AGENDA

A SPECIAL MEETING OF THE CORPORATE GOVERNANCE COMMITTEE OF THE BOARD OF INVESTMENTS*

And BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., TUESDAY, OCTOBER 8, 2019

The Committee may take action on any item on the agenda, and agenda items may be taken out of order.

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Committee Meeting of July 2, 2019

III. PUBLIC COMMENT

IV. NON-CONSENT ITEMS

A. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer: That the Committee recommend that the Board of Investments approve LACERA’s ballot for Principles for Responsible Investment (PRI) 2019 board elections. (Memo dated September 19, 2019)

B. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer: That the Committee recommend that the Board of Investments approve LACERA’s endorsement of the Task force on Climate-related Financial Disclosures (TCFD). (Memo dated September 19, 2019.)
IV. NON-CONSENT ITEMS (Continued)

C. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Committee recommend that the Board of Investments re-nominate Scott Zdrazil for re-election to the Council of Institutional Investors (CII) 2020 board elections.
(Memo dated September 19, 2019.)

V. REPORTS

A. Review of FY2019 Proxy Voting Results and Trends
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(Memo dated September 19, 2019)

B. LACERA’s 2019 Principles for Responsible Investment (PRI) Assessment
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(Memo dated September 19, 2019)

C. Analysis and Exposure to Private Prison Investments
Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
(Memo dated September 6, 2019)
(For Information Only)

D. Council of Institutional Investors Update
Scott Zdrazil, Senior Investment Officer
(Memo dated September 19, 2019)
(For Information Only)

VI. ITEMS FOR STAFF REVIEW

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

VIII. 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.

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

LOEWS SANTA MONICA BEACH HOTEL
1700 OCEAN AVENUE, SANTA MONICA, CA 90401
TUESDAY, JULY 2, 2019
1:00 PM – ARCADIA BALLROOM

PRESENT:  David Muir, Vice Chair
           Joseph Kelly
           Herman Santos, Alternate

ABSENT:  Alan Bernstein, Chair
          Gina Sanchez

MEMBERS AT LARGE:

           Wayne Moore
           David Green
           Shawn Kehoe

STAFF, ADVISORS, PARTICIPANTS

           Jonathan Grabel, Chief Investment Officer
           Scott Zdrazil, Senior Investment Officer
           Dale Johnson, Investment Officer
I. CALL TO ORDER

The Meeting was called to order by Vice Chair Muir at 1:00 p.m., in the Arcadia Ballroom of the Lowes Santa Monica Beach Hotel, Santa Monica, CA.

Vice Chair Muir appointed Mr. Santos as a voting member.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of the Corporate Governance Committee of May 15, 2019.

Mr. Santos made a motion, seconded by Mr. Kelly, to approve the Minutes of the Special Meeting of May 15, 2019. The motion carried by unanimous vote.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. NON-CONSENT ITEM

A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer, and Scott Zdrazil, Senior Investment Officer: That the Committee Recommend that the Board of Investments approve LACERA’s affiliation to the Sustainability Accounting Standards Board (“SASB”) Investor Advisory Group of the SASB Alliance.

(Memo dated May 17, 2017)

Mr. Kelly made a motion, seconded by Mr. Santos to approve the recommendation for LACERA’s affiliation to the Sustainability Accounting Standards Board Investor Advisory Group of the SASB Alliance. The motion carried by unanimous vote.
V. REPORTS

A. Corporate Governance Engagement Initiatives
   Scott Zdrazil, Senior Investment Officer
   (Report dated May 17, 2019)

Mr. Zdrazil answered questions from the Committee.

B. Status Report: ESG Integration in Manager Due Diligence and Monitoring
   Scott Zdrazil, Senior Investment Officer
   Dale Johnson, Investment Officer

Messrs. Zdrazil and Johnson answered questions from the Committee

VI. ITEMS FOR STAFF REVIEW

There were no items to report.

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

There was nothing to report.

VIII. ADJOURNMENT

There being no further business to come the Committee, the meeting was adjourned at 9:00 a.m.
September 19, 2019

TO: Each Member
   Corporate Governance Committee

FROM: Scott Zdrazil, Senior Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: **PRINCIPLES FOR RESPONSIBLE INVESTMENT ELECTIONS BALLOT**

**RECOMMENDATION**

That the Committee recommend that the Board of Investments approve LACERA’s ballot for Principles for Responsible Investment (PRI) 2019 board elections.

**BACKGROUND**

LACERA is a signatory to the PRI. PRI asset owner signatories elect seven of the eleven PRI board members (others are elected by asset managers and service provider signatories; the chair is elected by the full signatory base). Directors serve staggered, three-year terms.

As previously noticed to the Board, PRI held a special director election earlier in 2019 to replace one departing director. That special election emphasized nominees from North American asset owner signatories and resulted in the election of Sharon Hendricks, CalSTRS Board Chair.

Current PRI board members are:

<table>
<thead>
<tr>
<th>Director</th>
<th>Signatory</th>
<th>Signatory HG country</th>
<th>Term</th>
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<tbody>
<tr>
<td>Chair</td>
<td>Martin Skancke</td>
<td>Independent</td>
<td>N/A</td>
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<tr>
<td>Directors elected by asset owner signatories</td>
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<tr>
<td>Angela Emslie</td>
<td>HESTA</td>
<td>Australia</td>
<td>2019-2021</td>
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<tr>
<td>Eva Halvarsson</td>
<td>Second Swedish National Pension Fund (APFs)</td>
<td>Sweden</td>
<td>2017-2019</td>
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<td>Sharon Hendricks</td>
<td>CalSTRS</td>
<td>US</td>
<td>2019-2021</td>
</tr>
<tr>
<td>Hiro Mizuno</td>
<td>Government Pension Investment Fund (OPF)</td>
<td>Japan</td>
<td>2017-2019</td>
</tr>
<tr>
<td>Renosi Mokate</td>
<td>Government Employees Pension Fund (GEPF)</td>
<td>South Africa</td>
<td>2018-2020</td>
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<tr>
<td>Laetitia Tankave</td>
<td>Ircanet</td>
<td>France</td>
<td>2019-2021</td>
</tr>
<tr>
<td>Xander den Uyl</td>
<td>ABP</td>
<td>Netherlands</td>
<td>2019-2021</td>
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<tr>
<td>Directors elected by investment manager signatories</td>
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<tr>
<td>Wendy Cromwell</td>
<td>Wellington Management</td>
<td>US</td>
<td>2019-2021</td>
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<tr>
<td>Tycho Sneyers</td>
<td>LGT Capital Partners</td>
<td>UK</td>
<td>2018-2020</td>
</tr>
<tr>
<td>Director elected by service provider signatories</td>
<td>Peter Webster</td>
<td>France</td>
<td>2017-2019</td>
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For PRI regular 2019 board elections, PRI has announced three nominees for two open asset owner positions on the PRI board. Voting opens September 30th and votes will be due November 22nd.
The three nominees are listed below with candidate statements and videos available at https://www.unpri.org/pri/pri-governance/board-elections.

- Eva Halvarsson, Chief Executive Officer, AP2 (Sweden) – incumbent
- Hiromichi Mizuno, Executive Managing Director and CIO, GPIF (Japan) – incumbent
- Rafael Soares Ribeiro de Castro, Exec. Manager of Compliance and Internal Control, PREVI (Brazil)

Staff recommends votes in favor of Mr. Mizuno and Mr. Soares Ribeiro de Castro in consideration of their funds’ credible responsible investment programs, record of executive leadership, and in application of LACERA’s Corporate Governance Principles to encourage boards to reflect a mix of skills, qualifications, tenure, and diversity, including gender, race and ethnicity, and geographic representation among PRI signatories. All three funds have a history of PRI board participation. The PRI board is currently somewhat tilted toward European representatives, with only one representative from each of Asia, Australia/New Zealand, and Africa, and no representation from South America, which is a focus area for PRI’s growth. The PRI Board maintains a relative gender balance, currently with six women and five men. The two recommended nominees would broaden the PRI board’s geographic representation while maintaining a relative gender balance.

Ballots are voted online. Although not yet available, LACERA will also be voting on two routine business items (approval of PRI’s 2019 annual report and 2019 signatory general meeting minutes), which staff votes consistent with LACERA’s Corporate Governance Principles.

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer
September 19, 2019

TO: Each Member
Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

RECOMMENDATION

That the Committee recommend that the Board of Investments approve LACERA’s endorsement of the Task force on Climate-related Financial Disclosures (“TCFD”).

EXECUTIVE SUMMARY

At the Committee’s last meeting in May 2019, the Committee reviewed LACERA’s steps to-date to address climate risk in its investment process and prospective additional steps for Committee feedback, one of which was formally endorsing the TCFD. Based on Committee input and interest, this memo presents further background and a recommendation for endorsement.

