TORONTO

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Environmental, Social, and Governance Reporting Update

Date: August 20, 2021
To: Toronto Investment Board
From: Director, Capital Markets
Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachments to this report involves the security of property belonging to the City of Toronto or one of its agencies or corporations.

SUMMARY

The Toronto Investment Board (Board) authorized a Request for Proposal (RFP) for a third-party Environmental, Social, and Governance (ESG) information provider at its meeting on October 7, 2020. This report provides an update to secure the services of an information provider.

An invitational RFP (iRFP) was developed and issued during Q1 2021. Receipt of bid submissions closed on April 12, 2021. Unfortunately the process was unsuccessful and the iRFP was officially closed and cancelled on June 3, 2021. Confidential Attachment 1 provides a listing of the information providers that were sent the iRFP and their individual responses.

The next option is to conduct a non-competitive procurement given the results of the iRFP. During August 2020, several of the City's current investment managers were surveyed to gather information on the most prominent and preferred ESG information service providers, which also would present the least conflict with the City's current investment processes. The results of the survey are detailed in Confidential Attachment 2.

City staff will move forward and conduct a non-competitive procurement for the services from the ESG information provider that was identified by a majority investment managers in Confidential Attachment 2. Should an agreement not be reached with the

recommended firm identified in Confidential Attachment 2, the second recommended firm identified in the attachment should be used as an alternative.

RECOMMENDATIONS

The Director, Capital Markets recommends that:

1. The Toronto Investment Board authorize the Director, Capital Markets to initiate a non-competitive procurement to retain the recommended third-party information provider identified in Confidential Attachment 2, and in the alternative to retain the second recommended third-party information provider identified in Confidential Attachment 2, to provide metrics in the area of assessing Environmental, Social, and Governance (ESG) performance which would facilitate a response to the City Council request to the Toronto Investment Board and the Chief Financial Officer and Treasurer to develop a process to monitor and report on whether or not external investment firms hired by the City are compliant with the terms of the Investment Policy with respect to ESG factors, and authorize the Chair or Vice-Chair of the Investment Board to execute an agreement with the recommended provider on behalf of the Investment Board.

2. The Toronto Investment Board direct that the confidential information contained in Confidential Attachment 1 and Confidential Attachment 2 remain confidential in its entirety, as it contains information that involves the security of property belonging to the City or one of its agencies or corporations.

FINANCIAL IMPACT

There is no financial impact to the City's operating or capital budgets as a result of this report.

DECISION HISTORY

At its meetings on October 7, 2020,The Toronto Investment Board authorized the Director, Capital Markets to initiate a Request for Proposal (RFP) for a third-party information provider that could provide metrics in the area of assessing Environmental, Social, and Governance (ESG) performance which would facilitate a response to the City Council request to the Toronto Investment Board and the Chief Financial Officer and Treasurer to develop a process to monitor and report on whether or not external investment firms hired by the City are compliant with the terms of the Investment Policy with respect to ESG factors.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IB9.5

At its meetings on June 29 and June 30, 2020, City Council approved the amendments to the City Council-approved Investment Policy related to ESG. City Council also requested the Toronto Investment Board and the Chief Financial Officer and Treasurer to develop an ESG process, to incorporate ESG factors into its investment decision

making, and to consider and incorporate internationally-recognized best practices for ESG when considering any changes to the Investment Policy.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX14.2

At its meeting on January 29, 2020, City Council referred Item CC14.4 to the Executive Committee for further consideration.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC14.4

At its meeting on December 4, 2019, the Toronto Investment Board received a report which provided a brief update on the changes to the Investment Policy regarding ESG. The board requested the Director, Capital Markets to report on the governance options as it pertains to the ESG factors and to review the various service providers of this data.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB5.3

At its meetings on October 2 and 3, 2019, City Council referred item EX8.3 to the Chief Financial Officer and Treasurer, and requested 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 meeting of City Council on additional improvements to the investment policy regarding ESG.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX8.3

At its special meeting on May 10, 2019, the Toronto Investment Board received a report which requested changes to the Investment Policy regarding ESG. The board requested the Executive Director, Corporate Finance to include recommendations to enhance and update the Investment Policy with regard to ESG factors.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IB2.1

COMMENTS

At the Board's meeting on October 7, 2020, the Board authorized a Request for Proposal (RFP) for a third-party information provider that could provide metrics in the area of assessing Environmental, Social, and Governance (ESG) performance. Under the guidance of the Purchasing & Materials Management Division (PMMD), an invitational RFP (iRFP) was chosen versus a conventional RFP because of the size and scope required to ensure quality of the anticipated service. The iRFP was developed during early 2021 and issued on March 9, 2021. Receipt of bid submissions closed on April 12, 2021 and the iRFP was evaluated during mid to early April. Of the five suppliers invited to bid on the proposal, only a single bid submission was received. The only submission failed as a result of failing to meet the technical requirements of the iRFP. The responses of the suppliers that were invited to bid on the iRFP are detailed in Confidential Attachment 1. Since the only submission failed, the iRFP was not successful. As a result, the iRFP was officially cancelled and closed on June 3, 2021.

PMMD put forward an option to conduct a non-competitive procurement given the failure of the iRFP. Non-competitive procurements are usually quicker than competitive procurements since they do not require review of bid submissions from multiple vendors. During August 2020, several of the City's current Investment Managers were surveyed to gather information on their most prominent and preferred ESG information service provider, which would also present the least conflict (such as system integration, comparison of data, information, or reporting) if the City were to engage with a service provider. The results of this are detailed in Confidential Attachment 2.

Authority is now being sought from the Board to proceed with a non-competitive procurement with the ESG information service provider recommended in Confidential Attachment 2. If the Director, Capital Markets is unable to reach an agreement with the firm identified in Confidential Attachment 2, the second recommended firm identified in the attachment should be used as an alternative.

CONTACT

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SIGNATURE

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Director, Capital Markets

ATTACHMENTS

Confidential Attachment 1 - iRFP Supplier Reponses
Confidential Attachment 2 - Survey of Investment Managers and Recommendations