



May 7, 2024

TO: Each Trustee,
Board of Investments

SUBJECT: Corporate Governance Committee Meeting on May 8, 2024 – Agenda Item V.A.

Following you will find supplemental information regarding the below-mentioned item.

Council of Institutional Investors (CII) and Corporate Governance – (Memo inadvertently left out)

Amy Borrus, Executive Director, Council of Institutional Investors
(Presentation)

April 24, 2024

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrzil *Sc*
Principal Investment Officer

FOR: May 8, 2024, Corporate Governance Committee Meeting

SUBJECT: **Educational Guest Speaker: Amy Borrus, Council of Institutional Investors (CII) Executive Director**

LACERA will host Amy Borrus, Executive Director of the Council of Institutional Investors (CII), as an educational speaker to discuss CII's efforts to promote sound corporate governance practices at publicly-listed companies and sensible financial market policies.

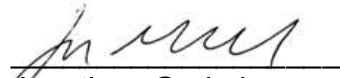
The presentation will include the opportunity for questions and discussion.

Please find two attachments:

- 1) Introductory overview deck, including backgrounds on LACERA's corporate governance policies and strategies, history of involvement with CII, and speaker biography; and
- 2) Speaker presentation about CII, accomplishments, and current priorities.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Background to Council of Institutional Investors (CII) Guest Speaker

Corporate Governance Committee Meeting

May 8, 2024

Introductory Remarks

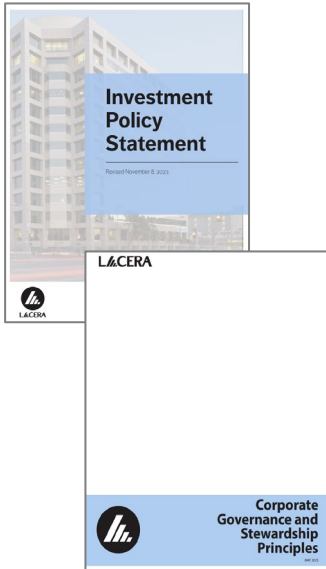


- Brief Background on LACERA Corporate Governance Objectives, Policies, and Strategies
- Background on LACERA's Membership with the Council of Institutional Investors (CII)
- Speaker Biography: Amy Borrus, CII Executive Director

LACERA's Corporate Governance Objectives



LACERA's mission is to produce, protect, and provide the promised benefits to our members



LACERA promotes sound corporate governance practices at the companies in which it invests and prudent financial market policies as part of its efforts to mitigate risks to its investments and to support and safeguard economic value

- Robust investor rights
- Strong corporate governance practices and policies at the firms in which it invests
- Sound public policies governing financial markets

The fundamental objective of corporate governance efforts is to “safeguard and promote the economic interests of the trust”

Board-approved policies guide LACERA's corporate governance initiatives and approach to environmental, social, and governance (ESG) integration

- Explicit component of investment strategy as adopted by the Board in the [Investment Policy Statement](#) (IPS)
- Established [Corporate Governance and Stewardship Principles](#)

Fund Policy on Corporate Governance Practices



LACERA's [Corporate Governance and Stewardship Principles](#) (“Principles”) articulate fund positions on key corporate governance and broader environmental, social, and governance (ESG factors) organized into the five categories below

All adopted Principles aim to create and sustain financial value to position LACERA to fulfill its mission



**Director Elections:
Board Quality and
Accountability**



**Investor Rights and
Protections**



**Executive Compensation:
Aligned Interests and
Pay-for-Performance**



**Financial Reports and
Performance Indicators:
Transparent, Reliable,
Comparable**



**Environmental and Social Factors:
Climate Change / Energy Transition
Human Capital / Labor
Natural Resource Stewardship
Diversity, Equity, Inclusion
Human Rights**

The Principles are approved by the Board, as developed and recommended by staff and the Corporate Governance Committee

The Board-approved Principles assign to staff the responsibility to “represent and communicate” the Principles in dialogues and communication with:

- Portfolio companies
- External asset managers and investment partners
- Other investors and stakeholder
- Related conferences
- Legislators and regulatory agencies
- Other interested parties

Key Proactive Corporate Governance Strategies



- LACERA pursues multiple avenues to operationalize the IPS and Corporate Governance and Stewardship Principles throughout the portfolio
- Using legal rights, investment analysis, and data where available
- Strive for credible, pragmatic, thoughtful approach driven by mission and fiduciary duty



Proxy Voting

Vote at shareholder meetings

- Over 7,500 meetings per year
- More than 60 global markets



Engagement

Focused, defined initiatives at portfolio companies, e.g.:

