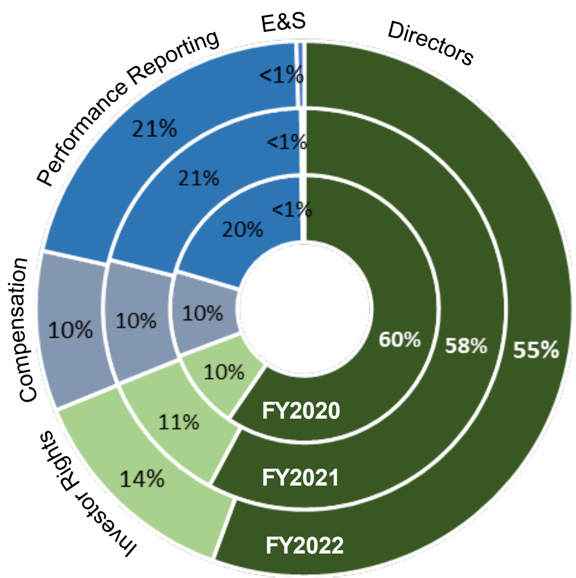


Number of Meetings Voted By Month



Key Topics Voted

Proxy Votes By Subject
FY 2020 through FY 2022

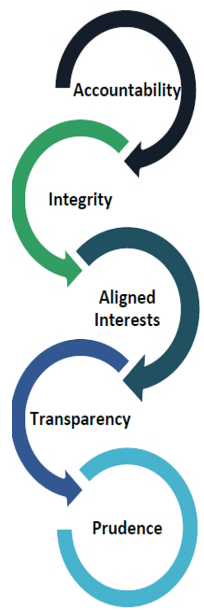


- Percentages of voting items by topic **remain relatively stable** over the years
- **~55%** of votes address **director elections** – the most common topic
- **Less than 1%** of votes addressed environmental and social ("E&S") matters

LACERA casts proxy votes at shareholder meetings 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 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

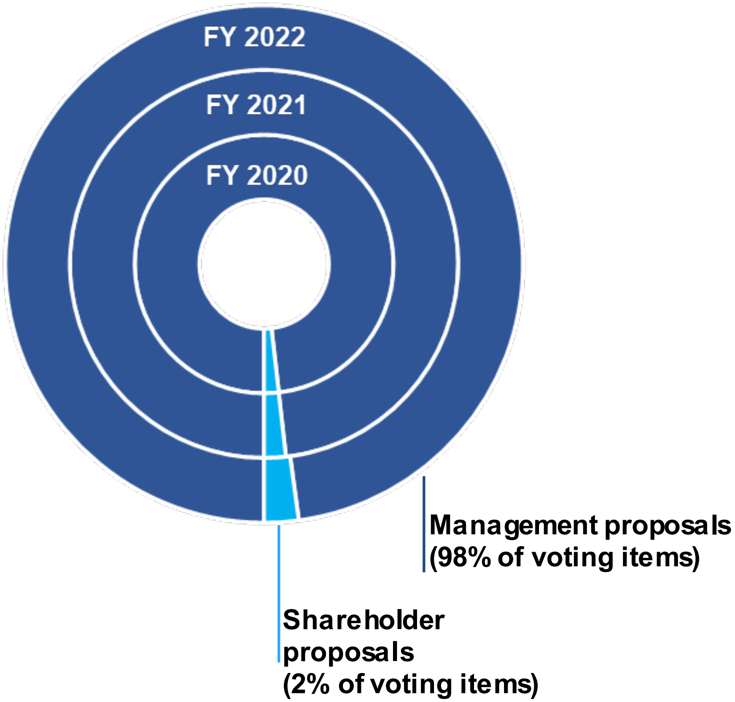
Transparency of a firm's key financial and operating performance is critical. Financial markets work most efficiently when investors have timely, reliable, and comparable information about material aspects of a firm's performance.

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.

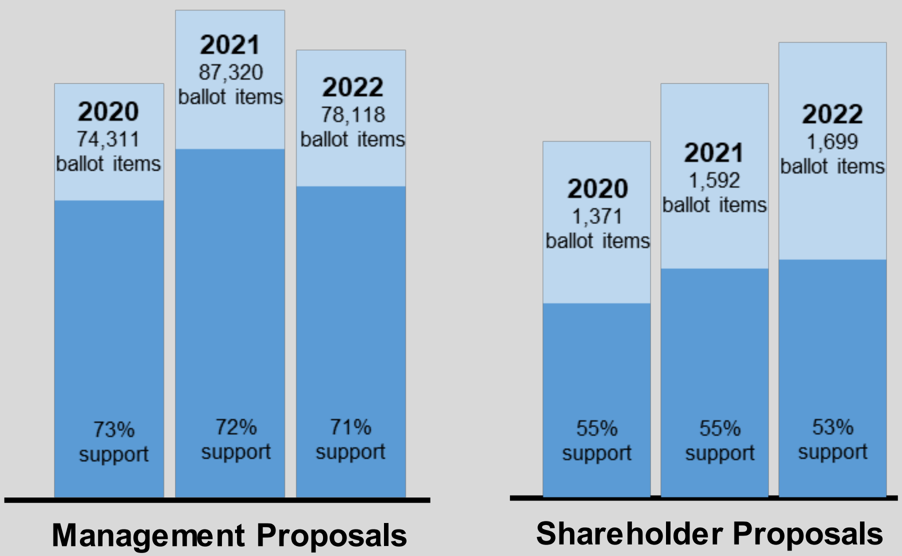
Proxy Proposals By Sponsor and Support Levels

Proxy Items Voted by LACERA Broken Down By Sponsor



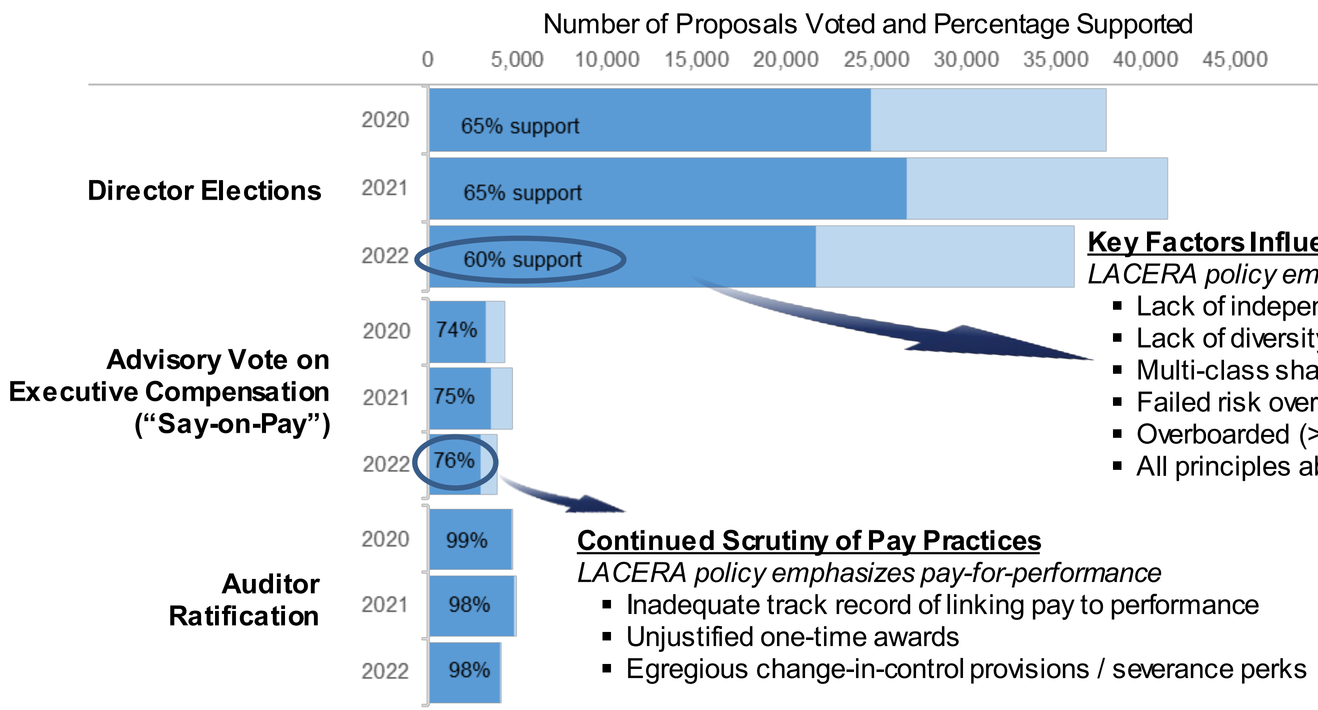
- Nearly all proxy items voted are sponsored by management (98%)
- Shareholder proposals represent relatively few (2%) of total votes
- Support for management proposals remains generally consistent
- Support for shareholder proposals also generally consistent

LACERA Support Levels and Number of Ballot Items Voted



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
- Lack of diversity
- Multi-class share structures with unequal voting rights
- Failed risk oversight and accountability
- Overboarded (>3 boards for CEOs; >4 for non-CEOs)
- All principles above applied globally

Continued Scrutiny of Pay Practices

LACERA policy emphasizes pay-for-performance

- Inadequate track record of linking pay to performance
- Unjustified one-time awards
- Egregious change-in-control provisions / severance perks

Select Sample Votes

Director Accountability

Opposed 2 directors and audit committee members, both received less than 75% support, for material governance failure by failing to remove 2 indicted and convicted directors.

Samsung

Pay-for-Performance

Voted no on say-on-pay vote for 5th consecutive year, which received 34% dissent, after company made unjustified adjustments to short-term and long-term incentive program metrics.

Pay-for-Performance

Voted No on say-on-pay, along with 69% of investors, after the company granted CEO $52 million one-time equity award with no performance goals.

J.P.Morgan

Director Accountability

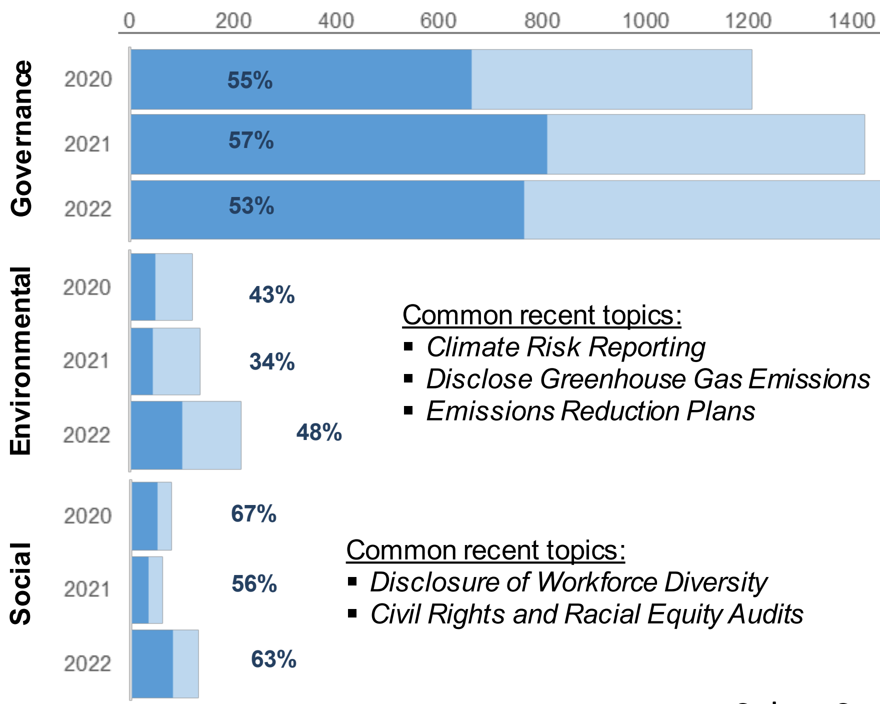
Voted Against two directors, both CEO/Board Chairs, for lack of credible effort to execute mitigation plan to address climate risk on company value.

