



CORPORATE GOVERNANCE & STEWARDSHIP UPDATE 2024

LACERA
Los Angeles County Employees Retirement Association

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Table of Contents

1 LACERA Mission and Approach to Investment Stewardship_____	Page 3
2 Guiding Principles_____	Page 4
3 Putting Principles Into Practice_____	Page 5
• Proxy Voting_____	Page 5
• Engagement_____	Page 9
• Collaboration_____	Page 12
• Leadership_____	Page 13
• ESG Integration_____	Page 14
• Climate-Aware Investing_____	Page 17
4 Timeline_____	Page 24

LACERA Mission and Approach to Investment Stewardship

The Los Angeles County Employees Retirement Association (LACERA) invests over \$85 billion in assets with an exclusive focus on fulfilling our mission “to produce, protect, and provide the promised benefits” to over 190,000 active and retired members and beneficiaries.

We seek to prudently steward our investments to meet our investment objectives. We therefore encourage sound corporate governance practices to mitigate the risk of governance failures at companies in which we invest and to enhance prospects for stable financial growth. We advocate sensible public policies and regulations to promote strong investor rights, instill investor confidence, and support healthy financial markets. We endeavor to evaluate financially relevant environmental, social, and governance (ESG) factors that may shape the risk-return profile of our investments and ultimately their financial performance. And throughout our investment process, we maintain a steadfast focus on conducting sound investment diligence and exercising our legal rights to protect our investments from downside risks and produce returns that enable us to pay our members’ promised benefits.

This report provides an overview of LACERA’s approach to corporate governance and investment stewardship, including recent results from our key initiatives.

Guiding Principles

LACERA's Corporate Governance and Stewardship Principles policy articulates the fund's views on key corporate governance topics and guides our stewardship strategies, including proxy voting, corporate engagements, policy advocacy, and consideration of material ESG factors in our investment process. The Corporate Governance and Stewardship Principles center around five fundamental principles that collectively provide a framework by which we aim to steward fund assets to promote durable investment returns.



ACCOUNTABILITY

LACERA supports governance measures that promote accountability from independent, highly qualified directors of diverse backgrounds so that corporate boards of portfolio companies best serve investors' interests.



INTEGRITY

LACERA seeks strong investor rights and protections to safeguard our economic interests, enable investor recourse in the event of fraud or wrongdoing, and instill confidence in financial markets.



TRANSPARENCY

LACERA believes markets work most effectively when investors have timely, accurate, and comparable information about key financial and performance metrics 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 durable financial returns, including environmental, social, and governance factors such as resource scarcity, climate change, regulatory relations, cybersecurity, and human capital.

The Corporate Governance and Stewardship Principles are publicly available.
Visit lacera.com > About LACERA > Investments > Corporate Governance