The TCFD provides a framework to guide corporations in considering physical, liability and transition risks associated with climate change and disclosing climate risk information to investors, lenders, insurers and other stakeholders. The TCFD was formed in 2015 by the Financial Stability Board, an international body comprised of finance ministers and central bank officials from G20 member countries that was established in the wake of the global financial crisis in 2009 in order to promote stability in global financial markets. Chaired by Michael R. Bloomberg, founder of Bloomberg LP, and comprised of industry and investor representatives, the TCFD released final recommendations for climate risk assessment and disclosures in June 2017.

Since 2017, the TCFD has been endorsed by 833 financial institutions representing over $118 trillion in assets, including asset managers AQR, BlackRock, PIMCO, StateStreet Global Advisors, and Western Asset Management; and public funds like CalPERS, CalSTRS, and New York State Common Retirement Fund; in addition to regulatory bodies and corporations.

By joining the Climate Action 100+ in August 2018, LACERA currently encourages targeted companies to adopt the TCFD framework as one of the key Climate Action 100+ requests. LACERA’s prospective direct TCFD endorsement would explicitly state LACERA’s support for the TCFD framework more broadly. There is no cost associated with endorsing.
BACKGROUND

LACERA’s *Corporate Governance Principles* consider that “financial markets work most efficiently when investors have timely, reliable, and comparable information” about corporate performance and support clear and comprehensive disclosure of relevant information that enable investors to assess a firm’s prospects for delivering sustainable value (*Principles*, §IV, p.17). In April 2018, the Committee discussed several pillars to guide engagement initiatives by which LACERA advocates market practices aligned with its *Principles*, one of which was supporting efforts to improve the availability and reliability of corporate disclosures of material environmental, social, and governance (“ESG”) factors.¹

LACERA’s *Principles* recognize the financial risks that climate change may present to individual businesses and the broader economy in which LACERA invests, and support prudent corporate assessment and disclosure of climate risks:

> Climate change may present financial, operational, and regulatory risks to a firm’s ability to generate sustainable value, as well as to the broader economy. Firms should assess and disclose material climate-related risks and sufficient, non-proprietary information to enable investors to prudently and adequately evaluate the prospective impact of climate risk on firm value. (*Principles*, §V(B)3, p.19)

LACERA votes proxies in support of reasonable shareholder proposals requesting climate risk disclosures and has endorsed the Climate Action 100+ initiative in furtherance of its *Principles*. *Climate Action 100+* requests the most carbon intensive companies to adopt TCFD reporting.

Finalized in late 2017, the [TCFD recommendations](#) encourage companies to identify and assess how climate might create financial risks or opportunities that may impact corporate performance.

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¹ For example, LACERA recently affiliated to the [Sustainability Accounting Standards Board](#) (“SASB”) Investor Alliance to support market adoption of industry-driven, comparable reporting of material ESG factors.
The TCFD framework is intended to be applicable across sectors and jurisdictions, addressing core themes of how organizations operate and specifically promoting disclosure in company reports to investors in four areas of how climate risk may impact a business, so that markets may better price climate risk into their investment decision-making.

The TCFD encourages forward-looking information through scenario analysis to understand how resilient business strategies are to climate. (Summary info and a Q&A are in the attachments.)

**OBSERVATIONS**

Staff observes mounting market interest and momentum for investment-useful information regarding climate risk:

- A wide number of global corporations and investors have endorsed the TCFD as a means for consistent and investment-useful corporate reporting regarding climate risk.
- Shareholder proposals requesting climate risk assessments have received strong support in recent years, including majority support at ExxonMobil, Royal Dutch Shell, and BP.
- Numerous companies have started to disclose climate related risks and scenario analyses.

*Prospective Benefits:* LACERA and similarly-situated diversified, long-term investors may benefit from market adoption of the TCFD in several ways:

1. **Translation of material climate-related risks and opportunities into financial metrics**, providing better transparency into climate risks for risk/return analysis and market pricing.

2. **A means to improve risk management and identification of opportunities**, enabling companies and investors to assess and monitor capital at risk and new market opportunities.

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3. **A comparable, flexible framework** developed by experts from 31 countries and applicable across different business strategies, sizes, and geographic market exposures.

4. **Forward-looking approach** that builds upon backward-looking data, such as carbon footprinting, to enable insight into how evolving physical and transition risks may impact evolving business strategies and enable investors to assess prospective impacts.

**Considerations:** In contemplating endorsement of the TCFD, the Committee might consider:

1. **Public endorsement:** If approved, LACERA would be posted among TCFD supporters.

2. **Inexact and emerging methodologies:** Climate-related scenario analyses are reliant on the broad availability of accurate data inputs and may be imprecise, similar to other forward-looking economic and investment forecasts and modelling. Investor support for TCFD-related corporate reporting may enhance climate-related risk disclosures and help improve evolving scenario analysis tools.

3. **LACERA practice:** As discussed at the May Committee meeting, endorsing the TCFD does not oblige LACERA to report according to the TCFD. Investors’ ability to assess climate risks relies, in part, on availability of corporate disclosures from portfolio companies. As a signatory to the Principles for Responsible Investment (“PRI”), LACERA completes an annual assessment which incorporated climate reporting in 2019 and will mandate such reporting starting next year. Accordingly, LACERA completes a reporting structure similar to the TCFD through its annual PRI assessments. TCFD notably recognizes that climate assessment is a “journey” and will evolve over time.

4. **Expense:** There is no financial cost to endorsing the TCFD.

**CONCLUSION**

LACERA’s *Corporate Governance Principles* support “timely, reliable, and comparable” corporate reporting of material aspects of corporate performance and explicitly acknowledge climate change as a systemic risk. The TCFD, supported by over 800 organizations, is a framework to facilitate clear, forward-looking, investment-relevant corporate reporting of climate risks. Endorsements from investors such as LACERA help signal market interest in reliable, comparable climate risk reporting. It is therefore recommended that LACERA endorse the TCFD.

Attachments

Noted and Reviewed:

______________________
Jonathan Grabel
Chief Investment Officer
Task Force on Climate-related Financial Disclosures

Overview of Recommendations

June 2017
G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues.

The FSB established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that:

- could “promote more informed investment, credit, and insurance underwriting decisions” and,
- in turn, “would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.”
CURRENT CLIMATE-RELATED DISCLOSURE CHALLENGES

Currently, challenges with respect to climate-related disclosure are faced by:

- **Issuers** who generally have an obligation under existing law to disclose material information, but lack a coherent framework to do so for climate-related information,

- **Investors, lenders, and insurers** who need decision-useful, climate-related information to make informed capital allocation and financial decisions, and

- **Regulators** who need to understand risks that may be building in the financial system

The Task Force aims to provide the solution:

*a voluntary, consistent disclosure framework that improves the ease of both producing and using climate-related financial disclosures*
FOCUS ON FINANCIAL IMPACT

The Task Force focused on financial impact of climate-related risks and opportunities on an organization, rather than the impact of an organization on the environment.
In developing its recommendations, the Task Force:

- Considered the **challenges for preparers** of disclosures as well as the **benefits** of such disclosures to investors, lenders, and insurance underwriters

- Engaged in **significant outreach and consultation** with users and preparers of disclosures and other stakeholders, including two public consultations, individual discussions and focus groups with industry, webinars, and outreach events in multiple countries

- Drew from existing climate-related disclosure regimes and sought to develop a decision-useful framework to **align and supplement existing disclosure-frameworks**

- Created **guidance** for all sectors and supplemental guidance for specific sectors

The Task Force expects that **reporting of climate-related information will evolve** over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed.
The Task Force developed **four widely-adoptable recommendations** on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions.

The recommendations are structured around four thematic areas that represent core elements of how organizations operate:

**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 businesses, 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
**Disclosure Recommendations (continued)**

The four recommendations are supported by **specific disclosures** organizations should include in financial filings or other reports to provide decision-useful information to investors and others.

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics and Targets</th>
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<tbody>
<tr>
<td>Disclose the organization’s governance around climate-related risks and opportunities.</td>
<td>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.</td>
<td>Disclose how the organization identifies, assesses, and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td>
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**Recommended Disclosures**

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<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics and Targets</th>
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<tbody>
<tr>
<td>a) Describe the board’s oversight of climate-related risks and opportunities.</td>
<td>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</td>
<td>a) Describe the organization’s processes for identifying and assessing climate-related risks.</td>
<td>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</td>
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<tr>
<td>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</td>
<td>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</td>
<td>b) Describe the organization’s processes for managing climate-related risks.</td>
<td>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</td>
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<tr>
<td>c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</td>
<td>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</td>
<td>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</td>
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The four recommendations are supported by **specific disclosures** organizations should include in financial filings or other reports to provide decision-useful information to investors and others.
**Supplemental Guidance**

In addition to guidance for all sectors, the Task Force developed *supplemental guidance* for financial and non-financial organizations to assist those organizations in implementing the recommended disclosures.