Chevron ExxonMobil

Shareholder-sponsored Ballot Items

Support Levels By Shareholder Proposal Subject

Number of Proposals Voted and Percentage Supported



Common recent topics:
- *Independent Chair*
- *Implement 1-share, 1-vote*
- *Disclose Political Spending*
- *Right to Call Special Meeting*
- *Submit Severance Pay for Shareholder Approval*

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

Common recent topics:
- *Disclosure of Workforce Diversity*
- *Civil Rights and Racial Equity Audits*

About LACERA's Principles' Approach to Shareholder Proposals

Shareholder proposals are typically non-binding requests to disclose or take action.

Governance topics are most common.

LACERA generally supports proposals to implement investor rights or report on how a company addresses a business risk.

LACERA may oppose proposals if they might undermine firm value, are overly prescriptive, or have already been implemented by the company.

Select Sample Votes

Insider Trading

Voted in support of proposal, which received 49% support, requesting company adopt a policy to provide safeguards for company insiders to sell stock in pre-established trading plans.

Climate Risk Reporting

Supported proposal, which received 95% support, requesting company provide an annual report on targets and progress in reducing greenhouse gas emissions in alignment with the Paris Agreement.

Human Capital Management

Supported proposal, which received 63% support, requesting annual report describing company's efforts, including metrics and outcomes to prevent abuse, harassment, and discrimination.

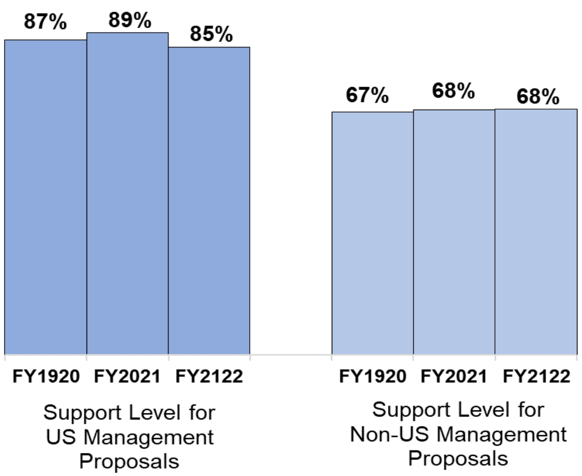
Human Capital Management

Supported proposals at 23 companies, with 8 receiving majority support, requesting an annual assessment report on their diversity, equity, and Inclusion efforts.

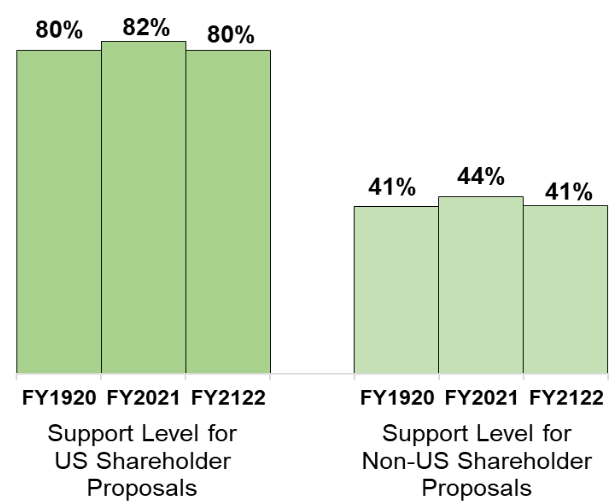
Proxy Proposals By Sponsor and Region

LACERA applies its Principles consistently in all markets

Our support levels may vary by markets due to differences in local market governance practices and the nature of the types of proposals presented



- ➢ Lack of board independence, less board diversity, and weaker governance provisions contribute to lower support for management proposals in some markets outside of the U.S.



- ➢ Shareholder proposals in the U.S. generally request companies to report on how they are managing material business risks, which LACERA generally supports and contributes to higher support levels
- ➢ Outside the U.S., shareholder proposals have been more prescriptive an(binding, requiring companies to take specified operational measures that management or board may be better positioned to evaluate and address

2022 Market Insights: Company-Sponsored Proposals

Executive Compensation: Performance Alignment, ongoing COVID-19 related Adjustments

- ✓ LACERA's *Principles* support pay being tied to outstanding performance while encompassing prudent risk mitigation
- ✓ 2022 U.S. investor support for say-on-pay appeared relatively flat with previous years, averaging 91% support[1]
- ✓ 31 companies received less than majority support for their say-on-pay, up from 27 failed votes in 2021[1]
- ✓ Notably, there were several large high-profile companies that were rebuked with failed say-on-pay votes by investors for egregious pay practices, such as one-off-equity grants and awards
  - ➢ Intel – failed say-on-pay vote for second consecutive year for $100 million grant to new CEO
  - ➢ JP Morgan – say-on-pay vote received only 31% support after firm awarded CEO $50 million retention bonus

Board of Directors: Skills, Experience, and Diversity

- ✓ LACERA's *Principles* emphasize board quality and call on boards to be composed of highly talented individuals to oversee the company's strategy for creating and sustaining value and ensure a diverse set of relevant skills, competencies, and attributes
- ✓ Increasing board diversity disclosures and appointments in light of investor focus on boards lacking diversity
  - ➢ Nearly all Fortune 100 companies (97%) voluntarily disclosed the board's racial/ethnic diversity, up from 82% last year[2]
  - ➢ No S&P 500 boards lack any racial diversity as of 2022 and 23% of S&P 500 directorships are people of color; Percentage of Russell 3000 boards with no racial diversity decreased from 38 percent in 2020 to 10 percent in 2022[3]
  - ➢ Racially/ethnically diverse directors account for 16% of all Russell 3000 Index company board seats, up from 7% in 2013[3]
- ✓ Heightened market focus and discussion on director accountability for climate risk mitigation
  - ➢ Campaigns at numerous companies urged shareholders to vote against directors for poor climate risk oversight
  - ➢ Appear to be minimal impact on overall director support levels

[1] ISS Bulletin – Season Insights 2022. June 29, 2022. (Available at http://images.info.issgovernance.com/Web/ISSGovernance/ISS_Bulletin_Season_Insights_Note__5.pdf)
[2] EY Center for Board Matters - Four key takeaways from the 2022 proxy season. (Available at https://www.ey.com/en_us/board-matters/four-key-takeaways-from-the-2022-proxy-season/)
[3] ISS Insights - Racial and Ethnic Diversity on U.S. Corporate Boards – Progress Since 2020. (Available at https://insights.issgovernance.com/posts/racial-and-ethnic-diversity-on-us-corporate-boards/)

2022 Market Insights: Shareholder Proposals

Significant Attention on Climate as a Systemic Risk

✓ Notable majority investor support for proposals requesting emissions reduction targets including Scope 3
  - ➢ Builders FirstSource (84%), Costco (70%), Skechers (75%), Sysco (92%), and US Foods (68%)

✓ More climate proposals (47 in 2022, double from 2021); Decreased average support (50% last year to 32% this year)[1]
  - ➢ Some more prescriptive proposals, such as ceasing financing by banks inconsistent with a net zero target
  - ➢ More companies disclose climate mitigation strategies, possibly reducing support for related proposals

Ongoing Scrutiny on Diversity, Equal Employment Opportunity, Workplace Equity

✓ High support to disclose workplace diversity and EEO-1 reports
  - ➢ Constellation Software (63%), Tesla (55%)

✓ Number of proposals requesting disclosure of EEO-1 reports declined from 44 in 2021 to 6 in 2022 as disclosure becomes prevalent among large companies and companies disclose prior to a proposal being voted

✓ Strong investor support and increase in proposals requesting civil rights/racial equity reports and audits
  - ➢ Altria (62%), Apple (54%), Johnson and Johnson (63%), MAXIMUS (64%), McDonald's (55%), Stericycle (61%), Home Depot (63%), and Waste Management (55%)

Environmental Risk Mitigation

✓ Request to report on efforts to eliminate deforestation in the supply chain approved at Home Depot (65%)

✓ Request for report on use of sustainable packaging received 94% support at Jack in the Box

✓ Average support in the U.S. for environmental proposals was down in 2022 (33%) compared to 44% in 2021[2] as some proposals were more prescriptive on business strategies

[1] ISS Bulletin – Season Insights 2022. June 29, 2022 (Available at http://images.info.issgovernance.com/Web/ISSGovernance/ISS_Bulletin_Season_Insights_Note__5.pdf)
[2] Gibson Dunn. "Shareholder Proposal Developments During The 2022 Proxy Season" (Available at https://www.gibsondunn.com/shareholder-proposal-developments-during-the-2022-proxy-season/)

Public Policy Developments Related to Proxy Voting

LACERA collaborates with associations (e.g., Council of Institutional Investors, International Corporate Governance Network) to advocate effective public policies that enhance LACERA's ability to cast meaningful, informed, timely votes

1. **Selecting directors in contested director elections**

   Securities and Exchange Commission (SEC) issued final rule in November 2021 enabling a "universal proxy card" for investors to select among either or both management- and dissident-sponsored nominees in proxy contests

   Effective for meetings after January 31, 2023

   LACERA supported with SEC comment letters and participation in CII-led industry working group to finalize terms

2. **Objective, timely, reliable proxy research services**

   The SEC announced on July 13 that it revised 2020 proxy research rules:

   - Rescinded provision requiring proxy firms to provide their research to companies before distributing to clients
   - Rescinded requirements for proxy firms to provide company responses to their research in proxy reports
   - SEC maintained provision that deems proxy research as a "solicitation" and subject to related regulatory terms
   - ISS lawsuit (supported by CII) is challenging SEC interpretive guidance deeming proxy research a "solicitation"

3. **Investor rights to reasonably submit proposals for consideration**

   The SEC is considering further revising guidance to rules governing shareholder proposal submissions which could refine ownership requirements and rules defining minimum support levels for investors to resubmit proposals