Putting Principles into Practice

PROXY VOTING

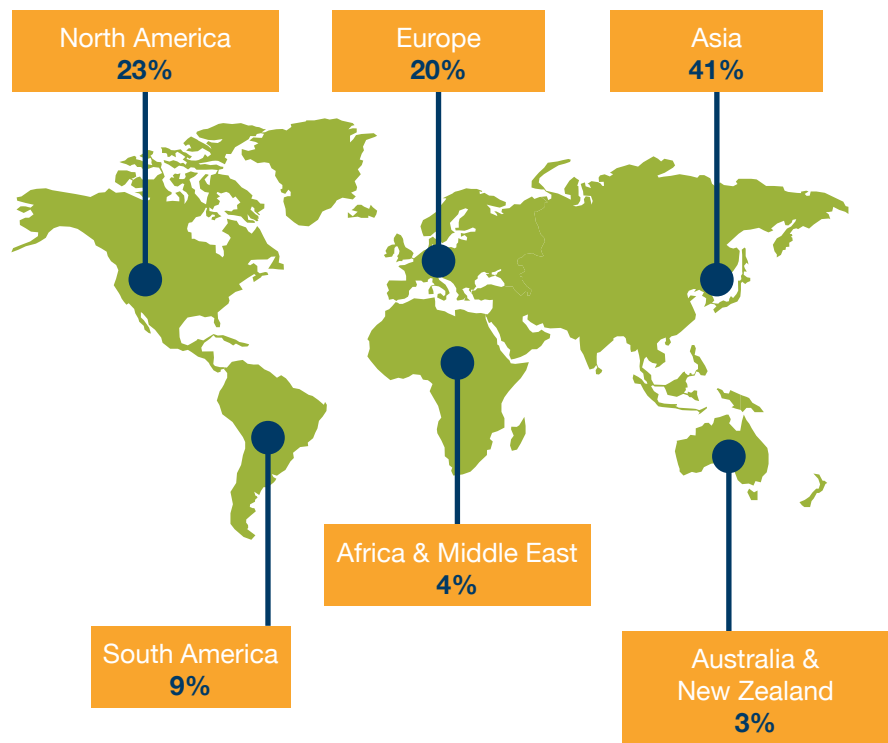
LACERA has the right to vote on a range of matters that publicly listed portfolio companies present to investors at annual and special shareholder meetings. LACERA votes its proxies consistent with our Corporate Governance and Stewardship Principles to promote and safeguard the financial value of our investments. Casting our votes on ballot items is a core stewardship strategy to influence the governance practices at portfolio companies and advance sound practices across the market.

The following presents summary information of how LACERA voted on corporate proxies during the fiscal year ending June 30, 2024.

7,268
shareholder meetings voted

78,729
individual ballot items voted

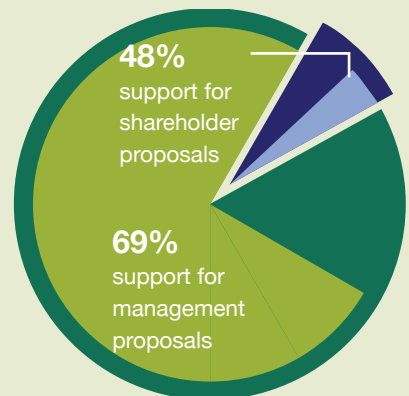
62
global markets voted in



Support Levels by Proposal Sponsor

Most individual ballot items on corporate proxies (over 97 percent) are presented by company management. LACERA supported 69 percent of management proposals.

Shareholder proposals represent the remaining 3 percent of all proposals that LACERA voted on. LACERA supported 48 percent of shareholder proposals.



Putting Principles into Practice - Proxy Voting (Continued)

Voting on Corporate Board Directors

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

57% SUPPORT FOR DIRECTOR NOMINEES

LACERA generally supports most director nominees. The most common reasons we vote “no” on directors are:





- Lack of adequate board independence. LACERA expects at least two-thirds of every portfolio company board to be composed of independent directors in all markets.
- Overcommitted directors who serve on too many boards to adequately dedicate time to serve investors. LACERA opposes directors who serve on more than three boards, and CEOs who serve on more than two boards.
- Poor track record of inclusion in recruiting directors with diverse backgrounds. LACERA votes no when boards do not present a compelling track record of identifying and nominating qualified candidates with diverse backgrounds, such as few directors of diverse racial or gender backgrounds.
- Directors maintain problematic governance features detrimental to investors, such as not providing all investors equal voting rights.
- Egregious governance failures or poor risk oversight, including any chronic history of regulatory infractions.

