TORONTO

REPORT FOR ACTION

Investment Policy Update - Motion from City Council

Date: November 15, 2019
To: Toronto Investment Board
From: Executive Director, Corporate Finance
Wards: All

SUMMARY

This report provides an update to the Toronto Investment Board ("Board") regarding the Investment Policy that was considered by City Council at their meeting on October 2 and 3, 2019.

The report was referred back to the Chief Financial Officer and Treasurer (CFO&T) for review. City Council adopted a motion to review certain sections of the Investment Policy in consultation with The Toronto Atmospheric Fund (TAF) and the Toronto Investment Board. The CFO&T was asked to report back at the City Council meeting of January 29 and 30, 2020.

The motion asks for additional improvements to three areas of the Investment Policy, namely: Investment Beliefs; Environmental, Social, and Governance (ESG) Integration; and Monitoring and Reporting.

RECOMMENDATIONS

The Executive Director, Corporate Finance recommends that:

1. The Toronto Investment Board receive the report for information and provide any further advice that the Board may see fit to the Chief Financial Officer and Treasurer.

FINANCIAL IMPACT

There are no financial impacts on the City's operating or capital budgets as a result of this report.

DECISION HISTORY

At its meeting on October 2 and 3, 2019 City Council reviewed the Investment Policy and referred the report back to the Chief Financial Officer and Treasurer with a request that additional information be included after consultations with The Atmospheric Fund and the Toronto Investment Board.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX8.3

At its special meeting of May 10, 2019, the Toronto Investment Board adopted an amended report called Investment Policy - Environmental, Social, and Governance Review.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB2.1

COMMENTS

The Investment Policy presented to City Council on October 1 and 2, 2019 included information from previous consultations with The Atmospheric Fund (TAF), the Toronto Investment Board, Aon, Sustainalytics, Responsible Investment Association, and other various stakeholders listed in the report. The Investment Policy considered by Council at that meeting is attached to this report for reference (Attachment 1).

At its special meeting of May 10, 2019, the Board voted on a number of motions (Appendix 2). The information provided by the Board was included in the recent update to the Investment Policy.

In relation to this report and Investment Policy, City Council adopted the following on October 2 and 3, 2019:

1. That City Council refer the Item to the Chief Financial Officer and Treasurer, and request the Chief Financial Officer and Treasurer, in consultation with the Investment Board and the Toronto Atmospheric Fund, to report to the January 29 and 30, 2020, City Council meeting on additional improvements to the investment policy including consideration of the following:

a. Investment Beliefs – including a statement that consideration of environmental, social and governance factors, is expected to improve the risk/return profile of portfolios in the coming decades and, conversely, that not considering these risk factors may impair performance; Toronto will seek to reduce its exposure to these risks by limiting or fully restricting investments that will be potentially negatively affected by climate policy and regulations, in particular fossil fuel companies, and to increase its exposure to investments that contribute to keeping climate change under 1.5 degrees as per the Paris accord;

b. Environmental, Social and Governance integration – including a requirement that Environmental, Social and Governance factors will be central to the selection assets, vehicles and managers; when a prospective investment manager is assessed, or an existing Investment Manager is reviewed, for any/all asset classes and mandates, the

Investment Board will consider the Investment Manager's Environmental, Social and Governance policies, practices and outcomes, not just their policies;

c. Monitoring and Reporting – requiring regular reporting to City Council, as part of TransformTO on:

i) how climate risk is governed and addressed; and

ii) how opportunities to invest in climate solutions are being addressed.

Conclusion:

This report seeks further input from the Board in connection with a direction of Council. The Chief Financial Officer and Treasurer will consider that input along with input from other stakeholders in assessing the extent to which further amendments to the Investment Policy are required.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1 -- Investment Policy considered by Council (EX8.3)
Attachment 2 -- Special Meeting - Motions