Operational Update

Per policy, LACERA strives to vote all proxies which we are entitled to vote, taking into consideration operational constraints and other factors

~2.4% (185 companies) Not Voted Due to Market and Regulatory Constraints

- ✓ About 1% of meetings not voted due to companies requiring shares to be blocked from trading (Egypt, Ireland, Italy, Norway, Sweden, and Switzerland)
- ✓ Lack of proxy services provided by State Street's subcustodian in Sweden for small- and mid- cap companies
- ✓ Custodian expired Power of Attorney impeded LACERA votes at 42 companies (Sweden, Luxembourg)
- ✓ ISS withheld research and vote execution services at sanctioned Russian entities (4 meetings)

~10% (734 meetings) Not Voted Due to Shares on Loan

- ✓ LACERA participates in securities lending consistent with fiduciary duty to generate incremental income
- ✓ LACERA may recall shares when notable voting items may appear for a vote if LACERA requests shares to be recalled before the record date; 88% of companies do not publish ballot items before the record date
- ✓ 734 meetings not voted because shares on loan compared to 40 last year following a change in lending agent
- ✓ ~12% of **shares** not voted, up from 9% last year
- ✓ Internal review of companies with shares on loan included five proxy contests, some companies based in Nordic and Southern European countries, and companies subject to consumer discretionary spending

Condensed Voting Window in Some Non-U.S. Markets Compresses Vote Review

- ✓ Subcustodial voting chain and intermediaries may have vote deadlines close to proxy material publication

LACERA supports the International Corporate Governance Network and Council of Institutional Investors to promote market practices that facilitate proxy voting

September 30, 2022

TO: Trustees - Corporate Governance Committee

FROM: Scott Zdrazil SZ
Principal Investment Officer

Dale Johnson DOJ
Investment Officer

FOR: October 12, 2022, Corporate Governance Committee Meeting

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

The attached presentation (**Attachment 1**) provides a summarized update of LACERA's key corporate governance engagement initiatives and ESG integration efforts for the Committee's review, per LACERA's *Corporate Governance and Stewardship Principles.*

Also attached is LACERA's 2022 *Corporate Governance and Stewardship Update* providing a transparent look at LACERA's corporate governance and stewardship efforts, including proxy voting, engagements, ESG integration, and a brief synopsis of how LACERA is assessing investment opportunities and risks related to climate change (**Attachment 2**). The report will be posted to LACERA.com, consistent with past practice, for quick access for members, beneficiaries, and interested parties.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Attachment 1

Review of Key Engagement and Stewardship Initiatives

Corporate Governance Committee
October 12, 2022

Scott Zdrazil – Principal Investment Officer
Dale Johnson – Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Key Strategies to Put Principles into Practice

Objective

Provide updates and opportunity for review of key engagement and stewardship initiatives that LACERA pursues to promote financial value by encouraging practices and policies in line with its *Corporate Governance and Stewardship Principles* (Principles)

Background

LACERA promotes its Principles through key strategies to enhance and protect value

Proxy Voting*

At shareholder meetings to encourage practices aligned with LACERA's *Principles*

Engagement and Advocacy

Engage portfolio companies and policymakers to advance LACERA's *Principles*

ESG Integration

Conduct due diligence and portfolio analytics to identify and evaluate environmental, social, and governance (ESG) investment risks and opportunities

Transparency

Report on LACERA's efforts to steward its assets in line with LACERA's *Principles*

*The proxy voting review is being presented separately for Committee review

Engagement and Advocacy

Framework Guiding Engagements and Advocacy

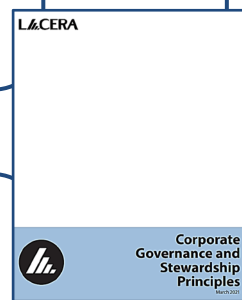
LACERA engages companies and policymakers to advocate practices defined in its *Corporate Governance and Stewardship Principles* to support sustainable value

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 initiative**



ESG Data Quality and Disclosures

Reliable, comparable, investment-useful corporate reporting of material ESG factors, including advancing clear disclosures through **International Sustainability Standards Board SASB Standards** 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

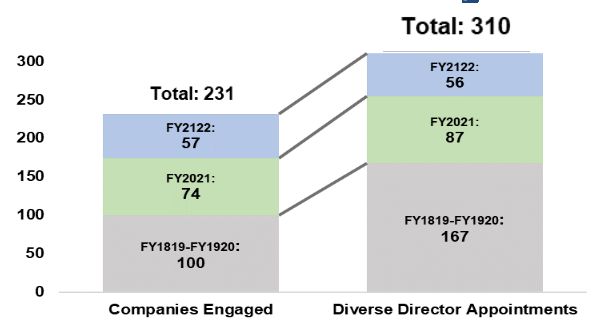
Corporate Board Diversity Initiative

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

Background and Details
- 4th 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 to identify skills gaps and 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

310 directors appointed at **231** engaged companies over **4 years**

Update and Status
- **FY2021 Status:** 56 directors appointed at 43 of 57 engaged firms
    - ✓ 32 women and 42 directors of color of whom 18 women of color (see next slide for more breakdown)
- **Project Inception to Date:** 310 directors appointed at 184 of 231 engaged companies in past 4 years
    - ✓ Includes both women and people of color
    - ✓ 3 firms disclosed LGBTQ board representation
    - ✓ All disclosures on voluntary, self-identified basis



Current FY22-23 Engagement Cycle
- Joint letters to 60 mid- and small-cap firms U.S. firms selected for lack of apparent gender and/or racial diversity and maintaining same broad request for inclusion of gender, race/ethnicity, and LGBTQ community

Breakdown of 310 Director Appointments

The initiative encourages companies to cast a wide net for director talent, inclusive of diverse gender, race/ethnicity, and the LGBTQ community.

The below table summarizes director appointments at engaged companies based on available company disclosures of voluntary, self-identified attributes.

Breakdown of Appointments During Last Fiscal Year and Over Four Year Project History

	FY2122 # of Directors Appointed	% of Director Appointments	# of Directors Appointed over past 4 Years of Engagements	% of Director Appointments
Female Appointments by Disclosed Race/Ethnicity				
Asian	4		15	
White	14		164	
Black or African American	9		28	
Hispanic or Latino	3		10	
Non-Specified Race/Ethnicity	2		21	
Total Female	**32**	**57%**	**238**	**77%**
Male Appoints of Color by Disclosed Race/Ethnicity				
Asian	4		17	
Black or African American	12		41	
Hispanic or Latino	3		6	
Disclosed as Racially Diverse but Unspecified Race/Ethnicity	5		8	
Total Male	**24**	**43%**	**72**	**23%**
Total Director Appointments	**56**		**310**	
Summary of Disclosed Race/Ethnicity of Directors of Color				
Asian	8	14%	32	10%
Black or African American	21	38%	69	22%
Hispanic or Latino	6	11%	16	5%
Non-Specified	7	13%	29	9%
	42	**75%**	**146**	**47%**
3 Companies Disclosed previously appointed LGBTQ Director: 1 during FY2122 and 2 during FY2021				

Sample Revised Policies and Disclosures

The initiative encourages portfolio companies to incorporate diversity as a consideration in Nominating Committee Charters, Corporate Governance Guidelines, and proxy disclosures

Nominating Committee Charter

"In connection with the selection of nominees for director, the Committee will **give due consideration to diversity in perspectives, backgrounds, business experiences, professional expertise, gender, sexual orientation and ethnic background** among the Board members."

Proxy Disclosure

"We inform any director search firm that may be retained of our preference to include highly qualified candidates who have **diverse identities or backgrounds (including in respect of gender or gender identity, race, ethnicity or sexual identity)** in the pool of potential candidates it presents for consideration by the Board."

Corporate Governance Guidelines

"In selecting director candidates, the Nominating and Corporate Governance Committee is committed to seeking out highly qualified diverse candidates, and considers whether the candidates possess the required skill sets and fulfill the qualification requirements of directors approved by the Board, including integrity, objectivity, sound judgment, leadership, courage and diversity, in all aspects of that term, including differences of perspective, professional experience, education, skills and other individual qualities, **such as gender, race and ethnicity, sexual orientation, and the variety of attributes that contribute to the Board's collective strength**."

Corporate Governance Guidelines

"The Governance Committee believes it is important to consider **diversity of gender, race, ethnicity, sexual orientation, age, education, cultural background, and professional experiences** and **requires inclusion of women and underrepresented minority candidates in the pool from which nominees are identified**. The Board's objective is to nominate a diverse group of directors who can best ensure the continuing success of the Company's business and represent stockholder interests through the exercise of sound judgment and constructive working relationships."

Nominating Committee Charter

"In identifying candidates for membership on the Board, the Corporate Governance and Nominating Committee (i) shall take into account all factors it considers appropriate, which may include an assessment of the candidates' background, education, skills and experience in the context of the Company's business and strategy at the time; and (ii) **shall endeavor to seek, consider and evaluate qualified candidates with diverse experience (e.g., corporate, academia, government, nonprofit and regulatory)** and of **diverse age, gender, race, ethnicity, religion, national origin or from other underrepresented groups, to be included in the pool of candidates** from which the nominees for the Board will be selected."

*Emphases added.

Better Market ESG Data and Reporting

Quality ESG Disclosures

Objective

- Increase reliable, comparable, investment-useful corporate reporting on material ESG and climate risks

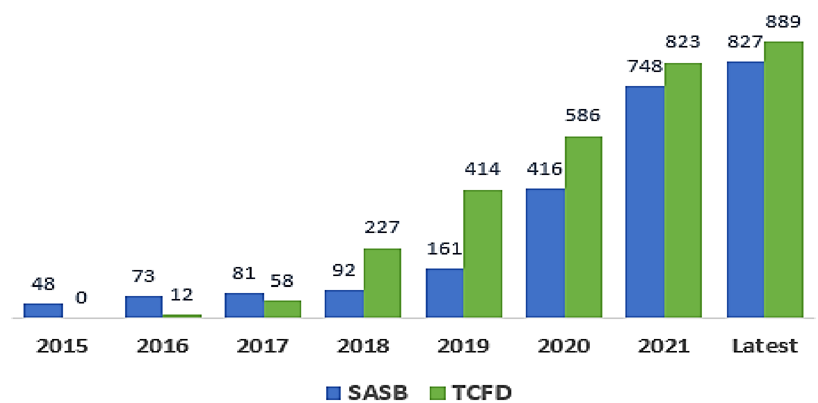
Background and Details

- LACERA promotes clear, comparable corporate disclosures of financial and operating metrics to inform investments
- LACERA affiliated to the Sustainability Accounting Standards Board (SASB) Investor Alliance in 2019
  SASB standards are industry-specific, voluntary, material ESG metrics to guide corporate reporting in 77 industries
- LACERA endorsed the Financial Stability Board's Task force on Climate-related Financial Disclosures (TCFD) in 2019
  TCFD guides financial institutions to report on governance, risk management, and performance on climate risks