Voting on Executive Compensation

76% SUPPORT (OPPOSED ONE OUT OF FOUR CEO PAY PACKAGES)

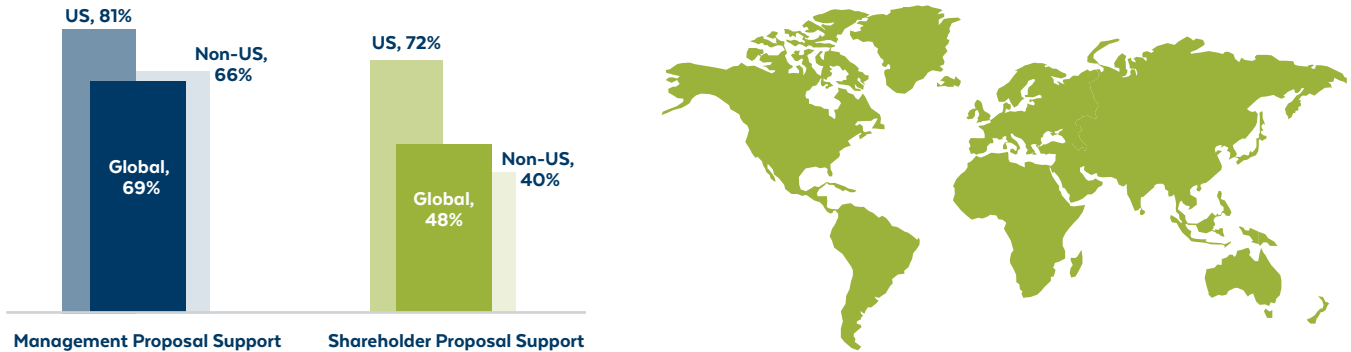
LACERA cast votes against 24 percent of advisory “say-on-pay” proposals because of excessive CEO pay and poor linkages between pay and performance.

Sample Proxy Votes

PAY FOR PERFORMANCE	DIRECTOR ACCOUNTABILITY	PAY FOR PERFORMANCE	DIRECTOR ACCOUNTABILITY
<p>Voted against CEO pay package, along with 76% of investors, after the company granted and paid stock awards lacking performance criteria.</p> 	<p>Opposed certain directors for poor risk oversight and impeding investors' ability to review and determine for themselves whether to vote in support of a shareholder proposal.</p> 	<p>Opposed CEO pay package due to continued pay-for-performance disconnect.</p> 	<p>Opposed board leadership for lagging risk oversight of climate and energy transition risks.</p> 

Putting Principles into Practice - Proxy Voting (Continued)

LACERA's Vote Support by Region



LACERA applies our Corporate Governance and Stewardship Principles consistently throughout our portfolio holdings in all 62 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 opposed a higher percentage of director nominees in some markets outside of the U.S. due to the boards lacking adequate independence and track records of inclusive director recruitment, as well as a greater number of directors serving on an excessive number of corporate boards.

LACERA's support for shareholder proposals also varied by market due to the different types of investor requests that are presented in different markets. For example, LACERA generally supports proposals requesting basic investor rights, such as requiring all votes to have the same weighting (also known as "one share, one vote"). We also support proposals requesting that a company disclose material business risks so that investors can better evaluate and price such risks. However, LACERA often opposes proposals that request companies to take specific, prescriptive actions on operational matters that LACERA believes boards and company management are better positioned to evaluate and address on investors' behalf.

Sample Shareholder Proposal Votes

CLIMATE RISK REPORTING	POLITICAL CONTRIBUTIONS	HUMAN CAPITAL MANAGEMENT	BOARD QUALITY
Supported proposal, which received 55%, requesting company to disclose its greenhouse gas emissions and goals to reduce emissions.	Supported proposal, which received 52% support, to disclose policy governing corporate expenditures on political activities.	Supported proposal, which received 49% support, to conduct pay parity analysis for any discrepancies by race or gender.	Supported proposal, which received 40% support, to enhance disclosure of director skillsets and diversity.

