



Sustainable Investment & Stewardship Strategies (SISS) Policy Revisions

May 2023

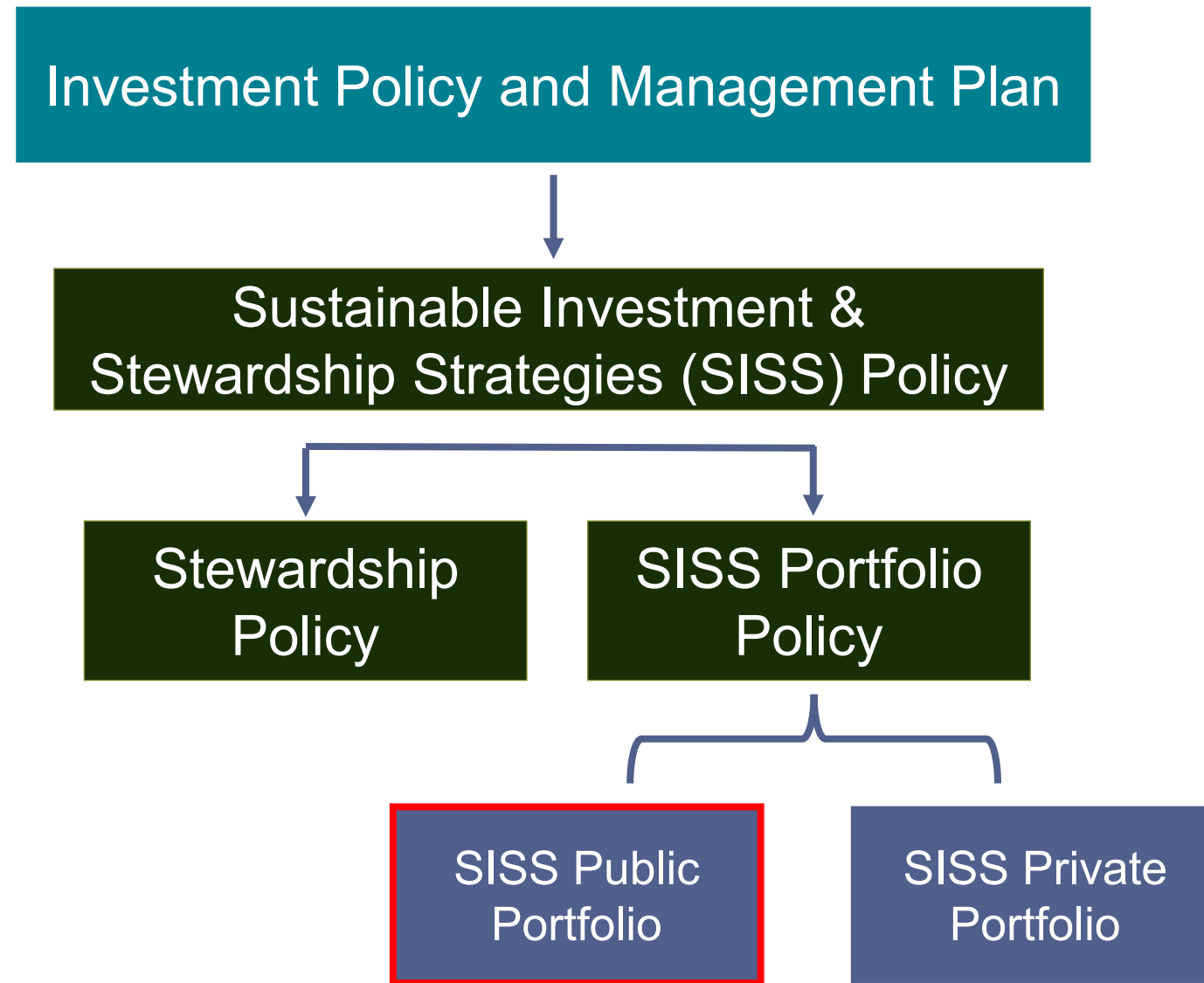




Net zero implementation plan: Public equities

- August 2022 Investment Committee:
 - Approval to allocate 20% of Public Equities to MSCI ACWI Low Carbon Target Index (LCTI)
 - Achieves emissions reductions in line with active risk budget
- To execute and simplify LCTI allocation:
 - Changes to SISS Public Portfolio Policy & portfolio structure
 - Changes to Global Equity Policy

SISS policy hierarchy





Proposed SISS investment policy revisions

- Staff recommends two policy revisions:
 - 1) Modify SISS Public Portfolio Policy Benchmark to market value weighted blend of each underlying strategy
 - 2) Incorporate SISS Public Portfolio active risk into Total Public Equity active risk budget proposed in Global Equity agenda item

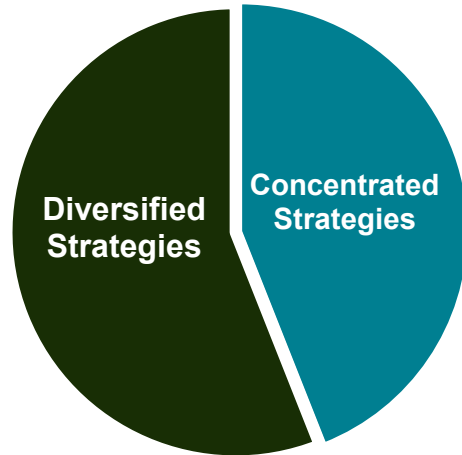


Rationale for SISS policy changes

- Consolidate & simplify portfolio management:
 - Transfer current LCTI exposure from SISS Public Portfolio to Global Equity portfolio
- Manage active risk effectively:
 - Global Equity team to manage active risk budget
- Maintain unique objectives of both public equity teams:
 - SISS team to continue to execute objectives of SISS Public Portfolio

SISS public portfolio impacts: Benchmark change

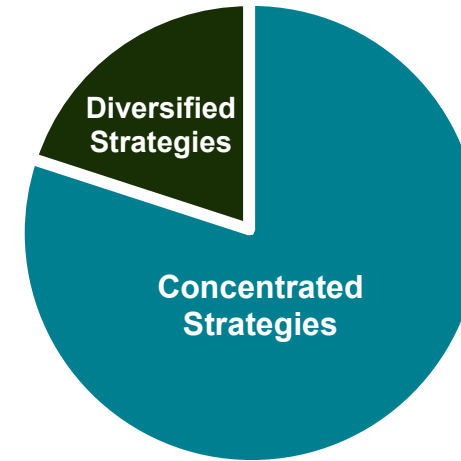
SISS Portfolio Pre-LCTI Transfer



Current Benchmark:

- Global diversified index (MSCI ACWI IMI)
 - Appropriate for diversified portfolio composition

SISS Portfolio Post-LCTI Transfer



Proposed Benchmark:

- Market value weighted blend of each underlying portfolio
- Better match for actively managed, concentrated portfolio

SISS public portfolio impacts: Change to active risk budget