Update and Status

- **Notable Market Adoption:** Over half of large global companies now reference SASB and TCFD frameworks to guide ESG reporting
- **Global Reporting Framework Convergence:** International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB) in 2022 incorporating SASB and TCFD
- **Globalization and Expansion:**
  - ➢ ISSB opened consultations to codify SASB Standards with global references
  - ➢ IFRS Alliance succeeds SASB Investor Alliance to promote market adoption
- **LACERA remains active in IFRS Alliance**

Number of Companies Referencing SASB and TCFD to Guide ESG and Climate Reporting in S&P Global 1200 Index



SASB STANDARDS
Now part of IFRS Foundation

59% compound annual growth rate

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

133% compound annual growth rate

Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

Climate Action 100+

Objective
- Encourage 160+ 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 focused dialogues with three U.S. utilities companies in particular

Climate Action 100+

Update and Status
- Global investor involvement: 700 global investors with $68 trillion in assets

- Target companies continue to commit to short- and long-term emissions reductions
    - Two-thirds (69%) of targeted companies committed to achieving net zero by 2050 as of March 2022
    - Includes net zero pledges across industries, i.e. utilities, European oil & gas, shipping, and airlines
    - Nearly all 30 targeted utilities firms globally (including 3 U.S. firms that LACERA is engaging) committed to net zero by 2050 or sooner

- Key focus areas for recent engagements include
    - Clarity in interim pathways between short-term emissions reductions and long-term commitments
    - Alignment of capital allocation, executive pay incentives, lobbying efforts with stated commitments, and "just transition" considerations for affected employees (reskilling) and communities

- Increased focus on director accountability in proxy voting at companies lagging their industry peers

- Initiative is currently consulting with investor participants to inform the next phase of the initiative through 2030

Financial Market Policy

Objective

- Advance LACERA's economic interests through advocating investor rights and prudent rules in financial markets, including Securities and Exchange Commissions (SEC) rules and regulations
- Amplify voice by collaborating with Council of Institutional Investors (CII), 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

Update and Status

Key topics and engagements in the past year have included:

- **Private fund fee transparency and investor rights**:
  - Encouraged SEC action on fee transparency in October 2021 joint investor letter with ILPA
  - Filed comment letter in July 2022 in response to SEC proposed rules
- **Weighted voting rights** and other governance reform: Letter to House Financial Services Committee and supporting CII efforts to encourage incorporation of sunset provisions by which weighted voting lapses after a specified time
- **Universal proxy card** being introduced by SEC rules starting January 2023 for investors to select among incumbent and dissident director nominees in proxy contests, after long advocacy from CII and support in a LACERA SEC comment letter
- **Climate risk reporting**:
  - Joined Global Investor Statement to Governments in advance of 2022 COP27 conference to encourage policies facilitating an orderly energy transition
  - Submitted formal comment letter in general support of SEC's 2022 proposed climate disclosure rule
- **Human capital reporting**: SEC anticipated to propose rules to enhance reporting of company talent management; LACERA filed a comment letter in 2019 encouraging clearer reporting under Regulation S-K

All LACERA comments letters are reported to the Board and available on lacera.com

ESG Integration

Approach to ESG Integration

LACERA's *Investment Policy Statement* (IPS) recognizes that ESG factors may present *investment risks* and *opportunities* that can impact financial performance.

LACERA endeavors to pursue pragmatic approaches to consider ESG in portfolio decisions and monitoring including:

- ✓ Due diligence and monitoring of all external managers across all asset classes
- ✓ Use of available data analytics to identify and evaluate risk exposures

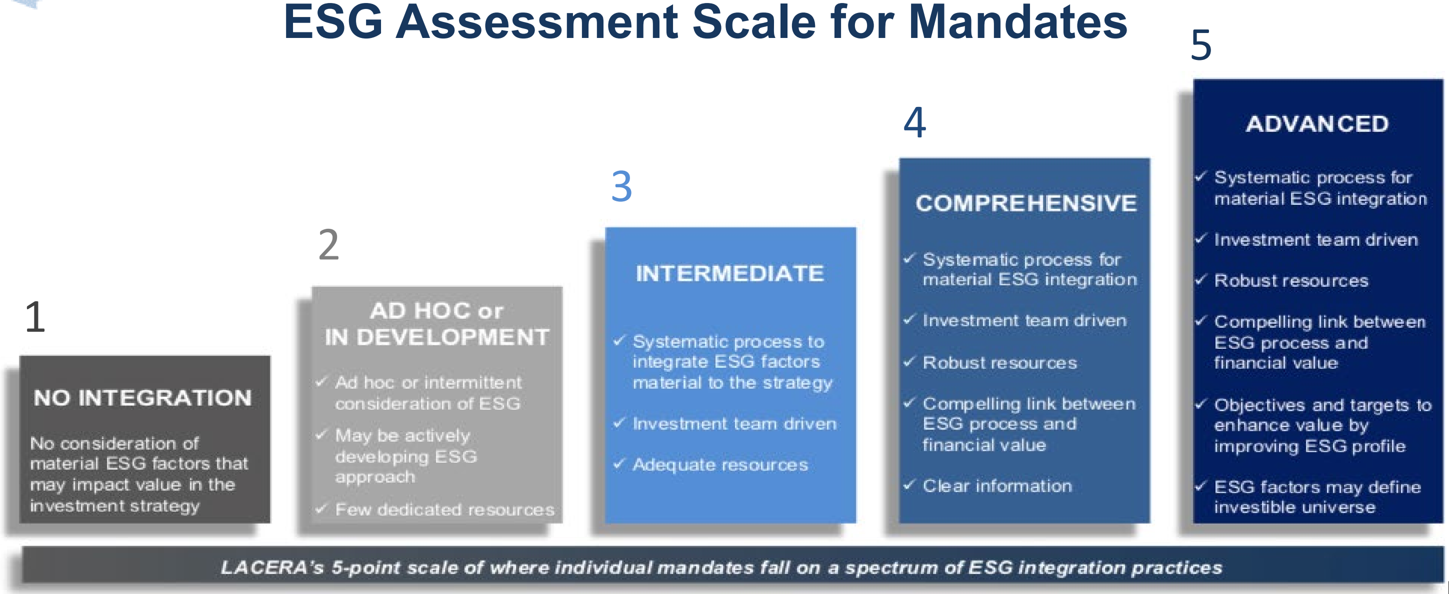
Guided by mission to identify and evaluate factors that help produce and protect returns

Recap of Integrated ESG Manager Assessments

ESG is a Core Pillar of LACERA's Manager Scorecard

- Pre-investment DDQs include ESG to assess how asset managers analyze and manage ESG factors relevant to the specific mandate
- Evaluate ESG research, resources, integration process, and transparency
- Identify leading practices conducive to supporting financial performance
- If capital is committed, ongoing monitoring and routine ESG updates
- Investment contracts call for reporting the extent to which ESG is considered
- Assessment integrated into holistic view of manager quality
- Emphasize ESG as investment process, not product

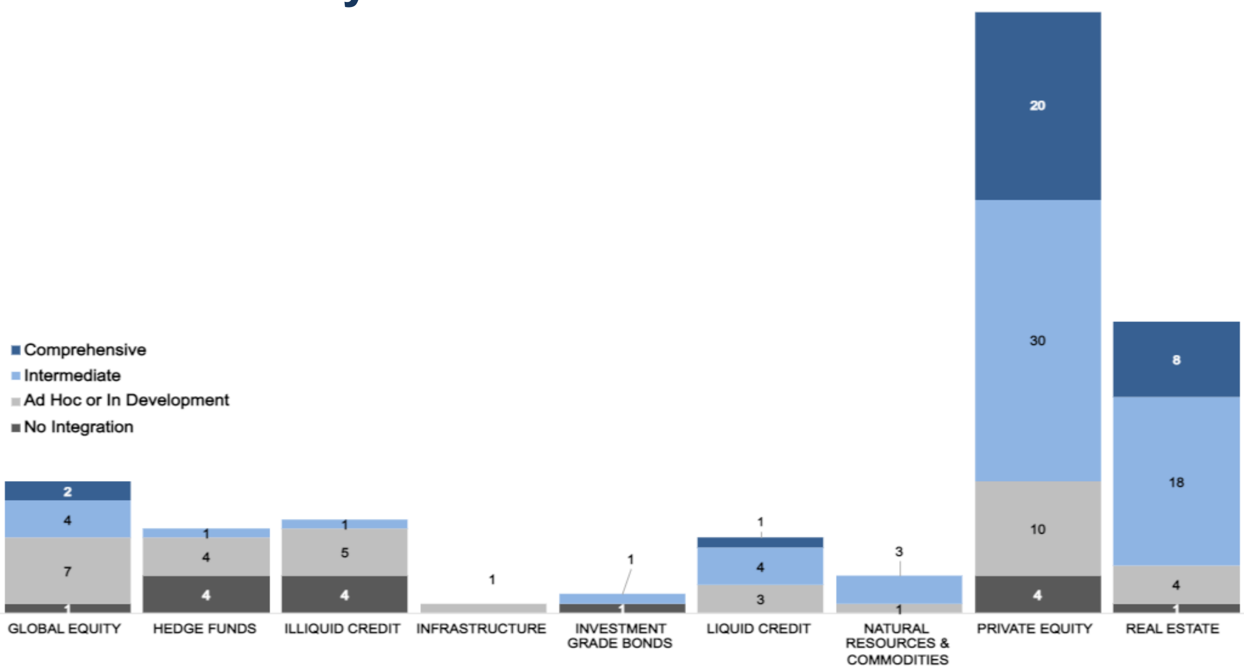
ESG Assessment Scale for Mandates



Snapshot of Current ESG Manager Scores

- LACERA managers exhibit a range of ESG integration practices, from comprehensive to ad hoc consideration or none
  - Conservative current scoring (i.e., no top scores recognizes ESG practices are evolving and improving)
- Variation by investment strategies
  - For instance, more ESG consideration at private equity growth and buyout funds than venture capital
- LACERA's ESG evaluations are included in Board of Investment materials to inform Trustees' investment decisions
- Quarterly Performance Reports include each mandate's score on LACERA's Manager Scorecard, including ESG

Summary of LACERA's Current Manager ESG Assessments by Mandate And Asset Class



ESG and Climate Portfolio Analytics

Background and Details

- LACERA has increased the use of data analytics where available to evaluate ESG-related investment exposures and incorporate into portfolio monitoring
- Board approved procurement of data vendors Total Fund Risk Analytics RFP in 2020
- Summary analysis presented in Board quarterly performance reports, periodic climate reports
- Data more available in public market asset classes, but increasing in private markets