**Financial Industries**

- Banks
- Insurance Companies
- Asset Managers
- Asset Owners

*The financial sector was organized into four major industries largely based on activities performed. The activities are lending (banks), underwriting (insurance companies), asset management (asset managers), and investing (asset owners).*

**Non-Financial Groups**

- Energy
- Transportation
- Materials and Buildings
- Agriculture, Food, and Forest Products

*The non-financial groups identified by the Task account for the largest proportion of GHG emissions, energy usage, and water usage.*
KEY ELEMENTS OF DISCLOSURE RECOMMENDATIONS

Location of Disclosure

– The Task Force recommends that organizations provide climate-related financial disclosures in their mainstream (i.e., public) annual financial filings.

– The recommendations were developed to apply broadly across sectors and jurisdictions and do not supersede national disclosure requirements for financial filings.

– If certain elements are incompatible with national disclosure requirements, the Task Force encourages organizations to disclose those elements in other official company reports.

– Organizations in the four non-financial groups that have more than one billion U.S. dollar equivalent (USDE) in annual revenue should consider disclosing strategy and metrics and targets information in other reports when the information is not deemed material and not included in financial filings.

Financial Filings
Required annual reporting packages in which organizations deliver their audited financial results under the laws of the jurisdictions in which they operate.

Other Official Company Reports
Should be issued at least annually, widely distributed and available to investors and others, and subject to internal governance processes that are the same or substantially similar to those used for financial reporting.
**KEY ELEMENTS OF DISCLOSURE RECOMMENDATIONS (CONTINUED)**

**Principle of Materiality**

- The disclosures related to the **Strategy and Metrics and Targets recommendations** are subject to an assessment of materiality.

- The disclosures related to the **Governance and Risk Management recommendations** should be provided because many investors want insight into the governance and risk management context in which organizations’ financial and operating results are achieved.

**Scenario Analysis**

- The Task Force encourages forward-looking information through scenario analysis—a useful tool for considering and enhancing resiliency and flexibility of strategic plans.

- Many investors want to understand how **resilient organizations’ strategies are to climate-related risks**.

- Recommended disclosure (c) under Strategy and the related guidance asks organizations to describe the resilience of their strategies, taking into consideration different climate-related scenarios, including a **2°C or lower scenario**.

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**2°C Scenario**

*Provides a common reference point that is generally aligned with the objectives of the Paris Agreement.*

**Scenario Analysis Threshold**

*The Task Force established a threshold for organizations that should consider conducting more robust scenario analysis to assess the resilience of their strategies (those in the four non-financial groups with more than 1B USDE in annual revenue).*
Some of the potential benefits associated with implementing the Task Force’s recommendations include:

- easier or better access to capital by increasing investors’ and lenders’ confidence that the company’s climate-related risks are appropriately assessed and managed

- more effectively meeting existing disclosure requirements to report material information in financial filings

- increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning

- proactively addressing investors’ demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received
The TCFD expects that **reporting of climate-related risks and opportunities will evolve** over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed.
The Task Force’s report is scheduled to be **released on June 29, 2017**. In addition, the FSB has extended the Task Force through September 2018 to support and monitor adoption.

### Timeline

<table>
<thead>
<tr>
<th>Second Quarter 2017</th>
<th>Third Quarter 2017</th>
<th>Fourth Quarter 2017</th>
<th>First Quarter 2018</th>
<th>Second Quarter 2018</th>
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<tbody>
<tr>
<td><strong>Jun 29:</strong> Issuance of final report</td>
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<td><strong>Q2 2017-Q2 2018:</strong> Outreach and engagement</td>
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<td><strong>Q4 2017-Q2 2018:</strong> Implementation monitoring</td>
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<td><strong>Q2 2018:</strong> Submission of implementation monitoring report</td>
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<td><strong>Jul 7-8:</strong> TCFD report presented at G20 Summit</td>
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## Task Force Members

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<thead>
<tr>
<th>Chair and Vice-Chairs</th>
<th>Members</th>
<th>Special Adviser</th>
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<tbody>
<tr>
<td><strong>Michael Bloomberg</strong>&lt;br&gt;Chairman&lt;br&gt;Founder and President Bloomberg L.P.</td>
<td><strong>Koushik Chatterjee</strong>&lt;br&gt;Group Executive Director, Finance and Corporate Sustainability Services Tata Group</td>
<td><strong>Giuseppe Ricci</strong>&lt;br&gt;Health, Safety, Environment and Quality Executive Vice President ENI</td>
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<td><strong>Yeo Lian Sim</strong>&lt;br&gt;Vice-Chair&lt;br&gt;Special Adviser Singapore Exchange</td>
<td><strong>Eric Dugelay</strong>&lt;br&gt;Global Leader, Sustainability Services Deloitte</td>
<td><strong>Martin Skancke</strong>&lt;br&gt;Chair, Risk Committee Storebrand</td>
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<td><strong>Graeme Pitkethly</strong>&lt;br&gt;Vice-Chair&lt;br&gt;Chief Financial Officer Unilever</td>
<td><strong>Liliana Franco</strong>&lt;br&gt;Director, Accounting Organization and Methods Air Liquide Group</td>
<td><strong>Andreas Spiegel</strong>&lt;br&gt;Head Group Sustainability Risk Swiss Re</td>
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<tr>
<td><strong>Denise Pavarina</strong>&lt;br&gt;Vice-Chair&lt;br&gt;Managing Officer Banco Bradesco</td>
<td><strong>Neil Hawkins</strong>&lt;br&gt;Corporate Vice President and Chief Sustainability Officer The Dow Chemical Company</td>
<td><strong>Steve Waygood</strong>&lt;br&gt;Chief Responsible Investment Officer Aviva Investors</td>
</tr>
<tr>
<td><strong>Christian Thimann</strong>&lt;br&gt;Vice-Chair&lt;br&gt;Group Head of Strategy, Sustainability and Public Affairs AXA</td>
<td><strong>Thomas Kusterer</strong>&lt;br&gt;Chief Financial Officer EnBW</td>
<td><strong>Fiona Wild</strong>&lt;br&gt;Vice President, Sustainability and Climate Change BHP Billiton</td>
</tr>
<tr>
<td><strong>Jane Ambachtsheer</strong>&lt;br&gt;Partner, Chair – Responsible Investment Mercer</td>
<td><strong>Diane Larsen</strong>&lt;br&gt;Audit Partner, Global Professional Practice EY</td>
<td><strong>Michael Wilkins</strong>&lt;br&gt;Managing Director, Environment &amp; Climate Risk Research S&amp;P Global Ratings</td>
</tr>
<tr>
<td><strong>Matt Arnold</strong>&lt;br&gt;Managing Director and Global Head of Sustainable Finance JPMorgan Chase &amp; Co.</td>
<td><strong>Stephanie Leaist</strong>&lt;br&gt;Managing Director, Head of Sustainable Investing Canada Pension Plan Investment Board</td>
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</tr>
<tr>
<td><strong>Wim Bartels</strong>&lt;br&gt;Partner Corporate Reporting KPMG</td>
<td><strong>Mark Lewis</strong>&lt;br&gt;Managing Director, Head of European Utilities Equity Research Barclays</td>
<td><strong>Jon Williams</strong>&lt;br&gt;Partner, Sustainability and Climate Change PwC</td>
</tr>
<tr>
<td><strong>Benoît Beraud</strong>&lt;br&gt;Managing Director, Head of Sustainable Investors UBS Asset Management</td>
<td><strong>Eloy Lindeijer</strong>&lt;br&gt;Chief, Investment Management PGGM</td>
<td><strong>Deborah Winshel</strong>&lt;br&gt;Managing Director, Global Head of Impact Investing BlackRock</td>
</tr>
<tr>
<td><strong>David Blood</strong>&lt;br&gt;Senior Partner Generation Investment Management</td>
<td><strong>Ruixia Liu</strong>&lt;br&gt;General Manager, Risk Department Industrial and Commercial Bank of China</td>
<td></td>
</tr>
<tr>
<td><strong>Richard Cantor</strong>&lt;br&gt;Chief Risk Officer Moody’s&lt;br&gt;Chief Credit Officer Moody’s Investor Service</td>
<td><strong>Masaaki Nagamura</strong>&lt;br&gt;Head, Corporate Social Responsibility Tokio Marine Holdings</td>
<td></td>
</tr>
<tr>
<td><strong>Giuseppe Ricci</strong>&lt;br&gt;Health, Safety, Environment and Quality Executive Vice President ENI</td>
<td><strong>Andreas Spiegel</strong>&lt;br&gt;Head Group Sustainability Risk Swiss Re</td>
<td><strong>Steve Waygood</strong>&lt;br&gt;Chief Responsible Investment Officer Aviva Investors</td>
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</table>
# Climate-Related Risks and Opportunities

