

Environmental, Social, and Governance Reporting Update

Date: May 28, 2026

To: Toronto Investment Board

From: Interim Director, Capital Markets and Treasury

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) engaged MSCI Inc. (MSCI) and its subsidiary MSCI ESG Research LLC as its ESG Ratings Service provider. The agreement was in response to City Council's request to the Toronto Investment Board and the Chief Financial Officer and Treasurer to monitor and report on the performance of the external investment firms hired by the Board with respect to ESG factors according to the Investment Policy.

The MSCI products are being provided on a managed service basis whereby City staff provide portfolio information to MSCI via secured channels and MSCI generate reports on a portfolio and consolidated basis for the Long-Term Fund (LTF) and Sinking Fund (SF). Benchmark index information is also provided for comparison.

The information from MSCI is proprietary and confidential. There are a number of identifiable individual companies and governments in their detailed reports. The agreement with MSCI allows for the viewing and use of the information on a confidential basis by a limited number of City staff, the Board and City Council. The contract does allow for the public use of general consolidated information on a limited basis.

Portfolio holdings as at March 31, 2026 were submitted to MSCI in May 2026. Results were received as at the date of this report. Summary data is provided in this report as well as in Confidential Attachments 1, 2, 3 and 4.

RECOMMENDATIONS

The Interim Director, Capital Markets and Treasury recommends that:

1. The Toronto Investment Board direct that the confidential information contained in Confidential Attachment 1, Confidential Attachment 2, Confidential Attachment 3 and Confidential Attachment 4 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 meeting on December 12, 2025, the Toronto Investment Board authorized the Director, Capital Markets to negotiate a contract to retain services provided by MSCI Inc. and MSCI ESG Research LLC to supply quarterly reporting and metrics for the purposes of assessing Environmental, Social, and Governance (ESG) performance in relation to the Board's investments, and to authorize the Chair or Vice-Chair of the Toronto Investment Board to execute an agreement with these service providers on behalf of the Toronto Investment Board.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.IB14.3>

At its meetings on September 9, 2021, the Toronto Investment Board authorized the Director, Capital Markets to initiate a non-competitive procurement to retain a recommended third-party information provider identified in a confidential attachment and in the alternative, to retain the second recommended third-party information provider identified in the same attachment. The Board also authorized the Chair or Vice-Chair to execute the agreement with the recommended provider once negotiations were completed.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.IB13.5>

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 (November 15, 2019) 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 (March 28, 2019) 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

MSCI ESG Ratings - Results

Confidential Attachment 1 provides a summary of the MSCI ESG Rating on the Long-Term Fund (LTF) while Confidential Attachment 2 provides the ESG Rating on the Sinking Fund (SF). Staff are working with MSCI to understand and interpret the data and the reporting. MSCI also provides individual reports on each externally managed portfolio mandate. Although they are not attached to this report, they can be provided as necessary.

The MSCI ESG Ratings provide metrics in several areas which are combined for the ESG Rating number which then convert to an Overall Score. The Overall Score scale is presented in Table 1 below:

Table 1 - MSCI Overall Scoring Scale

Leader		Average			Laggard	
AAA	AA	A	BBB	BB	B	CCC

Table 2 and Table 3 below provides highlights of the consolidated information for the LTF and the SF respectively.

Table 2 - Summary of the MSCI ESG Rating on the Long-Term Fund (LTF)

Scoring Metric	Portfolio (LTF)	Benchmark (Blended)	Comments
Overall Score	A	A	Within "Average" rating
ESG Rating	7.05	6.92	Within "Average" rating
Carbon Risk Score (T CO2E/\$M Sales)	145.6	175.9	17.2% less than benchmark Within "Moderate" range
Reputational Risk (Very Severe Controversy Exposure)	0.01%	0.05%	"Low" Reputational Risk
Governance Risk (Global Percentile)	Leaders 25.1% Laggards 4.7%	Leaders 15.6% Laggards 4.3%	Leaders are 9.4% greater than benchmark

