



**Tuesday, June 7, 2022
Audit Committee Meeting**

Call to Order - 9:00 A.M.

**The Board meeting will be conducted via Webex video conference.
Members of the public will be provided access via teleconference.**

1. Call to Order/Roll Call (9:00a)

2. Adoption of Minutes (9:00-9:05)

A. Adoption of the March 1, 2022, Minutes

3. External Audit (9:05-9:10)

A. Fiscal Year 2022 Financial Statement Audit Planning Letters

4. Internal Audit (9:10-9:50)

A. Audit Recommendation Status Report

B. Internal Audit Report – Custody Bank – State Street Bank

C. Audit Plan Quarterly Status Report - Fiscal Year 2022

D. Fiscal Year 2023 Audit Plan

5. Management (9:50-9:55)

A. Investment Referral Quarterly Report

6. Education Session (9:55-10:40)

A. Impact of Investor Votes on Board Elections

7. Other Items (10:40-10:45)

8. Adjourn (10:45a)

**WASHINGTON STATE INVESTMENT BOARD
Audit Committee Meeting Minutes
June 7, 2022**

The Audit Committee met in open public session via Webex video conferencing, with dial-in access available to the public.

Committee Members Present: Treasurer Mike Pellicciotti, Chair
Tracy Guerin
Sara Ketelsen
Joel Sacks
Liz Lewis
Bill Longbrake
David Nierenberg

Committee Members Absent: George Zinn

Also Present: Allyson Tucker, Chief Executive Officer (CEO)
Chris Hanak, Chief Investment Officer (CIO)
Kristina Taylor, Chief Financial Officer (CFO)
Marie Steffen, Audit Director
Susan Iselin, Internal Auditor
Bridget Murphy, Corporate Governance Officer
Stacy Conway, Executive Assistant
Lisa Devlin, Administrative Assistant

Fassil Michael, Institutional Shareholder Services (ISS)
Tor Jernudd, Attorney General's Office
Jesse Yoder, Attorney General's Office

CALL TO ORDER

Chair Pellicciotti called the meeting to order at 9:02 a.m. and took roll call. All Committee members listed as present were able to fully participate in the meeting.

ADOPTION OF THE MARCH 1, 2022, MINUTES

Mr. Sacks moved to adopt the March 1, 2022, meeting minutes. Ms. Ketelsen seconded, and the motion carried unanimously.

EXTERNAL AUDIT

Fiscal Year 2022 Financial Statement Audit Planning Letters

Ms. Steffen reviewed the required audit engagement communication received by the Board's independent financial statement auditor, Eide Bailly. The communication included an engagement letter to management and a planning letter to the Audit Committee addressing the responsibilities of the auditor and management, expectations for the audit, and the scope and timing of the Fiscal Year (FY) 2022 audits. In addition, Ms. Steffen reviewed the changes

to the communication letters which included a recognition of the data sharing agreement between the WSIB and Eide Bailly and updated language based on changes in audit standards and audit communication standards. There were no changes to the overall financial statement audits or Eide Bailly's assessment of risks.

INTERNAL AUDIT

Audit Recommendation Status Report

Ms. Steffen reported on two open audit recommendations and noted that one was completed over the quarter. The remaining recommendation is on hold pending staff's return to office. When asked, Ms. Tucker informed the Committee that the WSIB plans to make a full return to the office September 12, 2022.

Internal Audit Report – Custody Bank – State Street Bank

Ms. Steffen presented the results of the Custody Bank – State Street Bank (State Street) audit engagement. Overall, the audit concluded that State Street has adequate processes and controls in place to ensure the safeguarding of assets and that the WSIB's financial and operating information is complete and accurate. Further, State Street has established policies and procedures that assist in ensuring consistency of financial operations and compliance with contract terms and agreed upon reporting. There were no reportable audit recommendations.

Discussion ensued regarding the frequency of the audits of the custody bank performed by the WSIB Internal Audit Unit and the WSIB's monitoring of State Street's controls.

Audit Plan Quarterly Status Report – Fiscal Year 2022

Ms. Steffen reported on the status of the FY2022 Audit Plan and the external audits. She introduced Susan Iselin, Internal Auditor, who is returning to the WSIB and reviewed the internal audit projects completed over the quarter. Ms. Steffen recognized the completion of the Non-Criminal Justice Agency compliance audit performed by the Washington State Patrol; there were no recommendations.

Fiscal Year 2023 Audit Plan

Ms. Steffen presented the FY2023 Audit Plan. The plan is risk-based and priorities are developed in alignment with the organization's goals. She provided information on internal audit's function and organizational independence and discussed the plan development and risk assessment process. The proposed Audit Plan contains seven audits that cover the Investment and Operations divisions. Ms. Steffen noted that three audits on the FY2023 plan are carried

forward from the FY2022 Audit Plan due to time spent on other FY2022 audits and staff turnover. She emphasized that it is not common for multiple audits to roll forward.

Discussion ensued regarding the scope of the planned audits of human resource management and tax reclaims, the frequency of cybersecurity audits and reviews, and the Internal Audit staffing and resources in relation to audit coverage.

Mr. Sacks requested that the Audit Committee be briefed on the work performed by the Compliance Unit, information about the other compliance activities that are designed to address risks and potential challenges, and the interplay between the units that provide assurance to the WSIB and the Board.

Ms. Guerin moved that the Audit Committee recommend the Board approve the Fiscal Year 2023 Audit Plan. Ms. Ketelsen seconded, and the motion carried unanimously.

MANAGEMENT

Chair Pellicciotti called on Ms. Tucker to update the Committee on the WSIB's response to continuing geopolitical issues and risk mitigation strategies due to increased market volatility. Ms. Tucker provided an update to the risk report presented at the April Board meeting, reviewed how the WSIB responds to market volatility, and highlighted key risk factors that emerge during a down market.

Discussion ensued regarding the WSIB's preparations to respond to a significant market event.

Investment Referral Quarterly Report

Ms. Tucker provided an overview of the investment referral report stating that there was an increase in investment referral activity over the quarter.

EDUCATION SESSION

Impact of Investor Votes on Board Elections

Mr. Michael presented the impact of investor votes as it relates to public company director elections. He provided an overview of the importance of corporate governance and proxy voting and stated that the WSIB is consistent with their peers in this space. He reviewed the types of uncontested and contested elections, how votes are counted, and the intended results of votes against company directors. He provided examples of how proxy votes impact directorships held by women and racially and ethnically diverse individuals in the Russell 3000,

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the types of governance changes companies may execute prior to a shareholder meeting based on shareholder desires, and how proxy voting can impact company directors who lack independence or those who are serving on too many boards. In addition, Mr. Michael highlighted the efforts of collective engagement coalitions, the impact stewardship codes have built over time, and the coalitions the WSIB actively engages in to create change over time.

OTHER ITEMS

There was no further business to come before the Committee, and the meeting adjourned at 11:04 a.m.