<table>
<thead>
<tr>
<th>Type</th>
<th>Climate-Related Risks</th>
</tr>
</thead>
</table>
| **Policy and Legal** | - Increased pricing of GHG emissions  
- Enhanced emissions-reporting obligations  
- Mandates on and regulation of existing products and services  
- Exposure to litigation |
| **Technology** | - Substitution of existing products and services with lower emissions options  
- Unsuccessful investment in new technologies  
- Costs to transition to lower emissions technology |
| **Markets** | - Changing customer behavior  
- Uncertainty in market signals  
- Increased cost of raw materials |
| **Reputation** | - Shifts in consumer preferences  
- Stigmatization of sector  
- Increased stakeholder concern or negative stakeholder feedback |
| **Acute** | - Increased severity of extreme weather events such as cyclones and floods |
| **Chronic** | - Changes in precipitation patterns and extreme variability in weather patterns  
- Rising mean temperatures  
- Rising sea levels |

<table>
<thead>
<tr>
<th>Type</th>
<th>Climate-Related Opportunities</th>
</tr>
</thead>
</table>
| **Resource Efficiency** | - Use of more efficient modes of transport  
- Use of more efficient production and distribution processes  
- Use of recycling  
- Move to more efficient buildings  
- Reduced water usage and consumption |
| **Energy Source** | - Use of lower-emission sources of energy  
- Use of supportive policy incentives  
- Use of new technologies  
- Participation in carbon market  
- Shift towards decentralized energy generation |
| **Products and Services** | - Develop and/or expand low emission goods and services  
- Development of climate adaptation and insurance risk solutions  
- Development of new products or services through R&D and innovation  
- Ability to diversify business activities  
- Shift in consumer preferences |
| **Markets** | - Access to new markets  
- Use of public-sector incentives  
- Access to new assets and locations needing insurance coverage |
| **Resilience** | - Participation in renewable energy programs and adoption of energy-efficiency measures  
- Resource substitutes/diversification |
FAQ: Supporting the TCFD Recommendations

1. Who is currently supporting the TCFD?

As of June 2019, over 800 companies, financial institutions, regulatory bodies and government entities have expressed their support for the TCFD. This includes over 375 financial firms responsible for assets of $118 trillion. Located in over 45 countries on six continents supporters span a variety of industries from the financial and non-financial sector such as asset management, banking, chemicals, energy, insurance, metals & mining, oil & gas and transportation among others. Other organizations include trade associations, central banks, regulators and national governments.

2. How can you support the TCFD and its recommendations?

Companies can express their support for the TCFD recommendations by having their name added to our list of supporters on the TCFD website: https://www.fsb-tcfd.org/supporters-landing/

In addition to being added to the list companies can provide a quote for our quotes section, they can publish their own statement of support, press release or conduct additional communications activities to express their support.

3. What type of organizations can support the TCFD recommendations?

Organizations with public debt or equity and asset managers and owners – the preparers and users of financial disclosures – are particularly encouraged to support and implement the recommendations. Other supporters can range from industry associations, to central banks, governments, regulators and others.

4. What are the benefits/implications of supporting the TCFD recommendations?

The TCFD recommendations are voluntary in nature and have been devised by the private sector – "by the market, for the market." Therefore, we rely on industry support to drive adoption and implementation of the recommendations. Companies expressing their support for the TCFD recommendations join a cohort of leading companies that take action against climate change and are thoughtful to consider how climate change will impact their businesses. Publicly declaring their support is a natural next step for companies that are already looking into climate-related disclosure. Public support provides companies with the opportunity to communicate with their investors, clients and employees alike how they are thinking of and tackling the implications of climate change.

5. Does supporting the TCFD recommendations imply implementing them?
Supporting the TCFD recommendations does not mean that companies have to implement them straight away. However, as a supporter we do expect a willingness to consider the implementation of climate-related disclosure eventually. The TCFD realizes that climate-related disclosure is a journey for many companies that will evolve over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed. Therefore, the sooner companies start to implement the recommendations the more they contribute to standardizing this kind of disclosure in mainstream financial reporting.

6. What are the benefits of implementing the TCFD recommendations?

The TCFD recommendations have been drafted with the following benefits in mind:
- easier or better access to capital by increasing investors’ and lenders’ confidence that the company’s climate-related risks are appropriately assessed and managed
- more effectively meeting existing disclosure requirements to report material information in financial filings
- increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning
- proactively addressing investors’ demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received

7. Where can I find tools to help implement the recommendations?

In May 2018 the TCFD launched the TCFD Knowledge Hub in collaboration with the Climate Disclosure Standards Board (CDSB). Available at tcfdhub.org the TCFD Knowledge Hub is the first online platform housing relevant insights, tools and resources to help organizations implement the TCFD recommendations. The portal houses over 400 resources with over 80 of them covering governance, 236 strategy, 152 risk management and 125 metrics & targets – aligned with the four overarching TCFD recommendations. Contributors range from non-profit organizations to intergovernmental institutions, academics, industry associations, consultants and corporates. Additional resources are added on a continuous basis.

8. What are the next steps after my company has expressed its support?

As an immediate step your company name will be added to the growing numbers of supporters on our TCFD website. In the longer time the TCFD seeks to continue engaging with supporting companies that are working on implementing the recommendations. Companies will have the opportunity to participate in "preparer forums" that allow companies to address implementation issues and improve their disclosure in line with the TCFD.

9. How can you get in touch with the TCFD Secretariat?

www.fsb-tcfd.org | info@fsb-tcfd.org | @FSB_TCFD
In case of questions you can contact the TCFD Secretariat by sending a message to info@fsb-tcfd.org.
September 19, 2019

TO: Each Member  
   Corporate Governance Committee

FROM: Jonathan Grabel  
   Chief Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: Council of Institutional Investors Director Re-Nomination

RECOMMENDATION

That the Corporate Governance Committee recommend that the Board of Investments re-nominate Scott Zdrazil for re-election to the Council of Institutional Investors (“CII”) 2020 board elections.

BACKGROUND

Scott Zdrazil, Senior Investment Officer, currently serves as a CII board director, board treasurer, chair of the board’s audit committee, and a member of its governance committee. CII board directors are subject to annual elections and generally serve five eligible consecutive terms to provide long-term vision and oversight. Mr. Zdrazil is currently in his second year of CII board service. Annual elections for all CII directors will be held in March 2020, with re-nominations anticipated to be due in January 2020. CII has respectfully requested six-month notice from any incumbent member of the board who will not be nominated for re-election.

LACERA’s Corporate Governance Policy provides that the Board of Investments approve, upon recommendation from this Committee, any LACERA nominations to governing boards of corporate governance associations (such as CII) to which LACERA is formally affiliated. This item is being presented for Committee consideration to allow for timely Board consideration.
September 19, 2019

TO: Each Member
Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer

Dale Johnson
Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: Review of FY2019 Proxy Voting Results and Trends

Please find attached a presentation of LACERA’s proxy voting results and trends for Fiscal Year 2019, covering votes cast from July 1, 2018 to June 30, 2019.

This FY2019 report provides an opportunity to review trends since the adoption of LACERA’s refreshed Corporate Governance Principles in 2017 and as LACERA continues to assume greater reach in its proxy voting authority. As the Committee is aware, LACERA casts proxies only for public equities accounts where LACERA has retained proxy voting rights. Following recent Board approvals, LACERA has been restructuring numerous global equities accounts, resulting in greater voting authority. As detailed in the attached materials, LACERA expanded its proxy voting authority during FY2019 from 19% to 60% of the global equities portfolio value and will further expand proxy voting authority to an estimated 88% upon completion of the MSCI ACWI IMI global equities account conversion in the coming months, as approved by the Board in August.