Putting Principles into Practice - Proxy Voting (Continued)

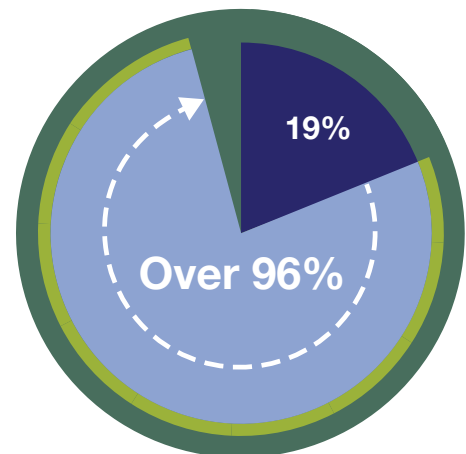
Encouraging Diverse Director Slates

LACERA encourages corporate boards to be composed of highly qualified directors with the requisite mix of skill and professional backgrounds to oversee strategy and risk, including diverse backgrounds such as gender, race and ethnicity, and the LGBTQ community. We scrutinize board composition across all markets and oppose directors responsible for identifying nominees at companies that are outliers in putting forward inclusive candidate slates for investor consideration.

LACERA voted against directors serving in board leadership positions at over one-third of portfolio companies (2,573) in fiscal year 2024 for lacking a credible track record of inclusion, based on available company disclosures and information.

Increasing LACERA's Authority to Vote

LACERA prefers to retain all voting rights associated with our investments when we contract with external asset managers. Maintaining the authority to vote proxies enables LACERA to independently apply the same governance standards outlined in LACERA's Corporate Governance and Stewardship Principles. We apply the same independently-defined standards across all markets and investment holdings to advance governance practices that we believe to be in LACERA's financial interests. LACERA expanded our voting authority from 19 percent to over 96 percent of the value of our global equities investments over the last seven years. We did so by restructuring our investment accounts with external asset managers and retaining the legal right to vote. LACERA anticipates continuing to grow its voting authority to 100 percent in the near future.



Putting Principles into Practice

ENGAGEMENT

LACERA's stewardship strategies go beyond voting proxies at shareholder meetings. LACERA proactively engages portfolio companies and policymakers on strategic, focused initiatives to promote practices in line with our economic interests. By advancing leading practices, we aim to encourage marketwide adoption of practices aimed at optimizing long-term investment outcomes.

Recent Initiatives

Corporate Board Diversity

LACERA expects portfolio companies to have robust, independent, and diverse boards of directors that possess the requisite mix of skills and experience to oversee corporate strategy and risk on investors' behalf.



Over 440 directors of diverse backgrounds appointed in past six years

Diverse backgrounds can bring an informed combination of perspectives to improve decision-making, identify overlooked risks, and reduce “groupthink” dynamics. Empirical research continues to demonstrate that boards that effectively access and manage diverse talent at all levels perform better across a range of financial metrics.

To encourage effective and inclusive boards in our portfolio, LACERA has engaged 343 portfolio companies on board refreshment and recruitment practices over the past six years, in collaboration with the California Public Employees Retirement System, California State Teachers Retirement System, and San Francisco Employees Retirement System. We identify portfolio companies that,

based on available disclosures, appear to be outliers in the market by having few, if any, directors of diverse backgrounds, including gender, race, or the LGBTQ community. We send letters and request a dialogue about the board's strategies to identify requisite director skills and how their recruitment efforts cast a wide net—inclusive of diverse gender and racial backgrounds and the LGBTQ community to identify qualified candidates. We ask that firms consider a wide spectrum of sources for director talent and to define in governing documents, such as the nominating committee charter, their commitment to seeking talent of diverse backgrounds. By encouraging firms to be strategic and intentional in board searches, we aim to promote consideration of diverse director talent.

To date, more than 440 directors of diverse backgrounds have been appointed to the boards of companies that we have engaged through the initiative, including 19 directors at 17 companies in the past year. Notably, many companies have revised their recruitment practices and guidance in their governing policies to seek more diverse director slates going forward.

