



# REPORT

To: ONE Joint Investment Board  
From: Colin MacDonald, Manager of Policy, MFOA  
Date: February 28, 2024  
Re: Responsible Investing Policy and ESG Update  
Report: ONE JIB 2024-017

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## 1. RECOMMENDATIONS

It is recommended that the Board:

1. Approve the Responsible Investing Policy (attached).

## 2. SUMMARY

ONE JIB and the ONE Investment Board of Directors approved and appointed members to an Environmental, Social and Governance (ESG) Working Group to help develop a coordinated governance regime to formalize ONE Investment's ESG practices. ONE JIB appointed board members Jennifer Dowty and Scott Pountney to the working group, which is comprised of six members made up of investment experts and municipal experts from ONE Investment's various governance and stakeholder groups. The working group reviewed comparable responsible investing policies which form the basis for the development of a draft Responsible Investing Policy for ONE Investment. ONE Investment staff is recommending that ONE JIB approve the draft policy, after which it will be brought to the ONE Investment Board for approval on April 12, 2024. The ESG Working Group will then begin work on recommendations for formalizing the integration of ESG considerations in the manager review process.

## 3. BACKGROUND

### **ONE Investment formed a working group to begin formalizing ONE JIB and ONE Investment's ESG practices**

After approval of ONE Investment's discussion paper and recommendations on ESG, ONE Investment formed an ESG Working Group to begin the work of formalizing the ESG practices already embedded in ONE Investment and ONE JIB's investment decision-making processes. The committee's goal was to develop a single policy that would govern the Legal List and Prudent Investment Programs. The committee consists of representatives from the ONE Investment Board, ONE JIB, the Investment Advisory Committee, the Peer Advisory Committee, and the ONE JIB Participating Municipalities group. It consists of investment experts and municipal experts (staff and elected officials)

## **ONE JIB appointed two members to the working group, Jennifer Dowty and Scott Pountney**

ONE JIB appointed two board members to the group, Jennifer Dowty and Scott Pountney. The committee consists of six members, made up of investment experts and municipal experts from ONE Investment's various governance and stakeholder groups:

### ONE Investment Board

- Gary McNamara, Mayor of the Town of Tecumseh
- Julie Pittini, Region of Peel

### ONE JIB

- Jennifer Dowty
- Scott Pountney

### Prudent Investor Participating Municipalities

- Julia McKenzie, Town of Huntsville

### Legal List Municipalities

- Greg Clark, City of London

## **The ESG Working Group has developed a Terms of Reference and a draft Responsible Investment Policy**

In its first meetings the ESG Working Group reviewed the recommendations of the Responsible Investing Discussion Paper and developed a Terms of Reference (attached). The ESG Working Group is a time-limited working group, and its core role is to review ONE JIB/ONE Investment's ESG practices, develop policies and procedures and make recommendations to the two governing bodies on better integrating formal ESG practices into information-gathering and decision-making processes.

## **When developing the draft Responsible Investing Policy, the ESG Committee reviewed policies for organizations that operate with a similar public sector interest**

In developing its views around the necessary components of a responsible investing policy, the group reviewed the policies of the organizations identified as potential comparables in the Responsible Investing Discussion Paper. Those entities were:

- Encasa
- OMERS
- MFABC
- City of Toronto

After an initial discussion, the committee decided that a responsible investing policy should be developed, as the investment holdings of municipalities and universities are attracting increasing public scrutiny. ONE Investment staff opted to use the structure of the University of Toronto Asset Management policy as a basis for structuring the Responsible Investing Policy.

#### 4. ANALYSIS

**The draft Responsible Investing Policy is designed to articulate beliefs and provide guiding principles, while not limiting options for process and procedure development**

After some deliberation, the draft policy was developed using the University of Toronto Asset Management policy as an outline, with each section being amended to reflect the nature of responsible investing at ONE Investment.

Section	Description
Our Mandate	Describes the mandate of ONE Investment
Responsible Investing	Defines “responsible investing” and its relationship to ESG investing and “sustainable investing.”
Policy	<p>Articulates ONE Investment and ONE JIB’s beliefs on ESG and defines the coverage scope of the policy as actively managed assets delivered through ONE Investment and ONE JIB.</p> <p>The scope specifically references actively managed assets; while ONE Investment and ONE JIB do not currently provide access to passively managed investments, the working group noted that the policy was structured around actively managed investments. This scope definition permits ONE Investment and ONE JIB to consider passive investments in the future without breaching policy.</p>
ESG Commitments	<p>This section articulates 11 principles to guide responsible investing at ONE Investment. The principles make clear commitments that ONE Investment/ONE JIB shall appoint managers who integrate ESG considerations into their investment strategies. It ensures that ONE Investment/ONE JIB communicate ESG expectations with managers and that ONE Investment/ONE JIB monitor managers ongoing ESG practices. It also requires that ONE Investment engage with stakeholders (internal and external) to ensure that they have the training and information they need to ensure ONE Investment/ONE JIB are meeting these commitments.</p> <p>The commitments, however, do not prescribe mechanisms for implementing or achieving these commitments. For example, all ONE Managers are UNPRI signatories and an early iteration made a commitment to ensuring all managers were UNPRI signatories. Subsequent versions were amended to reflect the principles of the UNPRI without requiring members to be signatories.</p>

Responsible Investing Governance	This section describes the ESG governance regime at ONE Investment emphasizing the decision-making bodies of the ONE Investment Board of Directors and ONE JIB while recognizing the roles of various advisory committees. It describes the temporary role of the ESG Working Group in establishing a formal ESG regime.
Transparency	Describes the mechanisms ONE Investment/ONE JIB will use to communicate its ESG activities and commitments to clients.
Policy Review	Details the time parameters for review of the policy.

The one explicit directive provided in the policy is a requirement to be reviewed annually and amended if necessary. The ESG Working Group may opt to recommend adding more detail and definition into the policy in future iterations as processes, procedures and tools are developed.

**ONE Investment staff intends to seek the ONE Investment Board of Directors approval of the policy on April 12, 2024**

As the Responsible Investing Policy is intended to cover both the Prudent Investment and Legal List Programs it requires formal approval of the governing bodies for the programs. Once ONE JIB has approved the policy it will be brought forward to the ONE Investment Board of Directors. Pending approval by ONE JIB, it is anticipated that the policy will be brought forward to the ONE Investment Board on April 12, 2024. Once approved by both governing bodies the policy will be posted publicly to the ONE Investment website.

**The next ESG Working Group meeting will be held in Spring 2024 where it will begin reviewing mechanisms for incorporating ESG considerations into manager reviews**

With the policy near completion, the next item on the agenda for the ESG Working Group is formalizing the incorporation of ESG considerations in manager evaluation. The working group will review mechanisms recommended in the UNPRI guide for asset owners and will hear from other municipalities who have already implemented some ESG measurement techniques. ONE Investment staff are coordinating external speakers with an aim to host the next meeting in Spring 2024.

**5. CONCLUSION**

The ESG Working Group is making progress and has helped ONE Investment staff draft a Responsible Investing Policy. ONE Investment staff is recommending that ONE JIB approve the policy.

**ATTACHMENTS**

- Attachment 1: Draft Responsible Investing Policy
- Attachment 2: ESG Working Group Terms of Reference

Drafted by: Colin Macdonald, Manager of Policy, MFOA  
 Approved by: Donna Herridge and Judy Dezell, Co-Presidents/CEOs, ONE Investment