Attachment

Noted and Reviewed:

__________________________
Jonathan Grabel
Chief Investment Officer
Proxy Voting Results and Trends
Fiscal Year 2019
(July 1, 2018 through June 30, 2019)

Corporate Governance Committee
October 8, 2019

Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer
**Discussion Outline**

**Objective**
Review proxy voting trends as recent account conversions magnify LACERA’s proxy voting authority and reach

**Outline**
1. FY2019 Proxy Voting Results and Trends
2. Public Policy Developments Related to Proxy Voting

**Timeline of Policy Refreshment and Expanded Voting Rights**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1st proxy season LACERA votes its custom policy</td>
<td>Assumed voting rights for U.S. index fund holdings</td>
<td>Expand non-U.S. voting by assuming non-U.S. index holdings vote authority</td>
</tr>
<tr>
<td>Voted</td>
<td>19%</td>
<td>Voted 60%</td>
<td>Vote ~88%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of equities portfolio</td>
<td>of equities portfolio</td>
<td>of equities portfolio</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,610 meetings</td>
<td>3,676 meetings</td>
<td>~7,500 meetings</td>
<td></td>
</tr>
</tbody>
</table>
1. Review of Proxy Voting Results and Trends
3,676 shareholder meetings voted

34,701 individual ballot items

56 global markets voted in

Number of Shareholder Meetings Voted By Region

- **North America**: 2,691 meetings (73%)
- **Europe**: 417 meetings (12%)
- **Asia**: 444 meetings (12%)
- **South America**: 40 meetings (1%)
- **Africa & Middle East**: 49 meetings (1%)
- **Australia & New Zealand**: 35 meetings (1%)

Number of Meetings Voted By Month

- Jul-18: 54
- Aug-18: 60
- Sep-18: 121
- Oct-18: 91
- Nov-18: 124
- Dec-18: 90
- Jan-19: 112
- Feb-19: 157
- Mar-19: 524
- Apr-19: 1,433
- May-19: 816
- Jun-19: 816
LACERA casts proxy votes at shareholder meetings in order to promote and protect sustainable shareholder value, per policy and fiduciary duty.

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

---

**Proxy Votes By Subject**

**FY 2017 through FY 2019**

- **65%** of votes address **director elections** – the most common topic.
- **1%** of votes addressed **environmental and social (“E&S”) matters.**
Proxy Proposals By Sponsor and Support Levels

- Nearly all proxy items are sponsored by management (97%-98%)
- Shareholder proposals typically represent 2%-3% of total votes
- LACERA support for management proposals remained stable in FY19
- Support for shareholder proposals also relatively stable in FY19

<table>
<thead>
<tr>
<th>Percentage of Proposals By Sponsor</th>
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</table>

- **Shareholder proposals** (2% of voting items)
  - FY 2017: 569 ballot items
  - FY 2018: 446 ballot items
  - FY 2019: 649 ballot items
  - 2017 support: 56%
  - 2018 support: 74%
  - 2019 support: 77%

- **Management proposals** (98% of voting items)
  - FY 2017: 19,915 ballot items
  - FY 2018: 17,685 ballot items
  - FY 2019: 34,052 ballot items
  - 2017 support: 93%
  - 2018 support: 80%
  - 2019 support: 79%
Management Proposal Voting Trends

Key Management Proposal Support Levels

Number of Proposals Voted and Percentage Supported

<table>
<thead>
<tr>
<th>Year</th>
<th>Director Elections</th>
<th>Advisory Vote on Executive Compensation (&quot;Say-on-Pay&quot;)</th>
<th>Auditor Ratification</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>94% support</td>
<td>84%</td>
<td>99%</td>
</tr>
<tr>
<td>2018</td>
<td>77% support</td>
<td>75%</td>
<td>98%</td>
</tr>
<tr>
<td>2019</td>
<td>77% support</td>
<td>69%</td>
<td>99%</td>
</tr>
</tbody>
</table>

Key Factors Influencing Votes Against Directors

LACERA policy emphasizes board quality and performance:
- Lack of independence
- Excessive board commitments ("over-boarding")
- Failed risk oversight and accountability
- Recent IPOs with egregious entrenchment provisions

Continued Scrutiny of Pay Practices

LACERA policy emphasizes pay-for-performance
- Inadequate track record of linking pay to performance
- Excessive perquisites
- Inadequately justified one-time awards

Select Sample Votes

**Director Accountability**
- Opposed incumbent board and Audit Committee member for failed oversight during company corruption and embezzlement scandal
- **Samsung**

**Director Accountability**
- Opposed 12 directors for lack of independence and failed oversight in wake of Brumadinho tailings dam failure; Supported investor-nominated director, who won
- **Vale**

**Pay-for-Performance**
- Opposed say-on-pay vote, along with majority of investors, after company replaced performance equity with excessive salaries following tax reform repeal of IRC 162(m)
- **Netflix**

**Auditor Accountability**
- Opposed 110-year tenured auditor for 2nd year after federal probes of accounting irregularities on undisclosed liabilities; GE committed to place audit service for bid
- **GE**
Shareholder Proposal Voting Trends

Support Levels By Shareholder Proposal Subject

Number of Proposals Voted and Percentage Supported

<table>
<thead>
<tr>
<th>Year</th>
<th>Governance</th>
<th>Environmental</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>56%</td>
<td>58%</td>
<td>31%</td>
</tr>
<tr>
<td>2018</td>
<td>78%</td>
<td>55%</td>
<td>25%</td>
</tr>
<tr>
<td>2019</td>
<td>77%</td>
<td>66%</td>
<td>80%</td>
</tr>
</tbody>
</table>

**Common recent topics**
- Right to Call a Special Meeting
- Independent Chair
- Disclose Political Spending
- Adopt Board Diversity Policy
- Cybersecurity and Data Privacy
- GAAP Adjustments in Pay Metrics

**Adjusted Pay Metrics**
Supported proposal to prohibit excluding legal and compliance costs from executive pay metrics in wake of chronic regulatory fines

**Independent Chair/Multiclass Stock**
Voted yes to appoint an independent chair and recapitalize multiclass share structure, which received 68% and 83% support from outside investors, respectively

**Climate Risk Reporting**
Supported resolution filed by Amazon employees requesting the company to assess impact of climate risks on business model, receiving 31% support

**Opioid Distribution Controls**
Supported proposal requesting oversight of regulatory and operating risks related to opioid dispensing and distribution, which won 60% support

- Typically non-binding requests of a board to disclose or take an action
- Governance topics most common
- LACERA policy generally supports proposals regarding sound governance practices and material risks
- LACERA policy may oppose a proposal if it might undermine shareholder value, is overly prescriptive, or has already been adopted by the company
- 2019 season heightened focus on “Big Tech” and FAANG companies
  - ~10% of shareholder resolutions targeted 3 big tech firms
- Environmental proposals declined, as investor traction increases
  - ~80 proposals in 2015 steadily dropped to 30 in 2019¹
- Increased focus on human capital

Select 2019 U.S. Voting Patterns

Investor Opposition to Key Management Proposals Returns to Post-Financial Crisis Levels

- 1 out of every 20 U.S. directors (4.9%) receive over 20% opposition, driven by variety of concerns (i.e. overboarding, risk oversight failures, governance concerns, etc.)
- > 1 of 10 say-on-pay votes (13.5%) receive over 20% opposition
- E&S resolutions increasingly receive similar levels of support: Traditional governance filings wane as “best practices” (annual elections, majority vote standard) now widely adopted

2. Public Policy Developments
Public Policy Developments Related to Proxy Voting

LACERA is working closely with Council of Institutional Investors and others regarding several recent and anticipated regulatory actions that may impact the proxy voting process.

### Proxy Plumbing System

SEC hosted a November 2018 Roundtable on the U.S. Proxy Process

LACERA submitted comments recommending:
- Enable end-to-end vote confirmation so investors know votes are counted
- Implement the “universal proxy” rule so investors may select among all director nominees in proxy contests

SEC conducting multi-year effort to assess new technologies and improve share tracking and verification

### Shareholder Proposal Rules

Business Roundtable, Chamber of Commerce, and others argue shareholder resolutions are often driven by “special interests” and have “idiosyncratic” requests unrelated to long-term value

SEC is considering revising filing requirements that may curtail resolutions

SEC recently announced changes to its procedures for assessing whether a company may exclude a proposal under defined criteria, stating it may no longer issue a written decision in each case but rather respond “orally” or may decline to state a view. Investors and companies are concerned about lack of transparency and clarity.

### Proxy Research Regulation

LACERA Principles promote investor “access to competitive, timely, and independent market, investment, and proxy research of their choosing. Market regulation should support and not impede a competitive market of service providers” (§II(A)6, p.9)

SEC announced proxy research is considered “solicitation,” exempt from public posting under strict terms. Public posting would challenge proxy firms’ business model. New rule may create barriers to entry for new firms.

SEC may announce additional rulemaking that may require advanced corporate review of proxy reports. CII and others concerned that advanced review may cause undue influence and delayed delivery to paying clients.

Appendix
Proxy Voting Process

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

1. Define Policy Guidance
LACERA’s Corporate Governance Principles define positions on sound corporate governance practices.

The Corporate Governance Committee develops, reviews, and recommends Board approval of the Corporate Governance Principles, as well as the Corporate Governance Policy which establishes the procedures by which LACERA implements the Principles, including voting proxies.

2. Board Approval
The Board of Investments approves the Corporate Governance Principles and Corporate Governance Policy, as recommended by the Committee.