Putting Principles into Practice - Engagement (Continued)

Sound Financial Market Policy

As diversified investors with holdings across thousands of companies, LACERA advances its fiduciary interests by supporting public policies that provide strong investor rights and create conditions conducive to economic growth, including several recent efforts:

- Formally submitted comments to the U.S. Securities and Exchange Commission related to its proposed rules guiding transparency and investor rights at private fund advisers. The Securities and Exchange Commission approved a new Private Funds Advisor Rule in August 2023, which was then challenged and overturned by the U.S. Fifth Circuit Court of Appeals for measures considered to have exceeded the SEC's statutory authority. LACERA continues to support full fee transparency as a best practice and secures fee transparency reporting when entering investment contracts with private fund advisers.
- Encouraged the U.S. Securities and Exchange Commission in a formal comment letter to facilitate consistent, comparable, and reliable reporting of climate-related risks so that investors have adequate information to price climate-related risks. The SEC adopted final rules for public companies to enhance and standardize climate-related disclosures for investors in March 2024. The SEC has stayed its implementation of the new climate disclosure guidance pending review in the Eighth Circuit U.S. Court of Appeals.
- Serve on the Investor Advisory Committee to the U.S. Public Company Accounting Oversight Board to promote integrity in accounting practices on behalf of investors' interests.

Corporate Reporting of Sustainability Risks

LACERA recognizes that how companies manage operational risks related to environmental, social, and governance factors can affect their ability to deliver financial returns. We encourage companies to provide investors with timely, comparable, and consistent disclosures of ESG factors that are relevant to their specific businesses.

Toward that end, LACERA promotes expanding the availability and quality of investment-relevant corporate disclosures related to material ESG risks and operating factors. In doing so, we hope to avail better information for our asset managers and us to identify and manage material investment risks to construct and manage our portfolio in our fiduciary interests.

LACERA has supported the development and growth of effective market infrastructure to help investors and companies alike identify what ESG information should be reported to investors so that investors have decision-useful information to assess investment prospects. LACERA formally endorsed and became affiliated with the Sustainability Accounting Standards Board (SASB Standards) in 2019. The SASB Standards have defined financially relevant ESG standards that are specific to 77 industries through a rigorous standard setting process using input from companies and investors in the industries and empirical evidence. LACERA has participated on the SASB Standards Investor Advisory Group to lend our voice to effective strategies to ensure productive and efficient dissemination of investment-relevant sustainability reporting.

Ninety-four percent of U.S. companies listed on the S&P 500 Index and eight-six percent of global companies listed on the S&P Global 1200 Index use SASB Standards to help identify meaningful reporting metrics to provide investors. LACERA has also observed that numerous asset managers in our private asset classes draw from SASB Standards to help identify financial risks and opportunities in their internal investment due diligence and portfolio management processes.

LACERA also endorsed the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) in 2019. The Financial Stability Board was established after the great financial crisis of 2007/2008 to facilitate dialogue among leading central banks on pivotal systemic financial risks. The FSB recognized that climate change is transforming global economies and established the TCFD to develop guidance on how financial organizations can recognize impacts of climate change on their business strategies to create and sustain financial value and guide climate-related

Putting Principles into Practice - Engagement (Continued)

disclosures to investors.

Together, the SASB Standards and the TCFD have quickly become leading reference points across the market to guide corporate reporting of ESG and climate-related financial risks and opportunities so that investors have clearer visibility to inform their investment analyses.

Global investors and related associations have recently taken the critical step to converge these prominent reporting frameworks. The SASB Standards and TCFD announced that they would consolidate their reporting frameworks (along with several other initiatives) under a new “International Sustainability Standards Board” (ISSB) to be housed within the International Financial Reporting Standards (IFRS). The IFRS is well-recognized as the body that administers the International

Accounting Standards Board, which sets accounting standards for most leading financial markets around the world. The newly established ISSB hit the ground running, quickly proposing consolidated ESG and climate reporting standards for market feedback. In June 2023, the ISSB announced the launch of formal, now consolidated reporting guidance for both ESG and climate factors for use by companies and investors alike.