- Board diversity: Over 350 directors appointed at nearly 300 portfolio companies following constructive engagement
- Climate Action 100+ global initiative to address heaviest emitters on climate risks
- Better availability and quality of material ESG disclosures by supporting IFRS International Sustainability Accounting Standards Board



Policy Advocacy

Engage policymakers such as regulators, standards-setters, and legislators to promote LACERA's *Principles*

- SEC comment letters on investor rights, human capital and climate disclosure proposals, proxy voting regulations



Investment Due Diligence

Upfront diligence for each investment and ongoing monitoring of each mandates process to consider financially material ESG factors

- Upfront ESG DDQ and analysis
- Factor in Manager Scorecard to inform holistic view of manager quality
- Ongoing tracking in quarterly calls, Limited Partner Advisory Committees (LPACs), annual investor meetings, etc.
- Annual update DDQs



Fund Analytics

Data insights and portfolio analytics to identify, assess, track identifiable exposures and model related investment risks and opportunities

- Energy transition / carbon footprinting and analyses
- “Climate-aware” strategic asset allocation, using scenario analyses and stress testing of physical and transition risks and energy transition opportunities
- Company research and exposure analytics



Transparency

Communicate approach, key initiatives, and progress

- [lacera.com](https://www.lacera.com) updates
- Annual stewardship report



LACERA's Membership with CII



- LACERA joined [CII](#) in 2001
- Membership enables LACERA to amplify its voice on common objectives
- Nonprofit, nonpartisan association of public, corporate, and union benefit plans, as well as asset managers, representing about \$65 trillion in assets
- Aim to advance effective corporate governance, strong shareowner rights, and sensible financial regulations that foster fair, vibrant capital markets

Defining Best Practices for Publicly-Listed Companies

- CII's "Policies on Corporate Governance" developed with member input and voted on by members to establish investor expectations for "best practices"
- Often going above minimum regulatory requirements or stock exchange listing standards

Public Policy Advocacy

- LACERA supports CII efforts to advocate regulatory and legislative measures in line with LACERA Principles and CII best practices
 - Investor rights
 - Proxy voting "plumbing" mechanics
 - Executive compensation (e.g., clawbacks, pay for performance)
 - Corporate reporting requirements
 - Accounting integrity

Leadership

- LACERA has been active in CII
 - Trustee roundtables
 - Current U.S. Asset Owner Advisory Committee
 - Immediate past CII Board Chair
 - Past Board Treasurer roles

Speaker Biography



Amy Borrus
Executive Director
Council of Institutional Investors

Amy Borrus became executive director of the Council of Institutional Investors (CII) in July 2020. She joined CII in 2006 as deputy director and was interim executive director in 2015-2016. She serves on the boards of the CII Research and Education Fund and the Sinai Assisted Housing Foundation. She also serves on the Oversight Committee of the Best Practice Principles Group, the governing body that reviews and monitors public reporting by proxy advisory firm signatories to the principles. Prior to CII, she was a correspondent for BusinessWeek magazine for more than 20 years. Her journalism career included multi-year assignments in London, Tokyo and Washington, D.C. She earned an MSc. in International Relations from the London School of Economics and a B.A. in History and English from the University of Pennsylvania.



CII and Corporate Governance

Presentation to the Corporate Governance Committee
Board of Investments
Los Angeles County Employees Retirement Association

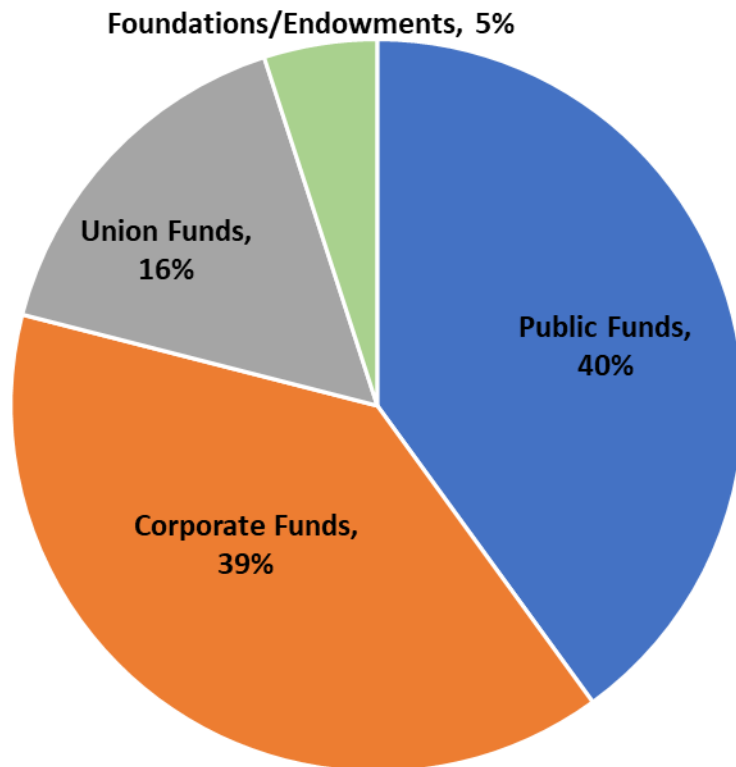
Amy Borrus
Executive Director, Council of Institutional Investors
May 8, 2024

What is CII?