S&P Global

MORNINGSTAR | SUSTAINALYTICS

MSCI

Update and Status

- Ongoing use of ESG analytics to monitor individual public markets portfolios
- Conducted bottom-up and top-down climate exposure analysis
  - Carbon footprinted public markets portfolios to identify concentrated risks and as input into scenario analyses
  - Scenario analyses of public markets
  - Stress tested capital market assumptions with Meketa underlying strategic asset allocation study
- Global Real Estate Sustainability Benchmark (GRESB) affiliation in 2022 following 2-year trial affiliation to benchmark real estate and infrastructure portfolios and avail data analytics for portfolio monitoring and evaluation

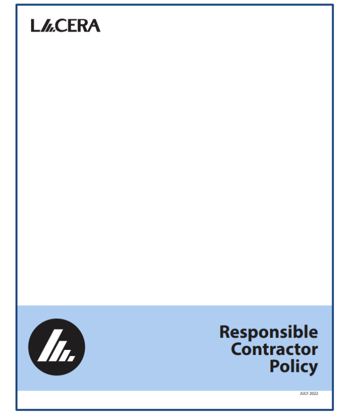
Next Steps

- Expand total fund climate analysis to private market asset classes to assess and monitor investment exposures
  - More private managers starting to report climate analytics to limited partners
  - GRESB provides some data for real assets
  - LACERA anticipates modeling some exposures
- Continue to refine data interpretation and analysis as more data becomes available and analytical tools improve

Revised Responsible Contractor Policy

Background and Details

- LACERA's Responsible Contractor Policy (RCP) articulates LACERA's expectations of real assets managers in selecting construction and building services to abide by effective internal controls to mitigate financial risks and optimize performance
- LACERA first adopted an RCP in 2002



Update and Status

- The Board of Investments approved a revised and restated RCP in July 2022
- RCP guiding discussions in evaluating prospective asset managers as the real assets team implements its structure review

Next Steps

- Periodic reports for Board oversight of RCP implementation

PRI Signatory Update

Background and Details

- LACERA became a signatory to the UN-affiliated Principles for Responsible Investment (PRI) in 2008 by which signatories commit to integrating and reporting on ESG integration in their investment processes

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3: We will seek appropriate disclosures on ESG issues by the entities in which we invest.
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
Principle 6: We will each report on our activities and progress towards implementing the Principles.

- 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+ and scored A's and A+'s in individual asset categories, as previously reported to the Committee

Update and Status

- LACERA 2020/2021 Assessment recently released
  - PRI undertook a revision to its assessment methodology between 2020 and 2021
  - Scoring is no longer by alphabetical letter but numeric
  - LACERA received a score of 90 out of 100 (5 out of 5 stars) for its overall Investment and Stewardship Policy
  - Asset class scores range from 55 to 92 out of 100 (3 to 5 out of 5 stars)

- LACERA is evaluating scores to assess prospective insights that may inform future program development

Transparency of Stewardship Initiatives

Promoting Transparency of Stewardship Efforts

LACERA publicly reports on its corporate governance initiatives and stewardship efforts

2022 Corporate Governance and Stewardship Update

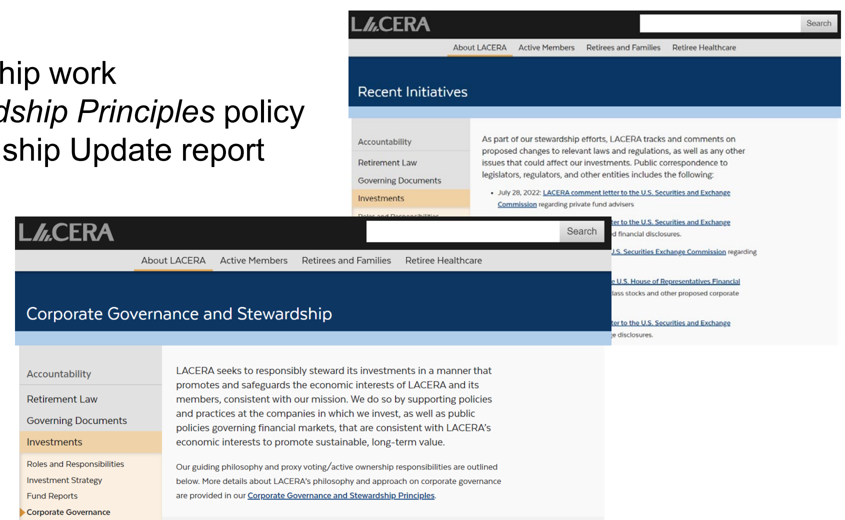
Summarizes:

- Five core guiding principles in LACERA's *Corporate Governance and Stewardship Principles*
- FY2022 proxy voting results
- Corporate engagement and policy advocacy initiatives
- ESG integration approach
- Climate aware investing approach following TCFD outline

Available on lacera.com and included as **Attachment 2** to Committee's meeting materials

Lacera.com website

- Summary description of LACERA's stewardship work
- Includes *Corporate Governance and Stewardship Principles* policy
- FY2022 Corporate Governance and Stewardship Update report
- Links to all public policy comment letters



Summary of Key Next Steps

Aim to continue a deliberate, resource-aware approach to stewardship initiatives, guided by LACERA's *Principles* and driven by protecting and enhancing financial performance, including:

1. **Engagement and Advocacy**
   - Continue collaborative work on board diversity, ESG data quality, Climate Action 100+
   - Continue select comment letters and engagements with regulators and policymakers, in conjunction with key associations

2. **ESG Integration**
   - Expand total fund view of climate risks, including private market asset class analysis
   - Incorporate GRESB into routine manager monitoring and portfolio analytics
   - Implement revised Responsible Contractor Policy approved by the Board in July 2022
   - Evaluate PRI's new assessment methodology
   - Enhance consistency, cohesion, currency of ESG assessments across asset classes

3. **Promote transparency of stewardship efforts**
   - Continue use of communications channels such as lacera.com and periodic reports

Attachment 2

LACERA
Los Angeles County Employees Retirement Association

CORPORATE GOVERNANCE & STEWARDSHIP UPDATE

CONTACT
PHONE:
626 564 6000
WEBSITE:
LACERA.COM

ADDRESS
300 NORTH LAKE AVE,
SUITE 650 PASADENA,
CA 91101

JUNE 30, 2022

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LACERA

MISSION AND APPROACH TO STEWARDSHIP

The Los Angeles County Employees Retirement Association (LACERA) proudly serves over 170,000 Los Angeles County employees with an exclusive mission to "produce, protect, and provide the promised benefits."

LACERA aims to diligently steward our investments in a manner that is conducive to generating sustainable, long-term financial returns and supports vibrant, healthy financial markets to enhance our ability to pay member benefits. We encourage sound corporate governance practices that may shape the risk-return profile of our investments and ultimately their financial performance. We advocate sensible policies governing financial markets to promote strong investor rights and protections, instill investor confidence, and mitigate the risks of market instability. And we endeavor to evaluate environmental, social, and governance (ESG) factors that may impact our investments' financial performance to further our fiduciary duty to prudently assess identifiable investment risks and serve our members.

This report provides an overview of LACERA's approach to corporate governance and stewardship as well as recent results of key initiatives.

GUIDING PRINCIPLES

LACERA has established a *Corporate Governance and Stewardship Principles* policy to articulate our views and guide our stewardship initiatives, including proxy voting, corporate engagement, public policy advocacy, and consideration of financially relevant ESG factors in our investment process.

The *Corporate Governance and Stewardship Principles* are centered around five fundamental principles that collectively provide a framework by which we aim to promote sustainable investment returns and responsible stewardship of fund assets:

ACCOUNTABILITY

LACERA supports governance measures that promote accountability from independent, highly qualified, and diverse directors serving on corporate boards to best serve investors' interests.

INTEGRITY

LACERA seeks strong investor rights and protections to safeguard our economic interests and instill confidence in financial markets.

TRANSPARENCY

LACERA expects timely, accurate, and comparable reporting of financial and key performance indicators so that investors have a transparent view of corporate performance to evaluate investment prospects.

ALIGNED INTERESTS

LACERA encourages pay-for-performance to align corporate executives' compensation and our external asset managers' fees with investors' interests.

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: https://www.lacera.com/sites/default/files/assets/documents/general/CorpGovPrinciples_2021_03.pdf

TAKING ACTION

PROXY VOTING

Casting our votes on ballot items that appear on portfolio companies' annual meeting proxies is a core stewardship strategy to influence the governance practices at the companies in which we invest. LACERA votes proxies consistent with our *Corporate Governance and Stewardship Principles* to promote and safeguard the financial value of our investments.

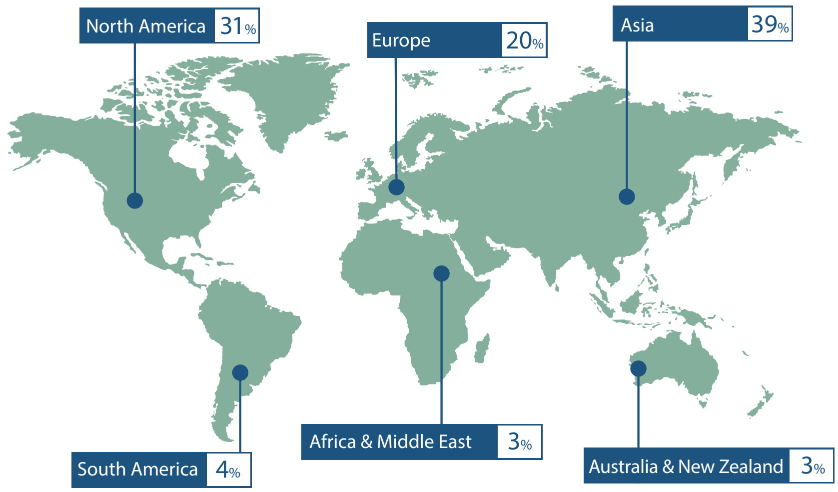
LACERA voted proxies around the globe during the fiscal year ending June 30, 2022:

7,542 shareholder meetings voted

79,817 individual ballot items

65 global markets voted in

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



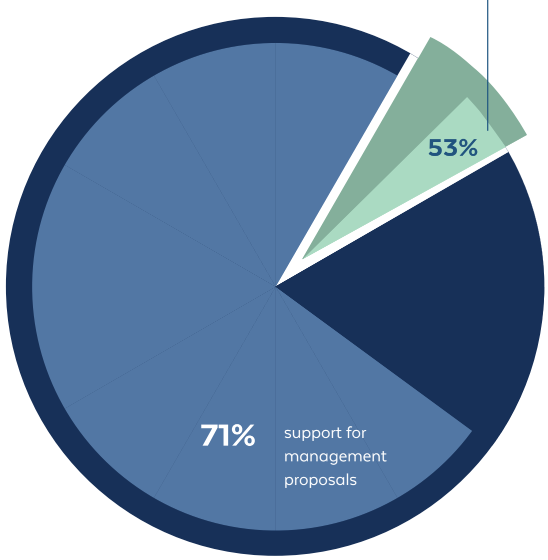
Support Levels by Proposal Sponsor

Most individual ballot items (98 percent) on corporate proxies are presented by company management. The remainder (2 percent) are proposals submitted by investors.