Table 3 - Summary of the MSCI ESG Rating on the Sinking Fund (SF)

Scoring Metric	Portfolio (SF)	Benchmark (Blended)	Comments
Overall Score	A	A	Within "Average" rating
ESG Rating	7.04	6.91	Within "Average" rating
Carbon Risk Score (T CO2E/\$M Sales)	109.9	174.2	36.9% less than benchmark Within "Moderate" range
Reputational Risk (Very Severe Controversy Exposure)	0.00%	0.05%	"Very Low" Reputational Risk
Governance Risk (Global Percentile)	Leaders 12.5% Laggards 4.0%	Leaders 15.8% Laggards 4.4%	Leaders are 3.3% less than benchmark

These results were based on the LTF and SF portfolios as at March 31, 2026. While the MSCI information database is quite large, it does not cover all the securities in the portfolios and the Market Value Coverage information on each metric is provided in the confidential attachments.

Since the last reporting, the blended benchmark Overall Score is currently rated "A". The portfolio Overall Score for the LTF and SF are currently both rated "A" and within the "Average" rating.

MSCI Carbon Portfolio Analytics Report - Results

The Carbon Portfolio Analytics Report provides a detailed analysis focused on environmental issues and more specifically measures the average weighted carbon intensity within each externally managed portfolio mandate. Two summary reports for the LTF and the SF are attached to this report.

MSCI ESG Research defines portfolio weighted average carbon intensity as a measure of a portfolio's exposure to carbon related potential market and regulatory risks and is computed as the sum product of the portfolio companies' carbon intensities and weights. More information on the metrics is included in the appendix of each confidential attachment.

Confidential Attachment 3 provides a summary of the MSCI Carbon Portfolio Analytics Report on the LTF while Confidential Attachment 4 provides the Carbon Portfolio Analytics Report on the SF. Staff continue to work with MSCI to understand and interpret the data and the reporting.

Table 4 and Table 5 below provides some highlights of the consolidated information for the LTF and the SF respectively.

Table 4 - Summary of the MSCI Carbon Portfolio Analytics on the Long-Term Fund (LTF)

Scoring Metric	Portfolio (LTF)	Benchmark (Blended)	Comments
Weight of Companies Owning Fossil Fuel Reserves	2.8%	2.7%	0.1% more than benchmark
Weight of Companies Offering Clean Technology Solutions	19.7%	15.5%	4.2% more than benchmark
Weighted Average Carbon Intensity Trend of Current Holdings (trend since 2015)	2017: 234.9 Current: 145.6 (Lower)	2017: 234.3 Current: 175.8 (Lower)	General improvement over time

Table 5 - Summary of the MSCI Carbon Portfolio Analytics on the Sinking Fund (SF)

Scoring Metric	Portfolio (SF)	Benchmark (Blended)	Comments
Weight of Companies Owning Fossil Fuel Reserves	2.0%	2.7%	0.7% less than benchmark
Weight of Companies Offering Clean Technology Solutions	23.4%	16.1%	7.3% more than benchmark
Weighted Average Carbon Intensity Trend of Current Holdings (trend since 2015)	2017: 151.6 Current: 109.9 (Lower)	2017: 232.6 Current: 174.2 (Lower)	General improvement over time

This second set of summary reports are prepared similarly to the MSCI ESG Ratings Report. As such, these results were based on the LTF and SF portfolios as at March 31, 2026.

CONTACT

Flaminio Carelli, Interim Director, Capital Markets and Treasury
Tel: 416-397-4054; Email: Flaminio.Carelli@toronto.ca

SIGNATURE

Flaminio Carelli
Interim Director, Capital Markets and Treasury

ATTACHMENTS

Confidential Attachment 1 - MSCI ESG Portfolio Summary Report - LTF
Confidential Attachment 2 - MSCI ESG Portfolio Summary Report - SF
Confidential Attachment 3 - MSCI Carbon Portfolio Analytics Report - LTF
Confidential Attachment 4 - MSCI Carbon Portfolio Analytics Report - SF