LACERA continues to actively support the market adoption of the ISSB Standards as a member of the ISSB’s Institutional Investor Advisory Group. By improving the availability and quality of ESG-related data across the market, LACERA aims to have better information to compare, assess, and track financially material risks in our investments.

Putting Principles into Practice

COLLABORATION

LACERA advances its fiduciary duties by selecting opportunities to join with other pension fund systems and institutional investors to amplify our voice when advancing shared interests in sound corporate governance practices and public policies. Toward that end, LACERA is formally affiliated with a number of 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 composed 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 Institutional Investor Advisory Group 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 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 600 investors with more than \$68 trillion in assets under management.



INTERNATIONAL CORPORATE GOVERNANCE NETWORK

Led by investors responsible for 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 reporting 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.

Putting Principles into Practice

LEADERSHIP

LACERA often serves in leadership roles at affiliated organizations to promote sound corporate governance practices in financial markets, including the following roles in the past year.

Council of Institutional Investors

U.S. Asset Owner Advisory Committee

Institutional Limited Partners Association

Diversity in Action Advisory Council

International Financial Reporting Standards International Sustainability Standards Board

Institutional Investor Advisory Group

Public Company Accounting Oversight Board

Investor Advisory Group

UN Principles for Responsible Investment

Asset Owners Technical Advisory Committee

Putting Principles into Practice

ESG INTEGRATION

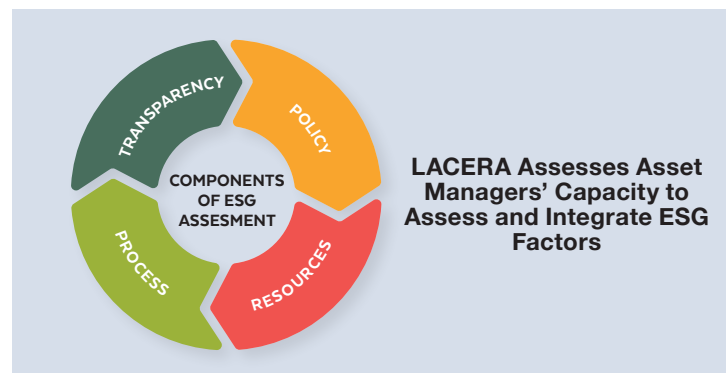
Diligent consideration of investment risks and opportunities presented by environmental, social, and governance factors (ESG) is a critical component of how LACERA stewards our investments with the aim of protecting and promoting sustainable financial returns.

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 and construction firms. Clean air and ventilation can assist commercial real estate properties to command a lease premium or suffer leasing discounts with poor air quality. Energy efficiency may reduce operating costs and improve bottom line returns at other firms in real estate, manufacturing, and industrials. 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.

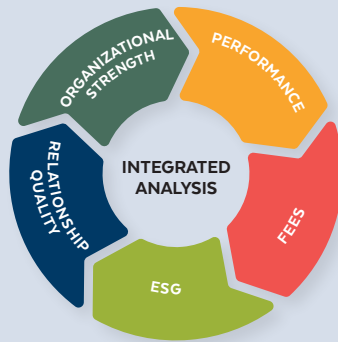


Our qualitative process is complemented by quantitative analytics. LACERA uses data where available to identify concentrated portfolio risks and inform monitoring of individual investment mandates and the broader portfolio.

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.

Putting Principles into Practice - ESG Intergration (Continued)

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



LACERA became a signatory of the United Nations-affiliated Principles for Responsible Investment (PRI) in 2008. We collaborate both formally and informally with peers and through networks such as PRI to identify and disseminate effective ESG practices with an exclusive aim of better protecting and producing financial returns.

LACERA's overall approach to responsible investing and ESG integration has been recognized by Institutional Investor, which named LACERA as a finalist for "ESG Investor of the Year" in 2023.

ESG Integration Spotlight No. 1: 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.

Putting Principles into Practice - ESG Intergration (Continued)

ESG Integration Spotlight No. 2: Responsible Contractor Policy

LACERA believes the performance of its investments can be affected by how portfolio companies select, engage, and monitor key contractors to perform work. This is particularly acute in LACERA's real assets portfolio, where the quality of construction and building operations contractors can impact construction quality, project timeliness, tenant experience, and other financial factors. LACERA initially adopted a Responsible Contractor Policy (RCP) in 2002 to require that real estate investments where LACERA had a controlling interest abide by high quality contracting standards. High quality services include evidence of experience, skill, reputation, responsiveness, dependability, record of compliance with applicable laws, regulations and statutes, and payment of fair compensation and benefits to employees. LACERA believes that by promoting responsible contracting, it can prudently optimize financial performance while mitigating investment risks (such as compliance, legal, operational, and reputational liabilities) when businesses fail to meet responsible contracting standards.

LACERA refreshed and restated its RCP in 2022 to elevate and amplify its expectations of how external asset managers select and manage contractors on real assets projects in which LACERA is invested. LACERA's RCP now covers both real estate and other real assets investments (such as infrastructure and natural resources). It elevates key standards for responsible contracting to include fair wages and benefits, legal compliance (including environmental stewardship, anticorruption and anti-bribery provisions, and human rights), equal employment opportunity and nondiscrimination, competitive bidding, and respect for freedom of association. While the new RCP continues to require compliance at properties where LACERA is a majority owner, it also extends to all of LACERA's real assets investments by encouraging and assessing contracted real estate and real asset managers on the extent to which they have robust and effective responsible contracting provisions in place, including where LACERA does not have full ownership control.

Putting Principles into Practice

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-term 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 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 (see more at www.fsb-tcf.org). 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.

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

Putting Principles into Practice - Climate-Aware Investing (Continued)

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.

Starting in 2021 and renewed again in 2024, 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 percent to 20 percent 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

Putting Principles into Practice - Climate-Aware Investing (Continued)

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 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 41 percent 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.

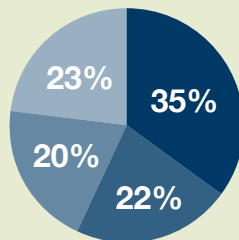
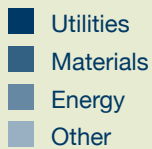
LACERA's public market carbon footprint analysis and monitoring continue to reveal a number of insights, including that emissions are driven across several prominent sectors and concentrated among key companies within the public markets portfolios:

- Three emissions-intensive sectors—energy, materials, and utilities—account for over 77% of Scope 1 and 2 emissions.
- Fifty companies accounted for approximately 42% of the Scope 1 and 2 emissions.

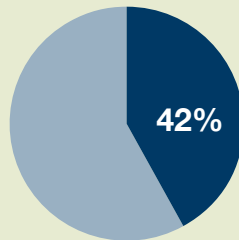
LACERA also conducts scenario analyses to identify and assess forward-looking financial risks and opportunities and the global public market portfolio's alignment with the Paris Agreement goals. These exercises evaluate future developments and impacts related to:

- **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

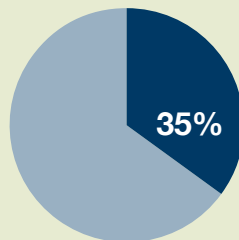
Summary of Carbon Footprint Contributors



Three industries represent 77% of LACERA's Scope 1 & 2 Carbon Footprint in Public Market Investments



50 companies account for 42% of LACERA's Total Scope 1 and 2 Carbon Emissions



50 companies account for 35% of LACERA's Total Scope 1, 2 and 3 Carbon Emissions

Putting Principles into Practice - Climate-Aware Investing (Continued)

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 commitments, and based on a company's future capital expenditures, more than a third (39.8 percent) of LACERA's public markets holdings appear to be aligned with a 2.0°C scenario consistent with the Paris Agreement goals, compared to a similar percentage of the MSCI ACWI IMI Index (38.3 percent). Through a climate value-at-risk lens, the analysis conveys a potential approximate 12 percent 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 percent of the portfolio value at risk.

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 has participated in several Global Investor Statements to Governments on Climate Change. As a signatory, LACERA joined with over 500 global investors representing nearly \$40 trillion in assets (about 50 percent 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 an orderly 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 asset managers and asset owners. Affiliated investors are engaging 170 of the most carbon-intensive companies. Collectively, these companies account for an estimated 80 percent of global industrial emissions. The targeted companies also account for approximately half of LACERA's carbon footprint of Scope 1 and 2 emissions.

To date, three quarters (131) 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

Putting Principles into Practice - Climate-Aware Investing (Continued)

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-intensive sectors. LACERA voted in support of numerous climate-related shareholder proposals in the last year, such as requests for:

- Report current greenhouse gas emissions and short-, medium-, and long-term reduction targets at Jack in the Box and Wingstop (proposals passed)
- Report on efforts to reduce greenhouse gas emissions in alignment with Paris Agreement at Boeing (30 percent support)
- Assess and report on financing activities of low-carbon energy supply relative to financing of fossil fuel energy supply at Goldman Sachs (28 percent support)

Shareholder proposals are typically not binding. Rather, they are signals to company boards of investor sentiment. LACERA expects portfolio companies to implement majority-supported resolutions and to identify pragmatic ways to be responsive to resolutions that receive notable support from investors, as companies often do.

In addition to supporting certain shareholder

proposals, LACERA has scrutinized the boards of directors at its most carbon-intensive portfolio holdings to assess to what extent the board is overseeing an effective strategy to mitigate business risks and opportunities amid the energy transition. LACERA opposed the reelection of board leadership nominees at 18 companies that have lagged their peers in disclosing compelling information about how they are positioning their businesses for durable financial resilience amid shifting economic opportunities.

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 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 (now International Sustainability Standards Board) 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 supported the U.S. Securities and Exchange Commission's (SEC) 2022 proposed rulemaking to enhance climate-related financial disclosures at publicly listed companies, which was approved in March 2024 and stayed pending judicial review. The SEC's rules would require corporate reporting

Putting Principles into Practice - Climate-Aware Investing (Continued)

consistent with the TCFD framework and inclusive of Scope 1 and 2 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 underpins LACERA's structure review of its real assets portfolio. Consistent with investment parameters approved by LACERA's Board of Investments, LACERA has committed about \$4 billion in capital to private funds that aim to deploy capital to a diverse range of targeted infrastructure and natural resources opportunities related to the energy transition. These investments all are made with an eye toward 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. Included among the new fund commitments are two focused energy transition funds dedicated to offshore wind and related opportunities specific to the Nordic market and mineral inputs necessary for a successful

energy transition. 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 for 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 set metrics or targets at this time.

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.

Putting Principles into Practice - Climate-Aware Investing (Continued)

Building On Momentum

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 have 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 about \$4 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 two dedicated energy transition funds.

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 is in the process of updating research of how climate-related risks and opportunities may impact the capital market assumptions that underlie our strategic asset allocation. This research will help shape and inform LACERA’s deliberation of any refinements or revisions to its strategic asset allocation in the coming year. This exercise helps shed a light on where the fund may lean further into areas of emerging investment opportunities, as well as be aware of concentrated risks. In addition, LACERA continues to pursue 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 marketwide transition to low-carbon future.

Putting Principles into Practice

TIMELINE

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- 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 for Responsible Investment
 - 2012** Joined investor initiative advocating annual elections for corporate board directors, prompting 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 percent to over 90 percent 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)

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.