LACERA Supported:

71% OF MANAGEMENT PROPOSALS

53% OF SHAREHOLDER PROPOSALS



TAKING ACTION

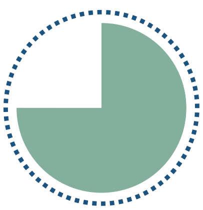
PROXY VOTING

LACERA relies on 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.

60% SUPPORT OF DIRECTOR NOMINEES

LACERA generally supports most director nominees. We oppose nominees, however, if we believe the nominee is not serving investors' interests. The most common reasons we vote "no" on directors are:

- Lack of robust board independence
- Overcommitted directors who serve on too many boards to adequately serve investors
- Poor track record of inclusion in recruiting directors with diverse backgrounds
- Directors maintain problematic governance features detrimental to investors, such as a multi-class share structure with differential voting rights
- Egregious governance failures or poor risk oversight



75% OPPOSED ONE OF EVERY 4 CEO PAY PACKAGE

LACERA cast votes against 24 percent of advisory "say-on-pay" proposals because of excessive CEO pay and poor linkages between pay and performance.

Support Levels by Proposal Sponsor

LACERA encourages corporate boards to be comprised of highly qualified directors with the requisite mix of skills and professional backgrounds to oversee strategy and risk, as well as diverse backgrounds inclusive of gender, race and ethnicity, and the LGBTQ community. We scrutinize board composition at companies across all markets and take action at outlier companies when there is a lack of inclusive board recruitment practices evident in available company information.

LACERA voted against directors at 2,413 companies in fiscal year 2022 for lacking a credible track record of inclusion, based on available company disclosures and information.

Sample Proxy Votes

DIRECTOR ACCOUNTABILITY

Opposed two directors for failing to remove indicted and convicted corporate directors. Neither received majority investor support.

PAY FOR PERFORMANCE

Voted Against CEO pay package (opposed by two-thirds of investors) after the company granted $52 million equity award to CEO with no performance goals.

HUMAN CAPITAL MANAGEMENT

Supported 23 proposals requesting diversity, equity, and inclusion reporting. Over a third passed.

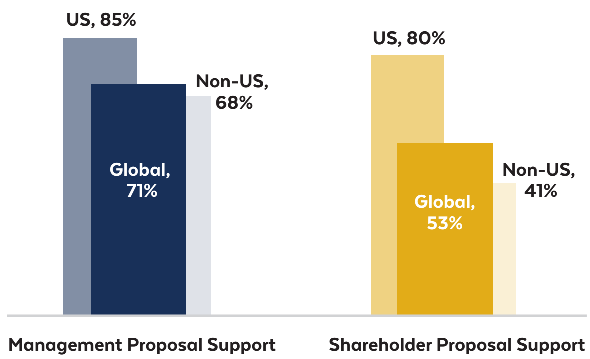
CLIMATE RISK REPORTING

Supported request to reduce greenhouse gas emissions and climate risks, passing with 95 percent support.

TAKING ACTION

PROXY VOTING

Vote Support by Region



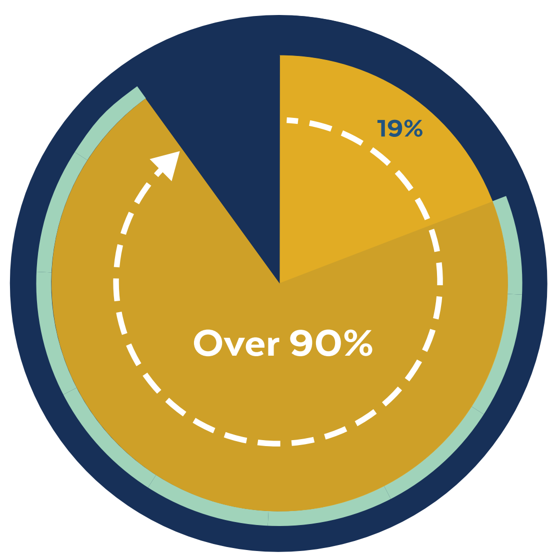
LACERA applies our *Corporate Governance and Stewardship Principles* consistently in all markets to support the same sound governance practices. Our support levels may vary by market depending on the strength of local governance practices.

For example, LACERA focuses on board quality as a core measure of sound governance. We had lower support for directors in some markets outside of the U.S. due to inadequate board independence, lack of board diversity, and a larger number of overcommitted directors serving on a high number of corporate boards.

LACERA's support for shareholder proposals also varied by market due to the nature of investor requests in different markets. LACERA supported more proposals at U.S. companies (80 percent) relative to non-US companies (41 percent). Shareholder proposals at U.S. companies were more often requests for companies to provide investors with information on business risks that could impact companies' financial performance. We encourage disclosure of material business risks so that investors can better evaluate the risk. Shareholder proposals at companies outside the U.S. tended to request companies to take specific, prescriptive actions on operational matters that LACERA believes directors and managers are better positioned to evaluate and address on investors' behalf.

Expanding Our Right to Vote

LACERA systematically expanded the reach of our proxy votes in recent years from 19 percent to over 90 percent of the value of our investments in global equities. We reorganized investment accounts with external asset managers to optimize our account structure and retain the legal right to vote. By doing so, we vote consistently across our portfolio with the guiding principles defined in our *Corporate Governance and Stewardship Principles.*



TAKING ACTION

ENGAGEMENT

LACERA's efforts to encourage sound corporate governance go beyond voting proxies at shareholder meetings. LACERA engages portfolio companies and policymakers to promote practices in line with our economic interests and defend investor rights. In doing so, we endeavor to elevate leading practices and sound policies to optimize long-term investment outcomes.

Recent Initiatives

CORPORATE BOARDROOM DIVERSITY

Good governance starts with a robust, independent, and diverse board of directors that possesses the requisite mix of skills and experience to oversee business strategy and risk on investors' behalf. Diversity brings perspectives that can improve decision making, identify blind spots, and reduce the risk of "group think." Empirical research shows that boards that effectively access and manage diverse talent experience better financial outcomes across a host of financial metrics to investors' benefit.

300 DIRECTORS OF DIVERSE BACKGROUNDS APPOINTED IN PAST 4 YEARS

To advance best practices, LACERA has engaged 231 portfolio companies lacking board diversity over the past four years, joined by funds such as California Public Employees Retirement System, California State Teachers Retirement System, and San Francisco Employees Retirement System. We send letters and discuss board refreshment and recruitment practices with independent directors serving on the companies' nominating committees. We urge boards to identify the requisite skills for board nominees and cast a wide net for talent possessing the desired skills, inclusive of diverse backgrounds such as gender, race, and the LGBTQ community. We suggest that they define the role that diversity plays in director recruitment as part of their governing documents, such as nominating committee charters. We ask that they consider a wide spectrum of prospective sources of director talent, including nominees with requisite expertise beyond the executive suite as well as qualified professionals from academia, government, and nonprofit organizations. And we request that they clearly disclose the skills and diversity attributes represented on their boards, such as in a skills matrix. By being strategic and intentional in board searches, we aim to promote consideration of diverse talent in director searches.

To date, companies engaged by the initiative have appointed 300 directors of diverse racial and gender backgrounds. In the past year specifically, 39 racially and ethnically diverse directors and 17 women were appointed by 43 companies engaged by the investor coalition.

SOUND FINANCIAL MARKET POLICY

LACERA continues to advocate financial market policies that provide strong investor rights and help safeguard our investments, including in the past year:

- Encouraged Congressional support of legislative proposals to advance equal voting rights at multi-class share companies and other corporate governance reforms in letters to members of the U.S. House of Representatives Financial Services Committee.
- Advocated regulatory rules to require fee transparency from asset managers across private markets by joining an investor statement to the U.S. Securities and Exchange Commission (SEC) organized by the Institutional Limited Partners Association.
- Elevated market focus on transparency, conflicts of interest, investor protections, and market impact from Special Purpose Acquisition Vehicles (SPACs) by engaging the Council of Institutional Investors who produced a report on SPACs and investor rights.
- Encouraged improved corporate disclosures of financial risks and

TAKING ACTION

ENGAGEMENT

opportunities related to climate change in a formal comment letter responding to proposed SEC rules.

- Urged policies to facilitate an orderly energy transition to a low-carbon economy, joining a global investor statement to advance the Paris Agreement goals and supporting more consistent U.S. methane emission regulations.
- Encouraged enactment of proposed rules to clarify executive compensation performance metrics, tighten clawback provisions, and implement "universal proxy" rules by which investors may select among nominees in contested director elections.

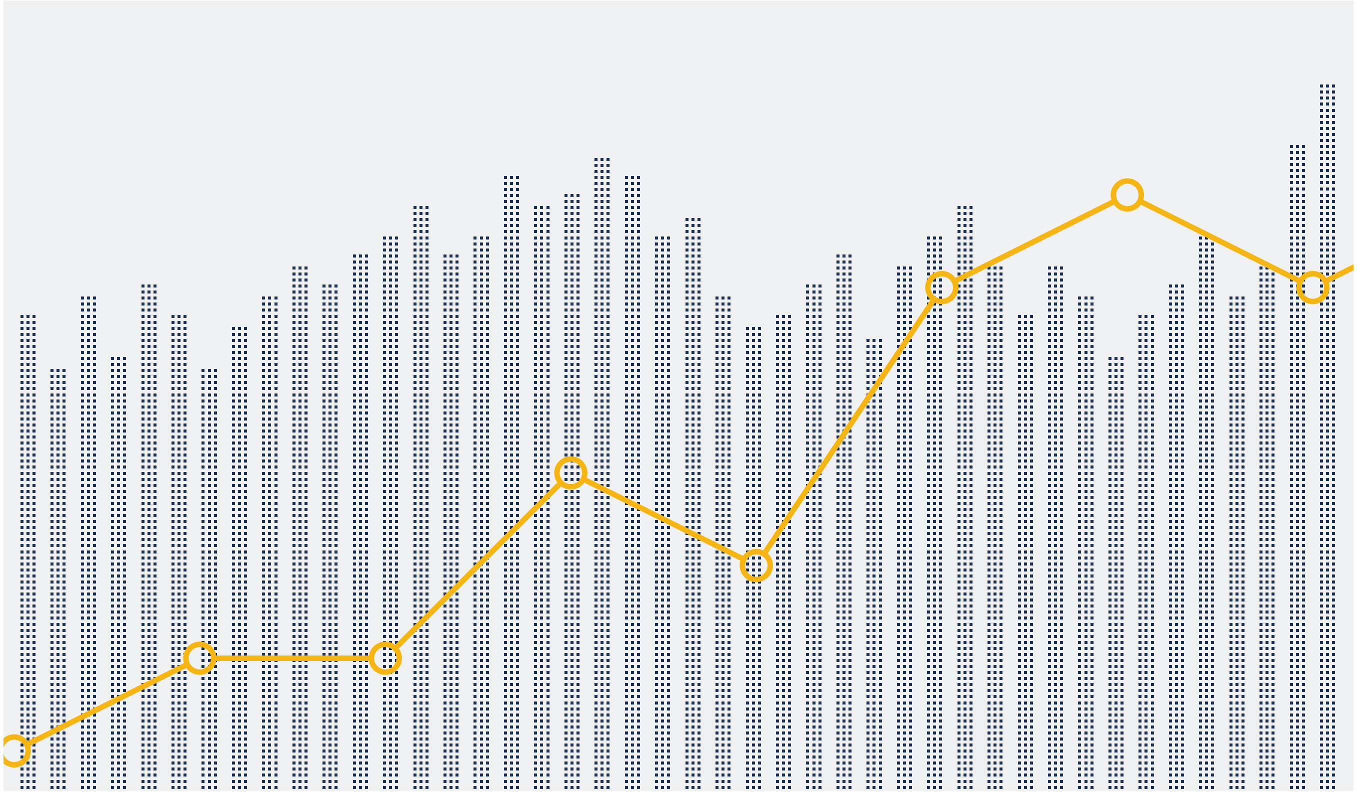
COMPARABLE, INSIGHTFUL SUSTAINABILITY REPORTING

LACERA recognizes that 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 has supported the growth and market adoption of the Sustainability Accounting Standards Board (SASB Standards). SASB Standards are the result of 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 investment decisions.