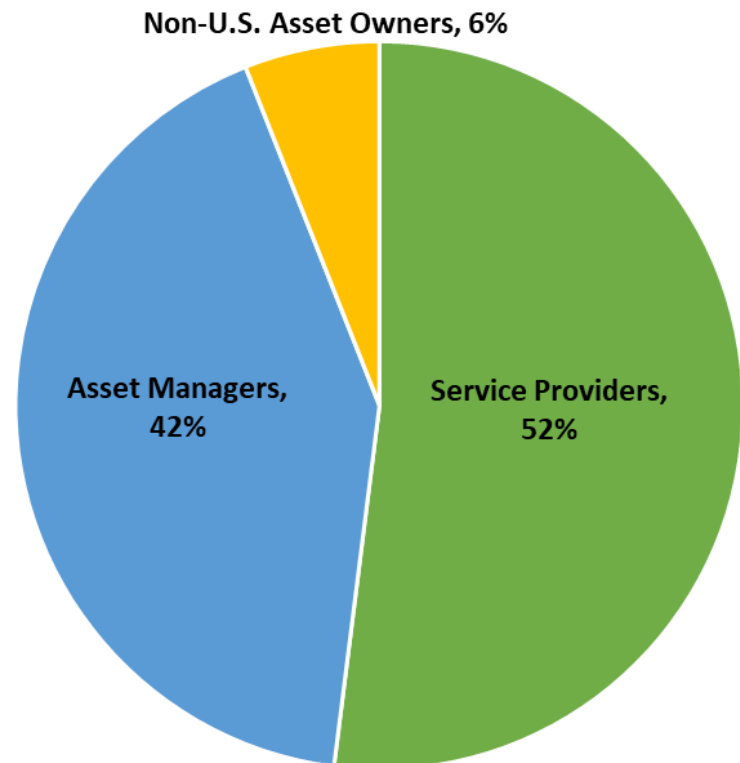
- CII promotes policies that enhance long-term value for shareowners
- A leading voice for
 - ❑ good corporate governance
 - ❑ strong shareholder rights and
 - ❑ sensible financial rules that foster fair, vibrant capital markets
- Nonprofit, nonpartisan association of U.S. asset owners (\$5 tn in assets), founded in 1985 by public pension fund leaders who believed institutional investors should use their collective voice at U.S. public companies and with market regulators
- Associate members include non-U.S. asset owners (\$4.8 tn in assets) and asset managers (\$55 tn in AUM)

Membership

U.S. Asset Owners



Associate Members



What We Do

➤ Educate

- ❑ Webinars, podcasts, reports, guides, weekly e-newsletter, Corporate Governance Bootcamp in partnership with NYU Law School

➤ Advocate

- ❑ Comment letters to & meetings with regulators and lawmakers, testimony, coalitions and multi-stakeholder working groups

➤ Connect

- ❑ Semi-annual conferences, advisory councils, trustee events, Proxy Voter Group, Engagement Exchange

Key Achievements-Market Reforms

- After a torrent of corporate financial frauds, from Enron to WorldCom, CII channeled pension fund input to advocate effectively for the **Sarbanes-Oxley Act of 2002**. This sweeping reform law strengthened oversight of financial reporting and the audit profession.
 - ❑ Financial restatements by U.S. large-cap companies plummeted nearly 20% two years after Sarbanes-Oxley took effect.

- When the Global Financial Crisis ravaged markets in 2008, CII teamed with CFA Institute to ensure investors were at the table as policymakers overhauled the U.S. system of financial regulation in the landmark **Dodd-Frank Act of 2010**.
 - ❑ CII and CFA created the Investors' Working Group, an independent panel of experts that recommended a slew of reforms to fill gaps in federal oversight of derivatives, hedge funds and other then-dark corners of the financial markets, and to improve the governance of U.S. public companies. Many of its recommendations were adopted.

Advancing Corporate Governance

- **CII has worked to enhance accountability of corporate boards to shareowners through changes in rules and best practices:**
 - ❑ Majority voting for directors in uncontested elections
 - ❑ Annual election of directors
 - ❑ Right to choose among all director nominees in contests for board seats

- **CII has pressed for executive compensation that aligns with company performance by successfully championing:**
 - ❑ Clawbacks of unearned executive compensation
 - ❑ Advisory shareholder votes on CEO pay (“Say-on-Pay”)
 - ❑ Rules to police executive trades in company stock

Recent CII Priority Issues

➤ Investor Rights and Protections

- ❑ Equal voting rights, “sunset” provisions” and improved disclosure for multi-class stock structures
- ❑ Investor protections from false and misleading IPO prospectuses
- ❑ Right of investors to express their voice via shareholder proposals

➤ Corporate Disclosure

- ❑ Decision-useful climate risk and key workforce metrics
- ❑ Disclosure of board and senior executive diversity
- ❑ Improved reporting by Special Purpose Acquisition Companies (SPACs)

➤ Market Structure and Integrity

- ❑ End-to-end confirmation that proxy votes were cast accurately
- ❑ Audit and accounting standards that are useful to investors

Unequal voting and time-based sunsets at newly public U.S. companies

% of companies, Jan.-Dec. 2023

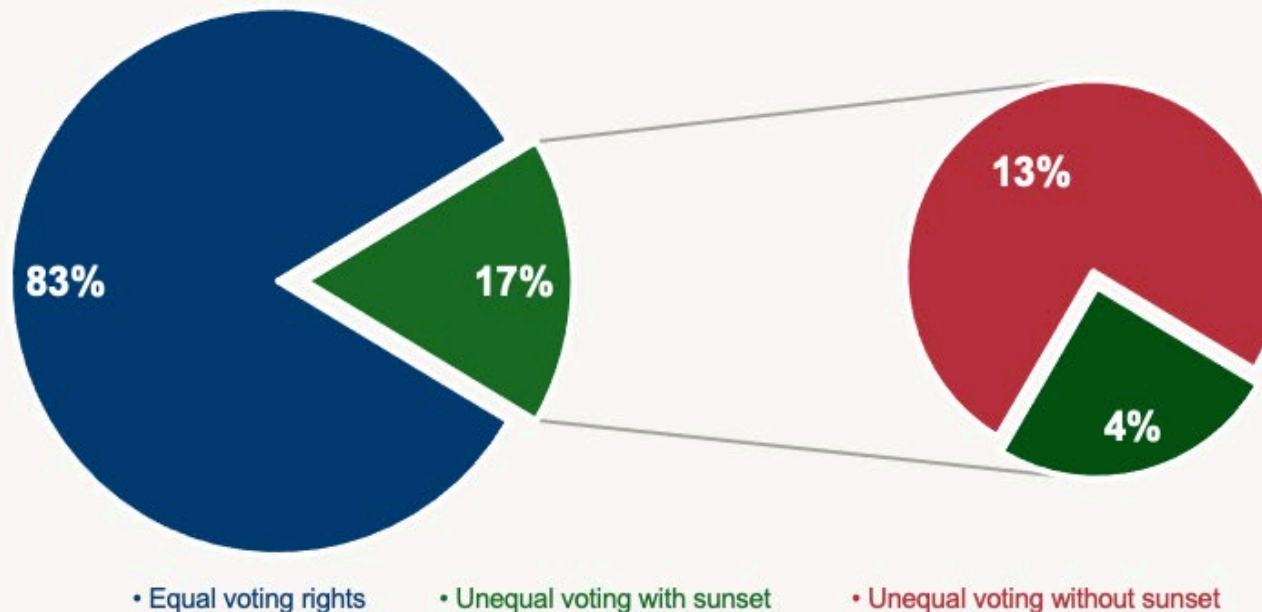


Figure 2. Newly public companies with the following shareowner voting structures, represented as a percentage of all companies tracked by CII in 2023: equal voting rights (blue); unequal voting rights with time-based sunset (green); unequal voting rights without time-based sunset (red).

Source: CII analysis of StockAnalysis.com, SPAC Track, SEC filings via BamSEC

What We're Watching

➤ **Board Risk Oversight in a Complex Business Environment**

- ❑ With geopolitics, cybersecurity, AI, human capital and more now on the board's plate, how can investors know if boards have the right skill sets and experiences?
- ❑ Are corporate governance practices robust enough to ensure smooth succession planning for boards and management?

➤ **Safeguarding Investor Rights**

- ❑ Challenges to shareholders' rights to file and vote on proposals at company annual meetings
- ❑ Ensuring equal votes as founders embrace super-voting rights
- ❑ Increasing access to "pass-through" proxy voting from asset managers

➤ **Challenges to Decision-useful Reporting**

- ❑ Climate risks and opportunities