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

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

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

4. Board Oversight – Today
The Corporate Governance Committee reviews proxy voting results and trends, and monitors evolving market trends and issues.
September 19, 2019

TO: Each Member  
    Corporate Governance Committee

FROM: Scott Zdrazil  
       Senior Investment Officer – Corporate Governance  
       Dale Johnson  
       Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: LACERA’s 2019 Principles for Responsible Investment (PRI) Assessment

Please find attached a brief overview of LACERA’s 2019 annual assessment report, conducted by the United Nations-affiliated Principles for Responsible Investment (“PRI”) and covering LACERA’s activities for calendar year 2018.

BACKGROUND

LACERA became a PRI signatory in 2008. As a signatory, LACERA committed to align its practices with the six aspirational PRI principles to incorporate responsible investment best practices and integrate environmental, social, and governance (ESG) factors into its investment decisions. LACERA reports to the PRI on an annual basis on its progress to adhere to the PRI principles and receives an assessment report scoring and benchmarking its activities.

LACERA’s received an A+ for overall responsible investment governance and strategy in its 2019 PRI Assessment and achieved steady strides in all reporting modules, as detailed in the Attachment. The report provides further information and anticipated next steps for your review.

Noted and Reviewed:

Jonathan Grabel  
Chief Investment Officer
Principles for Responsible Investment (PRI) 2019 Assessment

Corporate Governance Committee
October 9, 2019

Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
LACERA’s Commitment to the PRI

LACERA signed the PRI in 2008

PRI annually assesses signatories on their adherence to PRI’s six principles, using self-reported surveys and peer comparisons

Assessment methodology evolves* but may be tool for monitoring adherence to ESG “best practices”

United Nations-affiliated Principles for Responsible Investment (PRI)

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

More information available at www.unpri.org

* PRI’s assessment methodology is currently undergoing revisions which may impact signatories scores going forward
PRI assesses individual "reporting modules" (no aggregate score)

Covers calendar year 2018 (i.e., excludes LACERA’s 2019 private equity focus)

Consistent strides in all categories

LACERA now generally "above median" and more aligned with like-sized asset owners

**A+ for overall strategy and governance of responsible investment**

---

* LACERA did not complete the 2018 private equity reporting module, as reporting is voluntary for asset classes with less than a 10% allocation
Drivers of Improved Performance

Key LACERA practices contributing to LACERA’s PRI assessment and previously discussed or prospective next steps

**Strategy & Governance**

- Board and committee oversight of ESG efforts
- Cohesive policy framework
  - IPS Investment Beliefs and Strategy address ESG, stewardship, proxy voting
  - Corporate Governance Principles and Policy set principles and procedures
- Internal senior staff weekly meetings include ESG lead
- Senior staff performance evaluations include ESG
- Preliminary assessment of portfolio-wide risks, i.e. climate

**Manager Selection, Appointment, and Monitoring**

- Enhanced manager due diligence to incorporate ESG assessment
- Manager scorecard integrates ESG into holistic monitoring
- IMA’s and LPA’s incorporate basic ESG reporting requirements

**Active Ownership**

- Expanded proxy voting applies LACERA’s custom CG Principles
- Advocacy with federal and state policymakers
- Active collaboration with Council of Institutional Investors and others
- New engagement projects (e.g. board diversity, Climate Action 100+)

**Next Steps**

- Incorporate basic ESG data analytics into Total Fund risk platform
- Enhance staff onboarding/training
- Consider combining Corporate Governance Principles and Policy SEE SLIDE 6
- Further enhance transparency SEE SLIDE 7

- Ensure consistent, standard ESG due diligence across all asset classes
- Integrate ESG data analytics into manager monitoring

- SASB affiliation and engagements
- Execute on defined priorities
Steady, Deliberate Progression

Continued program development and enhancements consistent with recent Board and Committee discussions

Portfolio Total Fund View
Integrate ESG into Total Fund view for monitoring and enhanced decision-making:
- Incorporate ESG data analytics into Total Fund risk and performance analysis
- Assess ESG macro factors (demographics, climate, etc.) for risk and opportunity

Practices and Procedures
Put principles into practice in adherence with approved policies:
- Integrate ESG into enhanced manager due diligence and monitoring
- Vote proxies consistent with Corporate Governance Principles
- Advocate public policy in line with Principles
- Engage portfolio companies on defined priorities

Principles and Policy
Defined principles and overarching policy framework guided by fiduciary duty:
- Investment Policy Statement (Investment Beliefs, Philosophy, and Strategy)
- Corporate Governance Principles set guiding principles
- Corporate Governance Policy defines program components
LACERA harmonized 4 policies into 2 in 2017

**Corporate Governance Principles**
- Articulates Fund views on sound governance
- Guides proxy votes and initiatives
- Current table of contents
  - About LACERA
  - Statement of Purpose
  - Principles
- Previously separate policies
  - Corporate Governance Principles
  - U.S. Proxy Voting Guidelines
  - Non-U.S. Proxy Voting Guidelines

**Corporate Governance Policy**
- Define program components and procedures
- Current table of contents
  - Purpose
  - Strategic Objective
  - Legal Authority
  - Program Components
  - Roles and Delegations
  - Procedures to Evaluate Divestments
- Previously separate policies
  - Corporate Gov Policy Statement
  - Procedural language in Proxy Voting Guidelines

Should the two policies be combined?

- Avoid policy proliferation
- Unify program guidance for easy access
- Merge existing content
- **No lost language or procedural guidance**

Pending Committee feedback today, staff would prepare a merged document for Committee review in early 2020 as part of the Committee’s routine annual policy review.
LACERA has revised and expanded the channels through which it communicates its approach to corporate governance and recent initiatives to promote transparency with LACERA members and stakeholders...

**Publicly-Accessible Policy Framework**
- Publicly-available on website
- **Investment Policy Statement** addresses ESG and responsible stewardship
- **Governance Principles** and **Policy**

**LACERA.com Updates**
- Website reflects new policies
- Describes proxy voting approach
- Posts recent initiatives, such as SEC letters and investor statements

**Member Newsletter**
- Corporate governance highlight
- Key developments

**Proxy Voting Infographic**
- Two-page summary
- Presents key voting results
- Core support levels
- Sample vote illustrations
- Publicly-posted on website
- To be updated for 2019 results

**...and more enhancements are under development**
- Forthcoming LACERA.com website redesign
- Updated 2019 proxy voting infographic will incorporate recent engagement and advocacy work
- And more...
EXECUTIVE SUMMARY

This memo presents preliminary research and an analytical framework for assessing LACERA’s investment exposures to private prison operators, in response to an inquiry from the Board of Investments (“Board”) at the last Corporate Governance Committee (“Committee”) meeting. As detailed in the memo, LACERA has an estimated $6.6 million exposure to two primary private prison operators in its public markets portfolios; no private market exposures have been identified. Should the Committee and Board seek to consider investment guidelines or restrictions related to private prisons, the memo highlights procedural guidance defined in LACERA’s Board-approved Corporate Governance Policy for evaluating prospective divestments or investment restrictions.

BACKGROUND

At the July 2, 2019 Corporate Governance Committee (“Committee”), Board members inquired on LACERA’s exposure to the “private prison” industry and prospective actions that LACERA might consider in light of public scrutiny of certain companies’ business practices. This memo provides information on private prisons and a preliminary analysis of LACERA’s investment exposures in order to inform and assist the Committee in determining possible action. Should the Committee wish to pursue any further actions, the memo identifies several options at the conclusion of this memo for the Committee’s consideration.

I. Defining Applicable Investments

Defining the universe of investments that would be subject to an exclusion, divestment, or economic substitution (“Applicable Investments”) entails three areas for consideration:

- Type of product or service that is the focus of the investment restriction
- Nature of involvement of a business to the targeted product or service
- Nature of LACERA’s investment in the targeted product or service
The section below breaks down each of the above as they pertain to the topic of private prisons.

**A. What type of product or service is the focus of prospective investment exposure analysis and exclusion guidelines?**

Private prison companies are identified as those companies that derive any revenue from the operation of private prisons, jails, detention centers, or correctional facilities or from related direct services including complete facilities management, security services, and detention services.

**B. What is the extent of a company’s involvement in the targeted product or service?**

The extent of a company’s involvement and relationship with private prisons may hinge on two considerations:

First, what is the nature of the company’s involvement with the targeted product or service, in this case, private prisons? Involvement with private prisons might include a narrow scope of involvement (building and operating private prisons) or a broader threshold. A broad definition could encompass:

- Community corrections services (bail, electronic monitoring, residential programs)
- Data systems (probation, corrections, immigration, medical records)
- Equipment (security and monitoring)
- Inmate financial services (money transfers, cash cards)
- Food and commissary (kitchen equipment, vending machines)
- Healthcare (medical equipment, healthcare, pharmacy)
- Industry financing (banks and funding sources)
- Maintenance services (utility/energy)
- Personnel (staff management system, training, third party staffing)
- Telecommunications (prison communications, telecom surveillance and security)
- Transportation (agency and prison transportation, visitor)

Second, what is the threshold by which a company’s involvement in private prisons would be defined as an Applicable Investment? LACERA might consider:

- Absolute: An absolute definition might consider any type of activity or relationship to private prisons to be considered an Applicable Investment (building and operating).

- Threshold: An investor might define a minimum threshold, such as percentage of revenues (e.g., 50% or greater of revenue generated from services provided to private prisons) or a minimum amount of revenues (e.g., annual revenues of USD $1 million or greater generated from services provided to private prisons).

Third, to what LACERA investments would investment guidelines or restrictions pertaining to private prisons be applied?

- All investments across all asset classes and investment strategies
- Public markets only (or more liquid) investments versus private markets
- Active versus passive strategies
- Commingled funds versus separate accounts

II. Considerations for Defining Applicable Investments

In considering the above components for defining Applicable Investments, the Committee and Board might keep in mind the following considerations.

A. What’s the objective for the investment restriction?

If LACERA’s primary focus is on economic risk and reputational risk exposure to private prisons, LACERA might consider limiting a definition of Applicable Investments to where core business activities pertaining to private prisons is concentrated, such as the building and operating of facilities. If LACERA’s focus is on broader affiliation to private prison operators, LACERA might assess exposures to a wider range of vendors, suppliers, and other related businesses.

B. Availability of reliable, timely data to implement, monitor, and enforce investment guidelines

In determining the scope of targeted investments, LACERA’s ability to implement any investment guideline or exclusion is reliant on its access to reliable data (such as through third party vendors) to apply LACERA’s definition. For example, some data vendors assess the nature of companies’ specific support service lines to discern whether it might be above a defined threshold of company revenues (such as 50% or revenues derived from private prisons for operators and 5% of revenues for vendors and suppliers). If companies do not disclose the specific revenue volume of specific support service lines, LACERA may be impeded from implementing an investment restriction.

III. Preliminary Analysis

Based on available in-house resources and research tools, as well as two third party research reports assessing private market exposures to private prisons, staff identified two public companies that operate private prisons with a threshold of more than 50% of revenue. LACERA’s exposure to the two public companies is an estimated $6,644,194 (see table below). An expanded definition (such as including suppliers and vendors) would yield broader exposures. To date, LACERA has not identified any exposures in its private markets investments.

Table 1: LACERA Exposures to Private Prisons

<table>
<thead>
<tr>
<th>Equity – Active</th>
<th>Equity - Passive</th>
<th>Equity - Total</th>
<th>Fixed Income - Active</th>
<th>Fixed Income - Passive</th>
<th>Fixed Income - Total</th>
<th>Public Markets - Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,332,337</td>
<td>$1,643,107</td>
<td>$4,975,444</td>
<td>$1,668,750</td>
<td>0</td>
<td>$1,668,750</td>
<td>$6,644,194</td>
</tr>
</tbody>
</table>

Table 2 below presents the total cumulative returns over 1-, 3-, and 5-year periods for the two publicly traded stocks and compares the identified companies’ performance with the relevant U.S. small capitalization benchmark.
Table 2: Performance Analysis of Applicable Investments, as of July 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>1 Year Total Return</th>
<th>3 Year Total Return</th>
<th>5 Year Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>-28.0%</td>
<td>-32.5%</td>
<td>-23.7%</td>
</tr>
<tr>
<td>Company 2</td>
<td>-24.6%</td>
<td>-1.4%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Russell 2000 Benchmark</td>
<td>-4.4%</td>
<td>34.4%</td>
<td>50.6%</td>
</tr>
</tbody>
</table>

IV. Engagement History

Some investors have engaged private prison operators regarding their business practices and efforts to mitigate regulatory and legal risks to protect firm value. Investment restrictions and divestments generally impede investors’ ability to engage a company regarding business practices.

- Investors approved a shareholder resolution at The GEO Group, Inc.’s 2019 annual meeting, prompting the company to announce its intent to implement the request to report on its human rights policy implementation.¹

- Ahead of its 2019 annual meeting, an investor withdrew a shareholder resolution after CoreCivic, Inc. agreed to incorporate certain human rights considerations into its executive compensation arrangements.²

- The California State Teachers Retirement System (CalSTRS) has engaged private prison operators regarding political spending, internal controls, and inmate treatment oversight, prior to announcing its intent to divest.³

- Some investors have engaged banks regarding the credit risks of private prison operators. Fitch Ratings recently downgraded CoreCivic’s issuer rating to BB from BB+. In describing the rationale for its credit downgrade, Fitch Ratings referenced that several banks have withdrawn lending services to the sector.⁴

V. Prospective Actions for Committee

Pending any feedback and input from the Committee, LACERA may opt to further focus, expand, and/or refine the above analysis of exposures. Further analysis may require allocating staff resources for research and analysis and purchasing data from an external data vendor in order to ensure precision in assessing the prospective reach of possible investment guidelines. One-off external research costs to further develop research analysis could range from $5,000 to $15,000, depending on the scope and nature of the data being sought, following the Committee’s discussion. Research and defining the criteria for identification of investments subject to an investment restriction would be in adherence to LACERA’s Corporate Governance Policy regarding

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¹ https://www.sec.gov/Archives/edgar/data/923796/000119312519144315/d556953d8k.htm
² https://www.sec.gov/Archives/edgar/data/1070985/000119312519149941/d747944d8k.htm
³ https://resources.calstrs.com/publicdocs/Page/CommonPage.aspx?PageName=DocumentDownload&Id=5b1a6390-9c34-4e97-9b54-f3a3b2e381b2
Each Member, Corporate Governance Committee  
September 6, 2019  
Page 5 of 5

procedures for evaluating prospective divestments (see policy at p. 6-7). Staff would also further engage the Legal Office and the Board’s fiduciary counsel for guidance, including a thorough legal analysis on the Board’s fiduciary duty.

Noted and Reviewed:

[Signature]

Jonathan Grabel  
Chief Investment Officer
FOR INFORMATION ONLY

September 19, 2019

TO: Each Member
    Corporate Governance Committee

FROM: Scott Zdrazil
    Senior Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: COUNCIL OF INSTITUTIONAL INVESTORS UPDATE

BACKGROUND

This memo is intended to provide the Committee with an overview of several current efforts by the Council of Institutional Investors (“CII”) to advance its mission to advocate effective corporate governance, strong shareowner rights, and vibrant, transparent, and fair capital markets. LACERA is a CII member and has representation on the CII Board to provide input on programs and priorities. LACERA collaborates with investors and associations like CII to promote LACERA’s views on sound governance practices as outlined in its Corporate Governance Principles.

Key recent CII initiatives include, but are not limited to, the following:

Advocacy for Fundamental Investors Rights

1. Requiring “sunsets” for multiclass stock structures at initial public offerings (IPO’s)

   LACERA and CII policies share the view that investors’ voting rights should be proportionate to their economic interests and discourage multiclass share structures which may entrench and insulate managers with weighted voting power from acting in investors’ interests. Although 9 in 10 U.S. public companies have “one share, one vote” structures, the proportion of recent initial public offerings (“IPOs”) with multiclass structures is significantly higher: 19-26% of IPOs in each of the last three years adopted differential voting rights. Typically, such structures provide 10 votes per share for designated insiders. Some IPO’s have more egregious 20:1 voting rights, such as Lyft and Pinterest. Perhaps most egregiously, Snap IPO’d with no voting rights for outside investors at all. Such structures enable IPOs to access public market capital but retain perpetual founder control.

   To address multiclass structures market-wide, CII petitioned the New York Stock Exchange and the NASDAQ to require newly-listed companies to either use a one-share, one-vote structure, or introduce a “sunset” provision by which a newly listed company’s weighted voting rights would convert to one-share, one-vote no later than seven years after an IPO. LACERA submitted letters to both exchanges earlier this year in support of the petition. More recently, CII has also petitioned the Corporate Law Section of the Delaware
Each Member, Corporate Governance Committee
September 19, 2019
Page 2 of 6

State Bar Association to propose an amendment to Delaware corporate law, where most U.S. companies are incorporated, requiring sunset provisions at Delaware-incorporated companies with differential voting rights.

With increased market focus on multiclass share structures, CII research indicates some traction for companies voluntarily adopting sunset provisions. Meanwhile, high-profile IPO’s WeWork and Peloton recently met investor resistance due in part to governance concerns, such as weighted voting rights, and others with governance and valuation concerns, like Endeavor Group, have postponed IPOs.1

Additional research, materials, and updates are available on CII’s website here.

Regulatory Engagement and Defense

2. Advocating modernization of the U.S. proxy system to ensure proxy votes are counted

CII is urging fundamental improvements to the U.S. proxy voting ecosystem, as detailed in recent comments to the Securities and Exchange Commission (“SEC”) Roundtable on the U.S. proxy process, at the SEC Investor Advisory Committee, and in meetings with regulators and legislators. Improvements should include end-to-end vote confirmation such that when investors cast votes, they have confidence that their votes have been received and tabulated. CII also urges the SEC to finalize its universal proxy rule by which, if enacted, investors could vote for directors across slates on unified ballots in proxy contests.

CII’s SEC letter repeatedly cited LACERA’s comment letter, submitted in advance.

3. Defending investor access to timely, independent proxy research

CII is supporting LACERA’s and other investors’ interest in independent and timely proxy research, in the face of lobbying efforts by the Business Roundtable, the Chamber of Commerce, and other entities to reform proxy advisor regulation. The SEC issued interpretive guidance in August stating that proxy research reports from firms such as ISS and Glass Lewis constitute a solicitation. Solicitations, under the federal proxy rules, must be filed and publicly posted with the SEC unless they meet certain exemptions. If proxy firms fail to meet the specific exemptions, proxy reports would be publicly posted and available, thereby undermining their business model.

CII and others have expressed concerns that the new interpretive guidance raises prospects for litigation with proxy advisory firms, such as arguing that a proxy firm’s selected peer comparison group for executive compensation analysis is false or misleading, or has omitted material information. Increased litigation may increase administrative expenses for

proxy firms and also raises barriers for entry in a market with little business competition, to the detriment of investors’ interests. In its guidance, the SEC stated it is considering additional regulatory action. CII and others speculate that such guidance may require proxy firms to provide companies advance review of proxy reports prior to distribution to clients. Such advance review risks enabling undue influence and delaying timely delivery of research to paying clients during the compressed proxy season.

4. **Defending investors’ right to present shareholder proposals under reasonable terms**

CII continues to defend shareholders’ right to file shareholder resolutions under reasonable terms, consistent with LACERA’s *Principles*. As described in October 2018 Committee materials, resolutions guided by the SEC’s Rule 14a-8 have been a tool for investors to suggest new practices, gauge market sentiment, and enable new governance standards to emerge through private ordering (i.e. without regulation), e.g., annual director elections and clawbacks.

Trade associations such as the Business Roundtable, some corporations, and other interested parties have advocated revising the terms by which resolutions may be presented. As reported to the Committee in 2017, one proposal would raise the ownership threshold for filing from the current $2,000 worth of shares to 1% of a company’s market capitalization, which would equal over $1 billion at a company like Apple. The shareholder resolution rule has been “under review” by the SEC for the past year, although no rulemaking or guidance revising the terms have yet been announced.

Relatedly, the SEC announced in September that is revising the process by which it assesses whether companies may omit shareholder resolutions under defined conditions of Rule 14a-8. Whereas the SEC has historically reviewed corporate requests for no-action review and issued a written decision, the SEC announced it may no longer issue written responses, may provide oral responses, or may not respond at all. The SEC announcement has prompted concerns among investors and companies alike that the new process may prompt confusion and lack of transparency in the SEC’s process. CII submitted comments to the SEC in conjunction with several investor associations.

5. **Amicus brief in support of the SEC’s transaction fee pilot study**

CII joined the Investment Company Institute (ICI) in filing an amicus brief with the U.S. Court of Appeals for the District of Columbia in support of the Securities and Exchange Commission’s (“SEC”) proposed pilot study to assess the fairness of stock exchanges’ transaction pricing schemes. The SEC’s transaction fee pilot, opposed by the stock exchanges, sought to assess the extent to which the maker-taker model harms investors by creating conflicts of interests for transactions to be routed where brokers may receive the highest fees, creating unnecessary complexity, and reducing price transparency. CII and ICI’s joint position is that such models undermine brokers’ duty for best execution and urge the Court to allow the SEC pilot study to proceed.
6. Engaging the Business Roundtable on the need for accountability and long-term value

As reported to the Board in a September 14 memo, the Business Roundtable (“BRT”) issued a revised, one-page press release, “Statement of Corporate Purpose,” on August 19. The revised statement, signed by 181 CEO’s representing Amazon to Walmart, underscored their belief in free markets and their “commitment” to all stakeholders, including customers, employees, suppliers, communities, and shareholders.

CII publicly took issue with the statement for excluding any fundamental mechanism for accountability from CEO’s and boards, fearing the Statement as a public relations effort to obscure a textual backslide from managerial accountability and elevating corporate leaders as accountable unto themselves. Governance professionals and press quickly weighed in:

- Noted Wachtell Lipton Partner Martin Lipton arguably mischaracterized CII’s stance as defending “shareholder primacy.”

- Charles Elson, Director of the John L. Weinberg Center for Corporate Governance at the University of Delaware opined, “Accountability to everyone means you’re accountable to no one. The Roundtable statement destroys managerial accountability, perhaps on purpose,” going on to note that the signatory CEOs “have deep-sixed the working men and women of America – firefighters, teachers, police officers, and others who depend on pension funds.”

- Nell Minow, Vice Chair of ValueEdge Advisors, expressed skepticism for the Statement, noting that “we’ve seen this before” and citing BRT “deploying stakeholder rhetoric” to defend managerial entrenchment devices such as poison pills and classified boards in earlier periods.

- Others cited the contrast between the BRT statement and the BRT’s lobbying to curtail shareholder resolutions addressing topics on related ESG issues, such as human capital and sustainable business practices.

CII policies have long supported responsible business practices and advocated strong accountability to shareowners through governance mechanisms such as robust voting and legal rights, regular director elections, and investor responsiveness. CII’s fall conference included discussion of the Statement during board, trustee, and Policies Committee sessions. Participants offered various views, including that CII’s lengthy track record of advocacy for long-term value and managerial accountability should not be mischaracterized or pitted against other stakeholders’ interests; rather, constructive human capital practices, environmental stewardship, and other sound business measures collectively accrue to long-term value.
Policy Updates

7. Updating CII executive compensation policies

CII overhauled its policy on executive compensation, following two comment periods over the last two years and member approval this fall. The newly streamlined policy emphasizes longer periods for measuring executive performance, cautions companies from undue complexity in pay plans, and remains consistent with LACERA’s own Principles.

8. Expanding CII policies on responsible business practices and long-term value

CII policy has long recognized that responsible business practices are consistent with protecting long-term value (policy at 1.6). The CII Policies Committee is discussing augmenting the policy language to prospectively reference key components of responsible business practices, such as human capital. Per LACERA’s policy, LACERA advocates its Principles (which include ESG factors like human capital) at associations such as CII.

Communication, Education, and Trustee Tools

9. Developing trustee forums and education opportunities

CII convenes regular trustee roundtables and special dinners for trustees at each conference to provide a venue for trustees to exchange views and insights on subjects and trends interest and to facilitate input. Per trustee feedback, CII planned a trustee forum in Berkeley, California slated for Fall 2019, but canceled it due to inadequate enrollment.

10. Providing guidance on ESG reporting frameworks

CII recently published a primer for investors on leading ESG, or sustainability-related corporate reporting frameworks. The guide covers four key frameworks: the Sustainability Accounting Standards Board (SASB), the Task force on Climate-related Financial Disclosures, Climate Disclosure Project (CDP), and Global Reporting Initiative (GRI).

11. Availing communication tools and updates

CII provides updates and background on all of its initiatives via several channels:

- **Website:** CII’s website details its initiatives, research, and all correspondences with regulatory agencies, legislators, and standard-setting agencies like the exchanges.

- **Weekly newsletters:** CII emails a weekly newsletter highlighting updates, member initiatives, and governance-related news. If you are not on the mailing list and would like to receive the newsletters, please contact Linda El-Farra.
- **New podcast:** CII launched a new podcast covering governance topics and debates. It is available in app stores under “Council of Institutional Investors.”

Per member feedback, CII is also developing one-page briefs on its key advocacy initiatives which are anticipated to be available on the CII website in the near future.

**Organizational Update**

12. **CII announced succession plan**

As part of prudent succession planning for key executives, CII announced that long-time CII deputy director Amy Borrus will succeed executive director Ken Bertsch when he retires in August 2020. Amy joined CII in 2006. She was previously an award-winning journalist with BusinessWeek for over two decades, reporting from Washington, DC, London, and Tokyo. She holds a B.A. from the University of Pennsylvania and a master’s degree from the London School of Economics.

CII’s Spring 2020 Conference, to be held in Washington D.C. March 9-11, will cover these issues and more, as well as celebrate CII’s 35th anniversary.

Noted and Reviewed:

______________________________
Jonathan Grabel
Chief Investment Officer