Over half of the S&P Global 1200 now discloses sustainability performance data using SASB Standards. In the last year, the International Financial Reporting Standards (IFRS) Foundation created a new International Sustainability Standards Board (ISSB) to incorporate and further expand global use of the SASB Standards.

LACERA is a member of the IFRS Sustainability Alliance to provide input and support ISSB's focused work to standardize reporting of financially relevant ESG performance in financial markets.



TAKING ACTION

COLLABORATION

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 asset owners and asset managers representing over $44 trillion in assets.

PRINCIPLES FOR RESPONSIBLE INVESTMENT

The PRI is a global investor initiative affiliated with the United Nations comprised of investors representing over $120 trillion in assets 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 Standards are industry-specific standards to facilitate reporting of financially relevant sustainability information in 77 industries. Now overseen by the IFRS Foundation's International Sustainability Standards Board (ISSB), the IFRS Sustainability Alliance includes leading asset owners and asset managers representing over $34 trillion who advance market adoption of the SASB Standards and are committed to improving the quality and comparability of sustainability-related disclosures to investors.

INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

ILPA represents over 600 member institutions with over $2 trillion in private equity assets to advance 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 engage the world's largest corporate greenhouse gas emitters and urge necessary action to address climate change risks. Its members include more than 700 investors with more than $68 trillion in assets under management.

INTERNATIONAL CORPORATE GOVERNANCE NETWORK

Led by investors responsible with over $70 trillion in assets, 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.

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK

The Global Real Estate Sustainability Benchmark (GRESB) was formed by public pension systems and asset managers to facilitate a common set of real asset ESG factors and metrics to financial markets. GRESB provides benchmark ESG data for business management, engagement tools and regulatory reporting solutions for investors, asset managers and the broader industry.

LEADERSHIP

LACERA serves in leadership roles at a number of organizations to encourage sound governance practices in financial markets.

Council of Institutional Investors
- Chair, Board of Directors

Institutional Limited Partners Association
- Diversity and Inclusion Advisory Council
- Diversity in Action Signatory

UN Principles for Responsible Investment
- Asset Owners Technical Advisory Committee
- Western North America Advisory Committee

International Corporate Governance Network
- North American Conference Planning Committee

ESG INCORPORATION

Diligent consideration of investment risks and opportunities presented by environmental, social, and governance factors (ESG) is a critical component of how LACERA stewards our investments with an aim to protecting and promoting sustainable financial returns.

LACERA recognizes that ESG factors can shape the risk/return profiles of our investments and ultimately our financial returns. Depending on the nature of the investment and the industry in which it operates, relevant ESG factors might vary. Sound governance provisions that instill investor confidence and provide adequate investor protections can influence how the market prices securities or considers investments. Regulatory compliance and cybersecurity shape operational and financial risks for banks and financial institutions. Workplace health and safety practices are impactful at mining companies, construction firms, and any firm that is navigating the global COVID-19 pandemic. Energy efficiency may reduce operating costs and improve bottom line returns at other firms. And constructive human capital practices are often cited as central to any company's success.

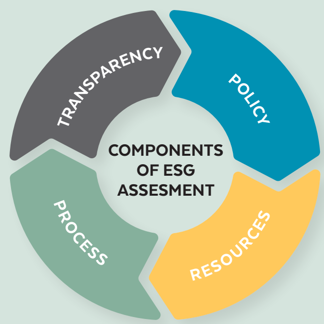
LACERA has integrated ESG across our investment process to consider identifiable investment risks and opportunities that enhance our ability to further our fiduciary duty and mission. ESG analysis is ongoing and embedded throughout our portfolio management. It includes selection of the external financial service firms that manage capital on our behalf as well as qualitative and quantitative analysis to inform portfolio decisions.

Our qualitative process begins with initial due diligence of external asset managers seeking to manage capital on our behalf. We assess how external asset managers identify, assess, and manage financially relevant ESG factors that may impact the financial performance of the mandate that they manage or seek to manage. LACERA evaluates asset managers' ESG policies, the resources they use to inform ESG investment risk evaluation, and how ESG insights are applied in their portfolio construction and management process. LACERA aims to get a clear view of how robust, well-resourced, and ultimately credible and likely to protect or promote financial value each asset manager's

ESG integration is. This evaluation can help provide peer comparisons and highlights firms using leading practices that are better positioned to identify and manage relevant investment risks.

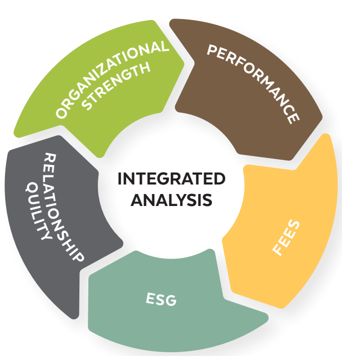
Our qualitative process is complemented by quantitative analytics. LACERA uses data where available to identify concentrated portfolio risks and inform monitoring of individual investment mandates and the broader portfolio.

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



Our evaluation of each manager's ESG process is integrated into a "Manager Scorecard" which consists of multiple performance indicators including the asset manager's fees, performance, and organizational strength. The scorecard is intended to provide a holistic view of manager quality in order to inform which manager is best positioned to produce and protect returns on our behalf. The assessment helps guide LACERA's decisions to award, increase, or reduce capital allocations to asset managers.

LACERA's overall approach to responsible investing and ESG integration has been reflected in an A+ assessment by the United Nations-affiliated Principles for Responsible Investment (PRI) in recent years. LACERA became a signatory to the PRI in 2008.



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

ESG INTEGRATION HIGHLIGHT: BENCHMARKING ESG PERFORMANCE IN REAL ASSETS

To further advance our ESG integration with an aim of protecting and producing investment returns, LACERA formally affiliated with the Global Real Estate Sustainability Benchmark (GRESB) in 2022. GRESB is a global effort formed by public pension systems and asset managers to facilitate consistent measurement, reporting, and benchmarking of ESG integration by real estate and infrastructure investors. Empirical evidence points to a correlation between GRESB benchmark scores and better financial performance.

LACERA's work with GRESB provides ESG insights at our participating real assets portfolios that enhances investment evaluation and monitoring, enables peer comparisons, and provides select data, such as energy efficiency, carbon footprint, and utility usage. We joined after a two-year trial-affiliation during which asset managers reported that GRESB helped provide a roadmap to identify improvements to their ESG integration practices and most mandates improved their overall GRESB scores.

GRESB is one of several efforts that LACERA is undertaking to address ESG data gaps in private asset classes. We aim to further build and refine tools that help provide better insights and a holistic view of ESG risks and opportunities across the portfolio to promote and protect the value of plan assets.

A+
PRI Principles for Responsible Investment

LACERA has received an A+ assessment from the United Nations Principles for Responsible Investment in recent years for its overall ESG strategy and oversight.

APPROACH TO CLIMATE AWARE INVESTING

LACERA recognizes that climate change presents and is already shaping material financial risks and opportunities for individual companies in our portfolio and the broader economy in which we invest. Financial risks include both the physical impacts from weather-related events on portfolio companies as well as changes to public policies that may result in repricing of assets. Public policies and technological innovations may also present promising new sources of investment returns.

LACERA has sought to pursue a deliberate, thoughtful, and methodical approach to assessing risks and opportunities related to the energy transition in order to inform LACERA's investment decisions. LACERA's focus on evaluating financial risks and opportunities related to climate change is a conscious effort to consider near- and longer-term investment implications from climate change and advance an orderly transition to a low-carbon future. Our "climate aware" investing approach is a fundamental, continuous aspect of investment analysis across the fund and our effort to foster 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 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]

Consistent with LACERA's commitment to transparency and prudence, LACERA has applied the TCFD's framework to provide insight into the fund's approach to address climate-related investment risks and opportunities.

[1]See www.tcfdhub.org.

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

Governance

LACERA's Board of Investments oversees all aspects of LACERA›s investment program, including setting the fund's strategic asset allocation and defining LACERA's investment policies. LACERA's board has undertaken exercises to inform a climate-aware investing lens and has adopted policies addressing ESG factors, including 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 regularly assesses 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's assessment of climate change's impacts on its investment program are guided by LACERA's recognition 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 strategic asset allocation incorporating emerging data and analyses in the capital market assumptions and estimations that consider prospective risks and opportunities related to climate change. LACERA's approach aimed to shape a strategic asset allocation that is "climate aware." We use "climate aware" investing to describe a process in 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.

A key feature of the climate aware strategic asset allocation was the incorporation of climate-related analysis to illuminate prospective impacts on return and risk (volatility) of the fund, individual asset classes, and strategies. The climate-related analysis included various scenarios, such as prospective temperature changes, policy changes, and technology innovations which informed numerous asset allocations simulations to develop a broader range of return and risk expectations. 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.

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

1. Precise climate change impacts are not easily identifiable or simple to counteract
2. Available modelling indicates that climate change may result in prospective lower-than-expected returns across nearly all asset classes, as well as increased volatility
3. Climate change is not all downside risk: Being attentive to climate change in investment decisions may also provide attractive investment opportunities
4. Prospective lower equity returns and increased volatility will likely require more effort to identify higher expected return and opportunities in other asset classes
5. 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 In addition to informing LACERA's strategic asset allocation research, LACERA uses data

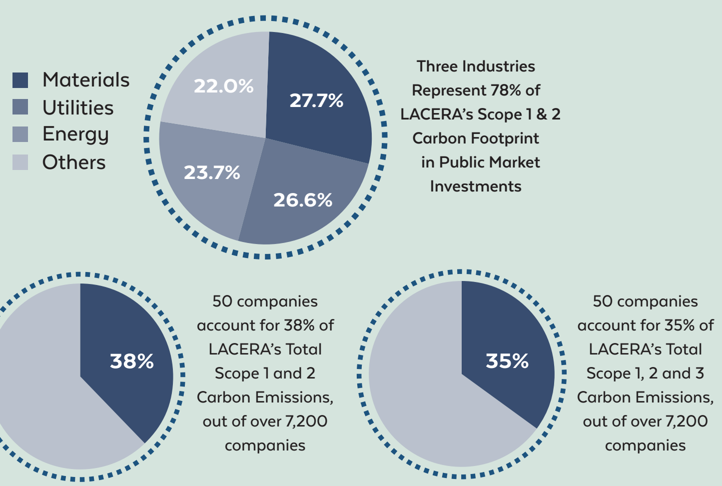
Strategy continued

and analytical tools to inform careful analysis of climate-related financial impacts and opportunities within asset classes. LACERA periodically performs a carbon footprint of its public markets exposures, which now account for about 42% of the total fund. LACERA conducts 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 and encouraging our private market managers to collect and disclose relevant data.

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 38% of the Scope 1 & 2 emissions

Summary of Carbon Footprint Contributors



LACERA also conducts 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 exposures and decisions. For example, considering current policy commitment, and based on a company's future capital expenditures, more than a third (37.6%) of LACERA's public markets holdings appear to be aligned with a 2.0°C scenario consistent with the Paris Agreement goals compared to half of the MSCI ACWI IMI Index (48.1%). Through a climate value-at-risk lens, the analysis conveys a potential approximate 12.7% economic value loss due to combination of estimated physical and transition risks and technological 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.

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 533 global investors representing $39 trillion in assets (about 50% of global invested assets). The statement, released in advance of the Global COP27 Climate Change Convention, 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 700 investors with $68 trillion in assets. Affiliated investors are engaging 166 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, nearly two-thirds (110) of the targeted companies have committed to net zero emissions by 2050 in line with the Paris Agreement.

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) Deliberate 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. In addition, LACERA regularly reviews any enhancements in ESG integration and reporting by the external managers and often engages with the managers to discuss their approach to addressing climate-related risks and opportunities, among other 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 Costco (Proposal passed)
- Methane emissions disclosure at oil and gas company Chevron (Proposal passed)
- Alignment of lobbying by Chevron with Paris Agreement (Proposal passed)
- Climate risks evaluation at Caterpillar (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 3,000 supporters 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

Risk Management continued

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 climate risks facilitates investors' ability to take such information into account in investments.

LACERA also supports the SASB Standards which define material, investment-relevant ESG performance indicators for companies across 77 industries to report. Climate-related key performance indicators are the second most common metrics in the SASB Standards.

LACERA has submitted formal comments in support of the SEC's 2022 proposed rulemaking to enhance climate-related financial disclosures at publicly listed companies. The SEC's proposed rules would require corporate reporting consistent with the TCFD framework and inclusive of Scope 1, 2, and 3 emissions.

Enhancing available market information is a key means to better price climate-related investment risks and opportunities in the market.

6) Pursuing Investment Opportunities – Careful consideration of investment risks and opportunities related to the energy transition underpinned LACERA's 2021 structure review of its real assets portfolio. Consistent with investment parameters approved by LACERA's Board of Investments, LACERA has committed over $2.8 billion in capital to private funds that aim to deploy capital to a diverse range of targeted infrastructure and natural resources. These investments all are done with an eye towards financially relevant ESG factors and include emerging opportunities related to the energy transition. Such investments include renewables, energy transmission, battery storage, and critical mineral inputs necessary to enable a transition to a low carbon economy. Anticipated investments cover several regional exposures, mainly in North America and Europe. Among the new fund commitments includes a focused energy transition fund dedicated to offshore wind and related opportunities specific to the Nordic market. LACERA aims to continue to deploy capital and track investment exposures to emerging areas of opportunity.

Metrics and Targets

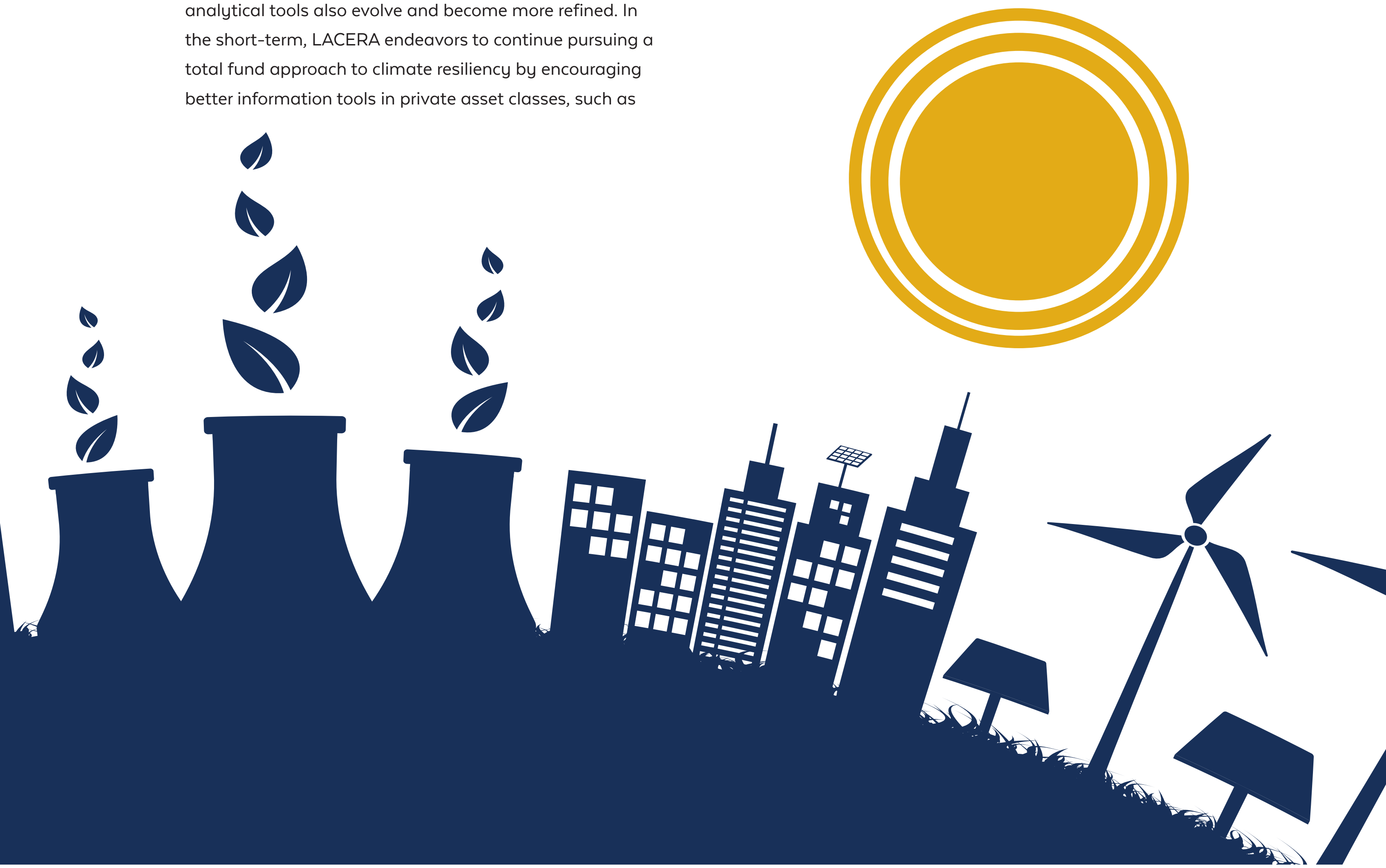
Prudent investment decisions are rooted in sound data and analysis. LACERA is aware that the data and tools around climate changes are nascent and evolving. As such, LACERA is actively advocating clear market reporting of climate risks and is committed to incorporating data and tools into our own analysis. 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. For example, LACERA has formerly affiliated with GRESB to procure ESG data, including climate-related information, from LACERA's external private real estate managers. 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've conducted "top-down" stress testing of the capital market assumptions that underlie our strategic asset allocation. And we regularly conduct "bottom-up" assessment of portfolio climate change impacts and consider climate change in investment due diligence and portfolio positioning. As LACERA has been implementing its climate-aware strategic asset allocation, we have been reallocating assets from carbon intensive investments to opportunities including over $2.8 billion committed to real assets private funds with diversified exposures to renewable power and energy sources (hydro, biofuels, wind, solar), transmission and smart grid infrastructure, and energy transition mining inputs (lithium, copper, graphite) and a $130 million commitment to a dedicated energy transition fund.

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. 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 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

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 footprinting 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
2022	Affiliated to the Global Real Estate Sustainability Benchmark (GRESB)

LACERA

A COMMITMENT TO CONTINUOUS IMPROVEMENT

LACERA recognizes that best practices related to investment stewardship continue to evolve and expand. We are proud of our stewardship efforts and remain committed to a deliberate and pragmatic approach to promoting sound corporate governance practices, advocating sensible financial market policies, and diligently integrating material ESG factors 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.

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FOR INFORMATION ONLY

October 3, 2022

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil SZ
Principal Investment Officer

FOR: October 12, 2022, Corporate Governance Committee Meeting

SUBJECT: **Update regarding Council of Institutional Investors Board Nomination**

This memo is being provided to apprise trustees of the Council of Institutional Investors' (CII) 2023 board nomination process, per policy and practice. LACERA is a CII member and has long been active with CII to advance sound corporate governance practices in collaboration with other pension plans and institutional investors. LACERA Principal Investment Officer Scott Zdrazil currently serves as CII board chair and will be terming off of the CII board in March 2023 when his fifth eligible, consecutive one-year term concludes (CII limits board service to five consecutive one-year terms). CII public fund members elect nine of CII's fifteen board members; the remainder are elected by CII's labor fund and corporate fund constituency groups. Individual board members are eligible for (and typically serve) five consecutive one-year terms

In consultation with the Corporate Governance Committee Chair, staff is not recommending a nominee for the 2023 election cycle at this time. Staff anticipates CII opening a window for CII board nominations from public fund members in late January 2023. LACERA's *Corporate Governance and Stewardship Principles* call for the Corporate Governance Committee to recommend (time-permitting) and the Board of Investments to approve any nomination from LACERA to serve on the governing boards of corporate governance associations to which LACERA is affiliated.

LACERA continues to actively collaborate with CII across advocacy, proxy voting, engagement, and leadership opportunities, including having been represented on the CII board for seven consecutive years since 2016 when Investment Officer Dale Johnson served. CII board elections are held annually, providing routine opportunities for LACERA to consider presenting a nominee within CII's eligibility criteria.

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer