WASHINGTON STATE INVESTMENT BOARD

2023 SUSTAINABILITY REPORT

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A MESSAGE FROM OUR CEO

I am pleased to present the Washington State Investment Board's (WSIB) 2023 Sustainability Report, formerly the Environmental, Social, and Governance (ESG) Report. Sustainable investing incorporates material ESG considerations into investment practice, which improves long-term outcomes. As long-term investors, we began integrating sustainable investment factors into our investment approach long before the term ESG existed. Sustainability aligns closely with the WSIB's organizational vision, mission, and values. Companies today are increasingly judged on how well they are adapting to the accelerating impacts of climate change and shifts in social dynamics worldwide. Boards and company management teams are being held accountable for how well they are addressing these issues—the "G" in ESG.

ESG investment considerations have become increasingly politicized over the past year. Following a decade in which investors began to embrace ESG factors as potential sources of opportunity and risk management, we are starting to see signs of pushback on this investment approach. Many asset managers and owners are under increased pressure to choose a side in this burgeoning ESG debate. At the WSIB, ideology does not drive our investment decisions. We are responsive, not reactive to external influences. We will not stray from our mission to maximize return at a prudent level of risk for the exclusive benefit of our beneficiaries—and we believe integrating material ESG factors into our investment process will lead to superior long-term results. This must be done in a thoughtful way. Patience is one of the WSIB's core values, which is why we continue to methodically enhance and evolve our approach to sustainable investing.

In 2022, we developed blueprints that will help us better understand and address two of the most significant issues facing investors today: climate change and diversity, equity, and inclusion (DEI). These blueprints provide the WSIB with a firm strategic foundation to integrate climate- and DEI-related considerations into the fabric of our organization and investment approach while using our influence to help drive change throughout the investment industry.

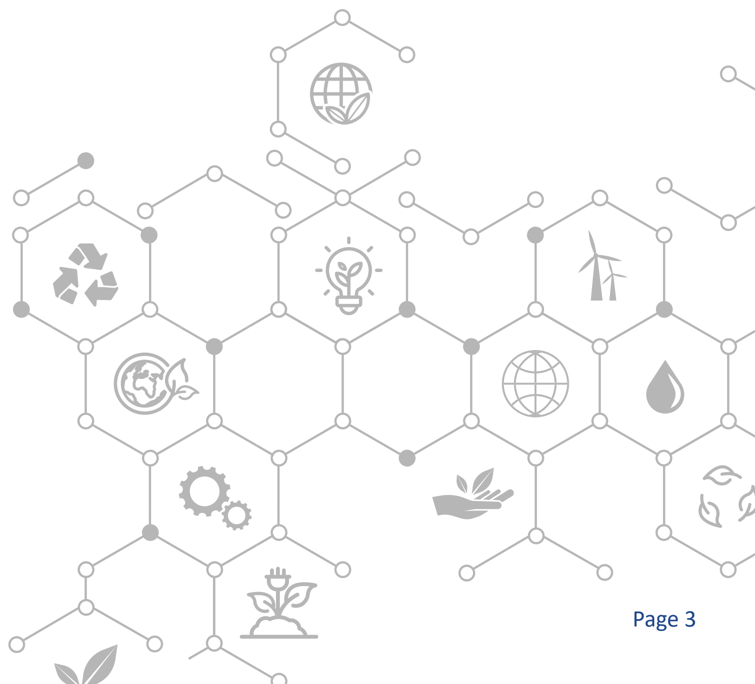
2022-23 HIGHLIGHTS

- Since 1981, our mission has not changed. It is at the heart of everything we do. In 2023, we developed a vision and a clear set of values for the agency to help ensure that we are well-positioned for an uncertain future.
- In this year's report, we utilized the globally recognized Task Force on Climate-Related Financial Disclosures (TCFD) guidelines to measure and report our portfolios' climate-related risks and opportunities.
- The WSIB's investments in renewable energy companies have more than doubled since 2019, with over $1.7 billion invested in this growing market.
- We partnered with Ownership Works, a nonprofit organization that promotes broad-based employee ownership programs at U.S. companies. This program has seen tremendous success in a short period. To date, 75 leaders from the public, private, and nonprofit sectors have signed onto this initiative, and 66 companies have implemented shared ownership programs, reaching over 95,000 employees.

I hope this report will further your understanding of all the vital work the WSIB has done, and will continue to do, to drive sustainable investment outcomes for the funds we manage and the beneficiaries we serve.

Allyson Tucker, CFA, CAIA

Chief Executive Officer



INTRODUCTION

The WSIB has an unwavering focus on acting in the best interests of our beneficiaries over the long term. Integrating financially material ESG considerations into our investment process has long been part of our fiduciary duty. The WSIB's ESG framework is comprised of three complementary programs: Asset Stewardship, ESG Integration, and Advocacy. These are described in greater detail on the following pages.

ASSET STEWARDSHIP PROGRAM

CORPORATE GOVERNANCE

- Proxy voting
- Public company engagement
- Oversight of investment manager stewardship

ESG INTEGRATION PROGRAM

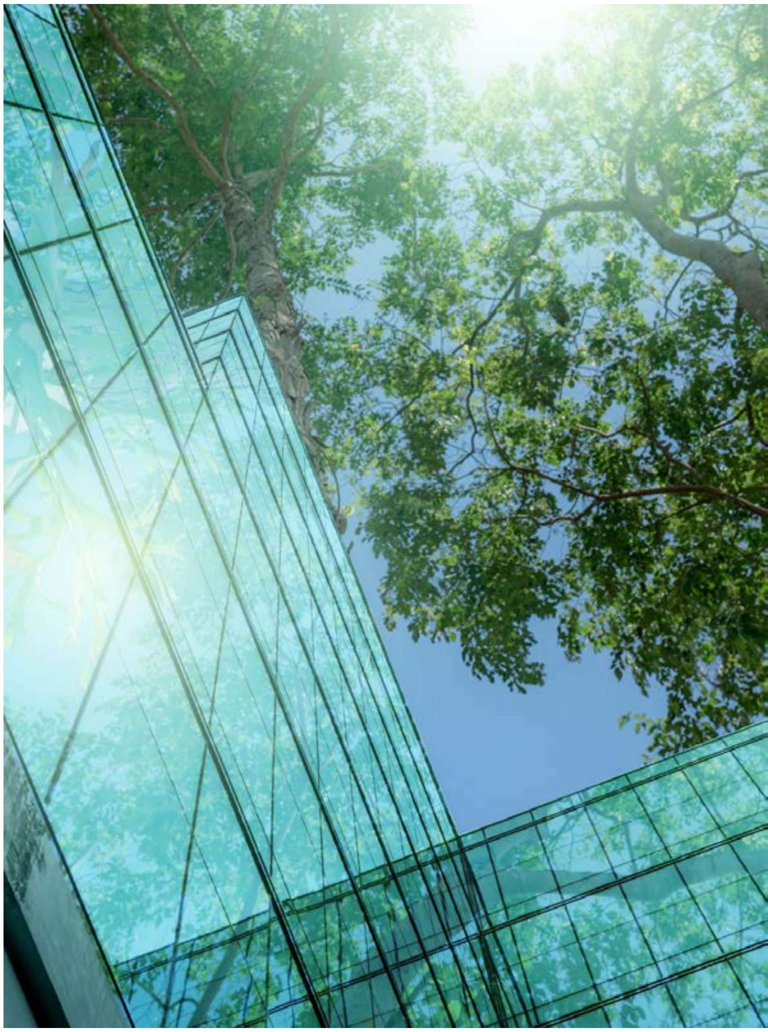
SUSTAINABILITY

- Promote best practices on ESG integration within each asset class
- Educate and train investment staff to build a deeper understanding of critical ESG issues
- Develop a total portfolio climate risk measurement framework

ADVOCACY PROGRAM

INSTITUTIONAL RELATIONS

- Engage with industry groups, regulators, and other stakeholders on ESG issues
- Assist with the creation of standards and frameworks that are material to the investment process and/or improve the functioning of capital markets



While the WSIB's overall approach to ESG investing continues to evolve, systemic issues like climate change and DEI remain critical focus areas. Last year, the WSIB created a Climate Blueprint and DEI Blueprint, each with Board oversight. Since then, we have developed an ESG Partner Assessment Framework and introduced an ESG Curriculum and Learning Library, which helps ensure that our investment staff can effectively incorporate material ESG considerations into their investment partner selection and due diligence processes. The WSIB also hired an Assistant Corporate Governance Officer in July 2023, bringing the total number of dedicated ESG staff to three. The 2023 Sustainability Report provides readers with key actions taken over the last year that support the WSIB's longstanding objective to ensure that ESG considerations are incorporated into our investment process in a way that maximizes returns at a prudent level of risk for the exclusive benefit of plan beneficiaries.

The members and stakeholders of Washington State's investment programs put their trust in the WSIB to act as a responsible steward of financial assets. Three key components make up the WSIB's asset stewardship program:

PROXY VOTING POLICY DEVELOPMENT AND IMPLEMENTATION	ENGAGEMENT WITH PUBLICLY LISTED COMPANIES ON PRIORITY ISSUES	OVERSIGHT OF INVESTMENT MANAGER PROXY VOTING AND ENGAGEMENT POLICIES AND PRACTICES

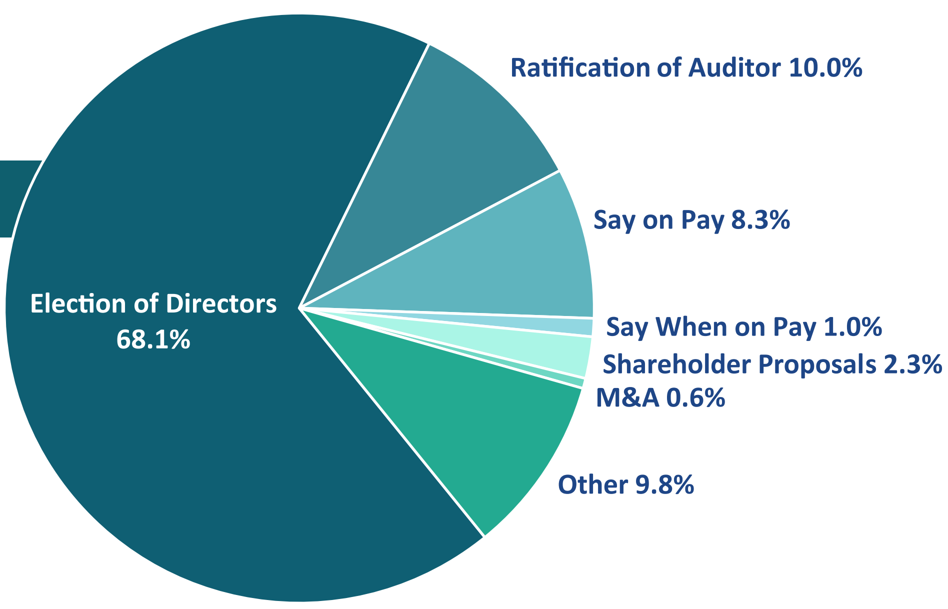
PROXY VOTING

Through its ownership of publicly traded stocks, the WSIB is a shareholder in thousands of companies and has the right to vote ballots at annual and special meetings. Shareholder proxy voting helps the WSIB ensure that the public companies in which we invest remain sufficiently focused on their long-term sustainability. To maximize the impact of the WSIB's resources and influence, the Board has approved several priorities that guide the WSIB's proxy voting and engagement practices:

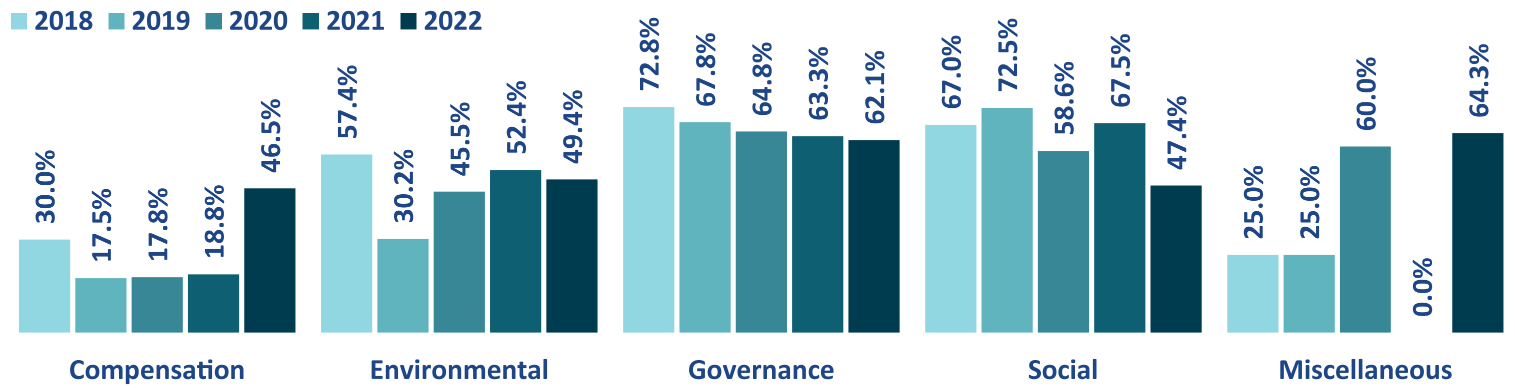
- Shareholder rights and long-termism – The WSIB supports proposals that provide an avenue for constructive shareholder input to companies, especially input that encourages company management teams to focus on long-term value creation rather than short-term considerations.
- Diversity of boards and company management – The WSIB has strengthened its voting policies around its belief that diversity on company boards and management teams benefits companies by providing a broad range of perspectives and insights.
- Climate issues – The WSIB often supports proposals that seek improved disclosure and reporting of the risks associated with climate change. These issues are assessed on a case-by-case basis, evaluating a company's existing reporting and progress, the relevance of climate issues within different industries, and emerging standards for climate impact.

The WSIB voted in 3,163 meetings between January 1 and December 31, 2022, versus 3,234 in 2021. The agency cast proxy votes for 27,957 individual proxy proposals (2021: 28,086) primarily related to the election of directors, ratification of auditors, and advisory votes on executive compensation (Say-on-Pay).

2022 PROXY VOTING



SUPPORT FOR SHAREHOLDER PROPOSALS BY CATEGORY 2018 - 2021



PRIMARY REASONS FOR VOTING AGAINST DIRECTORS

- INITIAL PUBLIC OFFERING (IPO) GOVERNANCE CONCERNS
- POOR COMPENSATION PRACTICES
- LACK OF INDEPENDENCE
- POOR ATTENDANCE RECORD
- DIRECTOR SERVES ON AN EXCESSIVE NUMBER OF AUDIT COMMITTEES (OTHERWISE KNOWN AS “OVERBOARDING”)
- LACK OF BOARD GENDER DIVERSITY

Of the 19,039 director votes cast in 2022, down from 19,248 in 2021, the WSIB voted against or withheld votes from 1,844 nominees (approximately 9.7 percent versus 7.1 percent in 2021). These votes were in line with the WSIB’s Global Proxy Voting Policy.

In 2022, the WSIB supported 54.2 percent of shareholder proposals reviewed. This is down slightly from the support levels in 2021 and 2020.

In December 2022, the WSIB Board approved several updates to its Proxy Voting Policy:

- Require 30 percent gender diversity on Russell 3000 company boards, with some exceptions
- Require large, listed companies to disclose racial/ethnic diversity of board members
- Codify approach to shareholder proposals related to dual (multi)-class shares
- Addition of board-level accountability for multi-class share structures without sunset provisions
- Require disclosure and strong governance frameworks on climate-related risks for the largest U.S. emitting companies with board-level accountability

The diversity- and climate-related updates are aligned with the objectives of the related blueprints. These updates are also aligned with the WSIB’s public company engagements, specifically the work and aims of the CDP, Climate Action 100+, Investor Coalition for Equal Votes (ICEV), and Thirty Percent Coalition, which are described below.

The WSIB’s Proxy Voting Policy and Guideline are available at https://www.sib.wa.gov/oversight.html.

ENGAGEMENT WITH PUBLICLY LISTED COMPANIES

The WSIB has been increasing its engagement with a select number of publicly listed companies based in the state of Washington during recent years. These engagements have focused on the WSIB's asset stewardship priorities of board diversity- and climate-related risks. Further, to have optimal impact, the WSIB has worked on these priority issues with investor coalitions including the Thirty Percent Coalition, The CDP (formerly the Carbon Disclosure Project) and the Climate Action 100+. As the public company engagement program continues, the WSIB plans to responsibly increase the number of strategic engagements with large publicly listed companies in our state, with a specific focus on ESG issues that are material to long-term investment outcomes. Highlights from 2022 from each of these campaigns are below.

THE CLIMATE ACTION 100+

The WSIB co-leads two campaigns within the Climate Action 100+, which involve working closely with large Washington-based companies that are structurally significant to global climate risks and solutions. The WSIB has met with both companies several times since 2017, including meetings with each of them in 2022. Engagement topics include:

- Governance of climate-related issues
- Setting and disclosing emissions and net zero targets, climate lobbying, and spending disclosures
- TCFD reporting

The Climate Action 100+ was initially launched as a 5-year campaign, running through 2022. The coalition has put forward a renewed 7-year vision, with enhancements such as a greater focus on net zero benchmarking, more rigorous reporting requirements for lead investors, and a new focus on the Just Transition. Per the International Panel on Climate Change (IPCC), the Just Transition is a set of principles, processes, and practices that aim to ensure that no people, workers, places, sectors, countries, or regions are left behind in the transition from a high carbon to a low carbon economy. In addition, the Climate Action 100+ reassessed its focus companies and determined that one of the WSIB's two focus companies would be removed from the list, bringing that campaign to a close. In June 2023, the WSIB renewed its participation in Climate Action 100+ for the next 7 years.

CDP

CDP is a not-for-profit organization that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. The WSIB continues to participate in the CDP Non-Disclosure Campaign. In 2022, 268 investors with $30 trillion in assets requested information on climate change and water and forest management from 1,466 distinct companies (26.5 percent responded). The WSIB was the lead outreach participant for seven Washington-based companies. Two of those companies provided survey responses for the first time in 2022. Questionnaires contain metrics aligned with the TCFD.

ICEV

The WSIB joined the ICEV in 2022 as a founding member alongside other select U.S. pension peers. The Council of Institutional Investors (CII) and Railpen, which is based in the U.K., co-lead this coalition. The ICEV engages with key market participants and policymakers in the U.S. and the U.K., as well as some individual companies, emphasizing the importance of the proportionate shareholder voice to effective stewardship and long-term sustainable company performance. The end objective is to prevent the further enabling of dual-class share structures without strict mandatory time-based sunset clauses.

THIRTY PERCENT COALITION

The Thirty Percent Coalition is a group of investors that advocates for increases in gender, racial, and ethnic diversity on corporate boards and in senior leadership at companies worldwide. The WSIB has participated in the Thirty Percent Coalition's "Adopt a Company Campaign" for over 5 years. The WSIB also participates in the organization's forums and webinars to share and learn best practices related to DEI with asset owner peers and investment partners.

OVERSIGHT OF INVESTMENT MANAGER PROXY VOTING AND ENGAGEMENT POLICIES

Regarding publicly traded company shares held by the WSIB's investment managers, nearly all proxies for companies based in the U.S. are voted on by WSIB staff. Proxy voting for companies outside of the U.S. is complicated by factors such as requirements for powers of attorney, share blocking, the translation of proxy voting materials, and, in some markets, a need to have a representative present at meetings. Proxy voting for non-U.S. holdings is typically executed by the WSIB's external public equity managers, who act as fiduciaries on the WSIB's behalf, to ensure that the agency can adequately and cost-effectively manage these considerations.

Oversight of investment manager proxy voting and engagement activities is integrated into the manager selection process. The WSIB uses the following approach to ensure that public equity managers are voting its stakeholders' shares in a responsible manner:

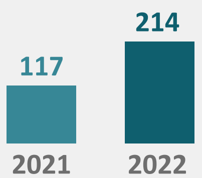
- All potential managers must share their proxy voting policy with the WSIB as part of the final due diligence in the selection process, which is reviewed by the WSIB's corporate governance staff.
- Discussion of existing managers' approaches to proxy voting, engagement, and their assessment of ESG risks is included in ongoing due diligence and monitoring meetings.
- Non-U.S. managers are required to provide the WSIB with records of all proxy votes, which are analyzed by our third-party proxy advisors, reviewed by WSIB staff, and presented in summary to the Board annually. The most recent analysis confirmed that these external managers were voting their proxies in line with their fiduciary duty.

SHAREHOLDER PROPOSALS: A CHANGING LANDSCAPE

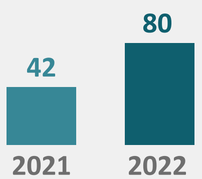
Most resolutions that appear on a proxy voting ballot, such as the election of directors and ratification of the auditor, are put forward by the company's management. However, the shareholder proposal process allows investors to submit resolutions for inclusion on the ballot upon meeting certain criteria. In the U.S., investors who have held stock valued at $25,000 for 1 year, $15,000 for 2 years, or $2,000 for 3 years are eligible to submit non-management resolutions. Recently, the volume of shareholder-backed resolutions has increased sharply for two reasons. First, there has been a growing awareness that the shareholder proposal process can effectively influence company behavior by engaging a wider group of stakeholders, including ESG advocacy groups and "anti-ESG" proponents. And second, the Securities and Exchange Commission (SEC) softened the rules around what it considers "ordinary business," allowing resolutions that could have a "broad societal impact," as opposed to a prior view focused more on financial materiality. For example, several recent shareholder resolutions have requested that companies outline their internal policies and public stances related to reproductive rights.

As a result, the number of shareholder resolutions increased last year, and support levels dropped. The WSIB reviewed 214 social shareholder proposals in 2022, versus 117 in 2021, and 80 environmental resolutions in 2022, versus 42 in 2021. The 2023 proxy season revealed similar upward trends in the number of shareholder proposals. The WSIB's analysis of these resolutions includes proxy advisor research, discussions with peers and climate-focused investor coalitions, and internal staff review and analysis.

SOCIAL SHAREHOLDER PROPOSALS



ENVIRONMENTAL RESOLUTIONS



ESG INTEGRATION

The WSIB invests most of its beneficiaries' assets through external trusted partners and carefully researched investment managers. The exception is the WSIB's highly experienced Fixed Income investment unit, which manages assets in house. The WSIB's ESG Integration objective is for all investment staff to have the necessary tools to appropriately incorporate the agency's ESG framework into their investment due diligence and monitoring processes. In 2022, a project team, which included a member of every asset class, along with staff from other key areas of the agency, identified a list of critical ESG considerations that we believe are material across all asset classes and strategies:

- **FIDUCIARY DUTY/ALIGNMENT WITH WSIB INTERESTS**
- **DIVERSITY, EQUITY, INCLUSION**
- **CLIMATE RISK MANAGEMENT**
- **ESG POLICY, PRACTICES, PROCEDURES**
- **INTEGRATION WITHIN INVESTMENT PROCESS**
- **CULTURE**

Building upon years of experience integrating material ESG factors into the investment due diligence process, in 2023, the WSIB began to develop a comprehensive ESG curriculum and Learning Library based on the above framework. The curriculum consists of live learning sessions, videos, reading materials, and assignments. The Learning Library provides additional research that supports the financial materiality of these topics.

The WSIB believes this fully integrated approach is superior to one in which a separate team performs ESG analysis independent of the overall investment analysis. It helps ensure that the agency's focus on ESG topics is right-sized relative to other material investment factors. It also reduces the risk that ESG integration becomes a "box-checking" exercise.

ESG DATA CONVERGENCE INITIATIVE (EDCI)

The WSIB joined EDCI in early 2023 as part of its ongoing effort to advocate for consistent, comparable, and quantitative ESG data in both public and private markets. The EDCI is comprised of private equity general partners (GPs) and their investors (limited partners or LPs). The goal is to create a critical mass of meaningful, performance-based ESG data from private companies by converging around a standardized set of ESG metrics. The EDCI will enable GPs and portfolio companies to benchmark their current position and generate progress toward ESG improvements while enabling greater transparency and more comparable portfolio information for LPs and investment managers. Currently, 325 total members have committed to the EDCI (221 GPs and 104 LPs/investment managers), representing approximately $27 trillion of assets under management (AUM) worldwide.

GPs who are participating in the EDCI are required or asked to report the following metrics to EDCI on an annual basis:

GREENHOUSE GAS EMISSIONS
- Scope 1
- Scope 2
- Scope 3 (optional)

RENEWABLE ENERGY
- Percent Renewable energy usage

DIVERSITY
- Percent Women on Board
- Percent Women in C-suite (optional)
- Percent Underrepresented groups (optional)
- Percent LGBTQ+ on Board (optional)

WORK-RELATED ACCIDENTS
- Injuries
- Fatalities
- Days lost due to injury

NET NEW HIRES
- Net New Hires (organic and total)
- Turnover

EMPLOYEE ENGAGEMENT
- Employee Survey (yes/no)
- Employee Survey Response (optional)

COMING SOON – A NEW DEFINED CONTRIBUTION MENU OPTION

In 2023, the WSIB Board approved the AB Sustainable Global Thematic Strategy (SGT), managed by AllianceBernstein (AB), as the Global Socially Responsible Investment Fund (SRI) investment option for the state-administered defined contribution (DC) and deferred compensation program (DCP). In 2024, the AB SGT Strategy will replace the current SRI option, a balanced fund managed by Boston Trust Walden.

The SGT strategy uses the UN Sustainable Development Goals (SDGs) to identify key sustainability themes and companies leveraged to them. The SDGs are a blueprint for ending poverty, protecting the planet, and improving the lives and economic prospects of everyone. These 17 goals address various social needs, including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. We believe these SDGs are an authentic expression of socially responsible investing, which will likely resonate with certain members and beneficiaries.

The strategy's thematic, top-down framework is supported by a rigorous, bottom-up research process that targets companies with superior growth and quality characteristics, strong ESG practices, and attractive risk/reward profiles. Materiality is at the heart of every phase of the investment process, including the integration of ESG factors. The SGT investment team conducts fundamental ESG research and company engagement efforts while collaborating closely with AB's corporate governance team on all proxy voting decisions for its portfolio companies. The direct involvement of the SGT investment team lends credibility to the idea that incorporating ESG considerations into the investment process enhances rather than detracts from risk-adjusted returns.

At the WSIB, our influence as a long-term, responsible investor benefits from our collective engagement with like-minded owners. We rely heavily on partnerships with pension fund peers, investment managers, and industry coalitions to amplify our voice. In line with our fiduciary duty, we frequently advocate for proposed rules and practices that promote fair and functioning markets and encourage long-term sustainable investment disciplines. The WSIB participates in numerous coalitions and forums on a wide range of issues, including climate change, DEI, and corporate governance.

Earlier this year, WSIB CEO Allyson Tucker participated in JP Morgan's Scottsdale Action Forum. Dozens of CEOs from some of the world's largest public and private companies and institutional investors gathered for two days of meetings to discuss the pressing need to take meaningful steps to address climate change, from sustainable development and clean tech innovation to decarbonization and the energy transition. During this event, Allyson met with the CEOs of some of the WSIB's investee companies to discuss the steps they are taking to tackle and address the impacts of climate change and advance the energy transition.

In last year's ESG Report, we highlighted the WSIB's support for Ownership Works, a nonprofit organization focused on expanding broad-based employee ownership across corporate America. Launched in 2021, Ownership Works aims to create $20 billion in wealth for lower-income and diverse workers by 2030 and to ultimately make shared ownership the new norm at work. Allyson Tucker and WSIB staff lend their time and expertise to Ownership Works with the shared goal of establishing employee ownership as a leading ESG strategy that can generate both strong investment returns and significant social benefit.

Shared ownership programs can drive operational and financial improvements through higher employee engagement, lower turnover, and increased productivity. These programs also help employees access much needed wealth-building opportunities, which is particularly important among low- and moderate-income households that own very few assets. Shared ownership can help families develop greater financial security and resilience when paired with financial education and coaching. Extending ownership opportunities beyond senior management to all workers helps increase gender and racial equity in the decision-making process.

The Ownership Works shared ownership model is quickly gaining momentum. The group has forged partnerships with over 75 leaders from public companies, investors, financial institutions, foundations, pension funds, labor advocates, and professional services firms. This group includes 23 private equity partners, with those who focus on control investments committing to launching a shared ownership program in at least three of their portfolio companies. Over the past 2 years, 66 companies have implemented shared ownership programs reaching over 95,000 employees. To date, over $350 million has been paid out to workers in these programs, of which $127 million is going to low- and moderate-income workers and $153 million is shared with workers of color[1].

The WSIB also periodically contributes to research conducted by our partner organizations to help do our part to improve the function of capital markets over the long term. In 2023, the WSIB contributed to FCLT Global's white paper, *Grey to Green: The Opportunity for Private Equity to Decarbonize Assets*[2] and the World Economic Forum's white paper, *Private Market Impact Investing: A Turning Point*[3]. The WSIB continues to work with partners focused on impact investments to help align their efforts with a fiduciary-first mindset.

1 https://ownershipworks.org/wp-content/uploads/2023/07/Ownership-Works-Press-Release-July-2023.pdf

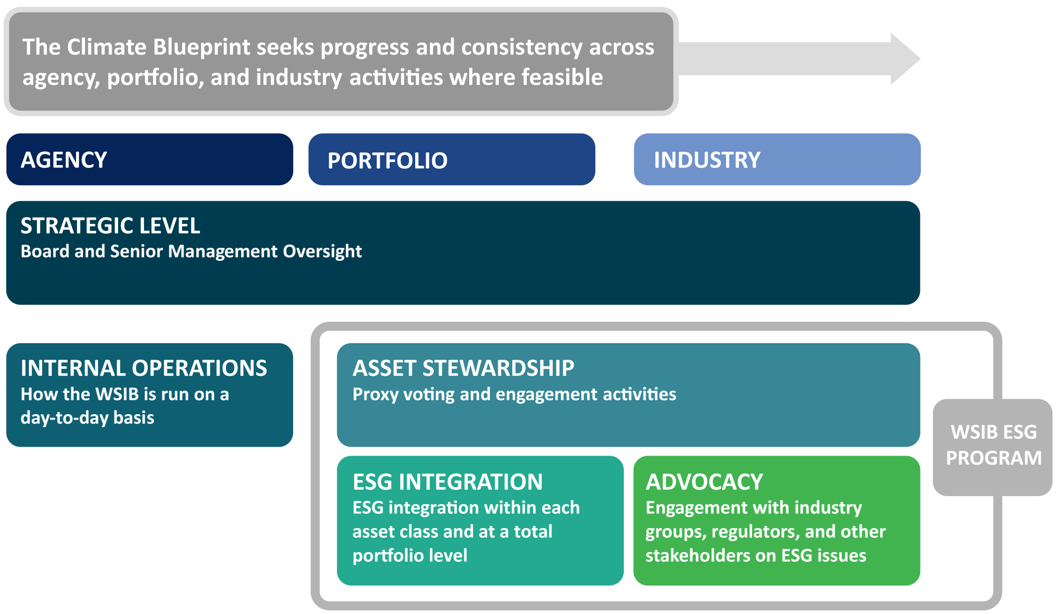
2 https://www.fcltglobal.org/wp-content/uploads/Grey_to_Green_FCLTGlobal.pdf

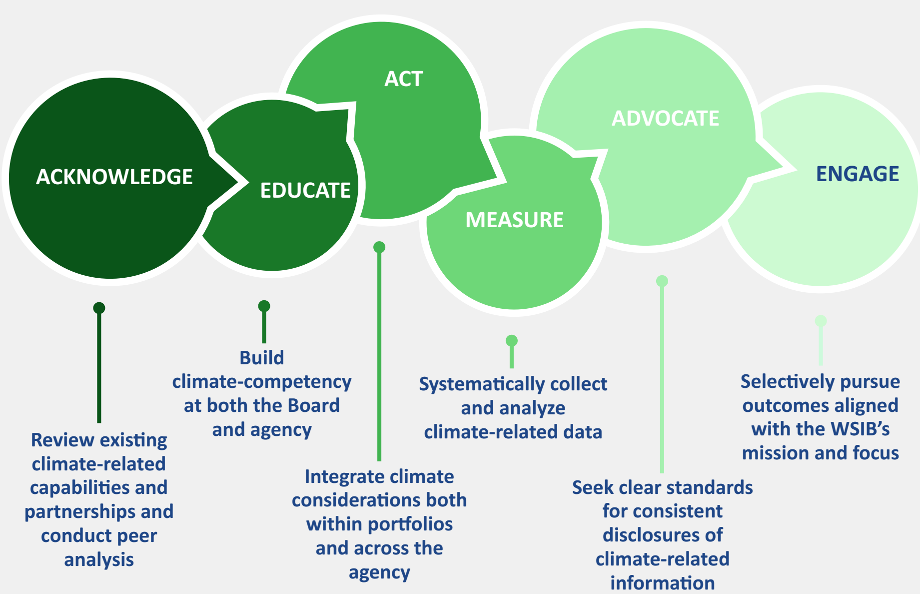
3 https://www.weforum.org/whitepapers/private-market-impact-investing-a-turning-point

BLUEPRINT FRAMEWORKS

In 2022, the WSIB introduced a DEI Blueprint and a Climate Blueprint as two of the agency's key long-term strategic initiatives. These blueprints are strategic tools to help define and advance the WSIB's ability to address systemic issues like DEI and climate change as integral factors within our investment discipline and organizational mission. They prioritize progress and consistency across agency, portfolio, and industry activities. The blueprints are not published reports with a definitive end product; they are dynamic project plans that will evolve over time based on WSIB priorities.

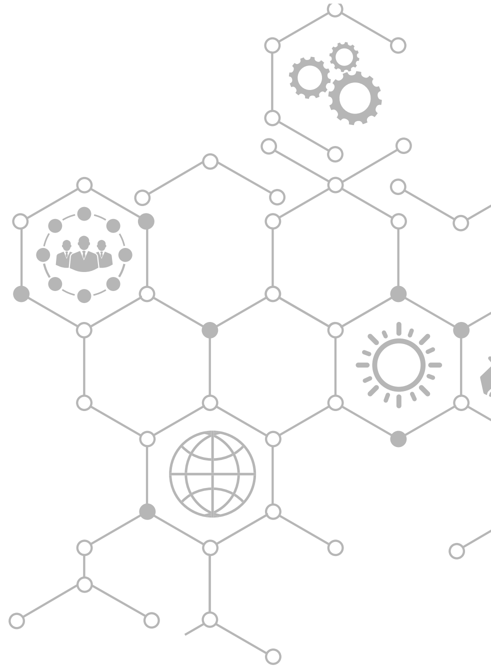
The DEI and Climate Blueprints create a governance structure and establish a consistent direction and prioritization for their respective focus areas. Our CEO is responsible for championing the blueprints both within the agency and externally, providing executive leadership and guidance. She also provides updates to the Board as part of the annual strategic planning process. The Board reviews and approves the priorities in the strategic plan on a yearly basis. A cross-functional team of staff members, including a project lead and a project manager are responsible for implementing the blueprints.





THE BLUEPRINT FRAMEWORK

We have made significant progress on the DEI and Climate Blueprints over the past year. As this is a multi-year journey, our efforts so far have been primarily focused on the Acknowledge and Educate components of the frameworks. As data availability improves and our capabilities evolve, we expect our focus to shift towards the Act, Measure, Advocate, and Engage components, which are more action-oriented and involve better measurement capabilities and more advocacy and engagement.



The WSIB is committed to providing an inclusive workplace that recognizes, values, and respects all individuals. The long-term DEI vision for the WSIB as an agency includes the following:

- Creating and sustaining an inclusive and diverse work environment
- Building the WSIB as an employer of choice
- Focusing on career growth and advancement opportunities, providing resources and training opportunities across the organization
- Identifying and elevating emerging issues, and supporting efforts to attract and retain talented people

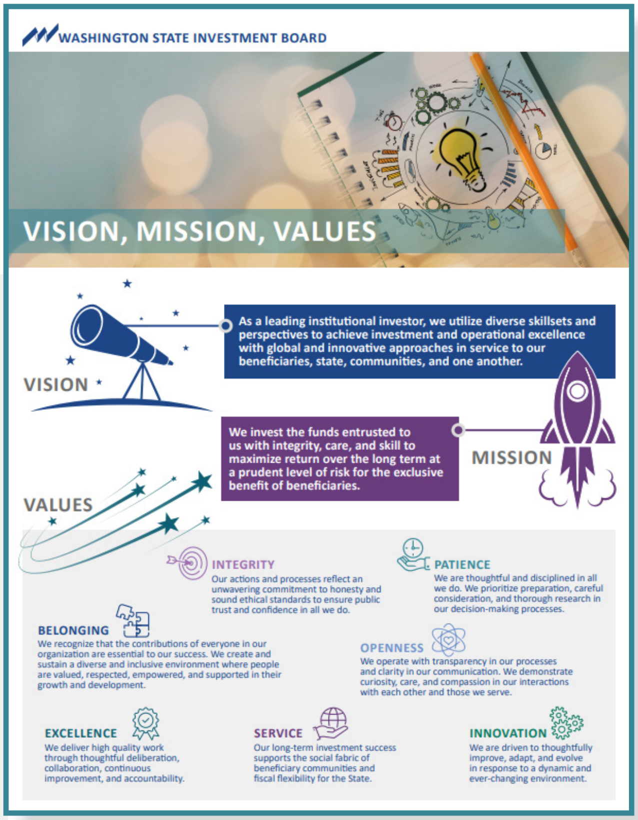
The long-term DEI vision for the WSIB's portfolio and investment industry activities include:

- Upholding our investment belief that improved economic outcomes can be achieved by creating a more diverse, equitable, and inclusive workforce
- Supporting governance practices that provide transparency and long-term sustainability
- Engaging with public companies, investment managers, and partners
- Incorporating DEI considerations into investment decision-making processes
- Aligning public advocacy efforts with investment beliefs deliberately and thoughtfully to support meaningful change over time

To date, we have prioritized the creation of sustainable governance structures that allow for continual advancement of the WSIB's DEI-related objectives. Over the past year, we managed a successful leadership transition of our internal DEI Committee and developed a new model in which co-chairs are rotated regularly to enhance diversity and development. We also updated the DEI committee charter and formalized administrative support and executive sponsorship.

VISION, MISSION, VALUES

As part of the WSIB's 2023 strategic plan, staff committed to solidifying the agency's Vision, Mission, and Values (VMV), focusing on ensuring alignment between this work and the objectives outlined in the DEI Blueprint. The VMV process was highly collaborative and inclusive to ensure that the results accurately reflect the insights of the entire agency, both as we are today and how we expect to be in the future. The agency engaged with an external consultant, Communication Resources Northwest, who worked closely with a cross-functional, 14-person steering committee to draft a revised mission statement and new vision and value statements. This was followed by a workshop to collect final feedback, with over 80 staff in attendance. These statements form the WSIB's cultural foundation. The VMV framework will guide the WSIB's strategic decisions, annual plans, performance management, and recruiting efforts.

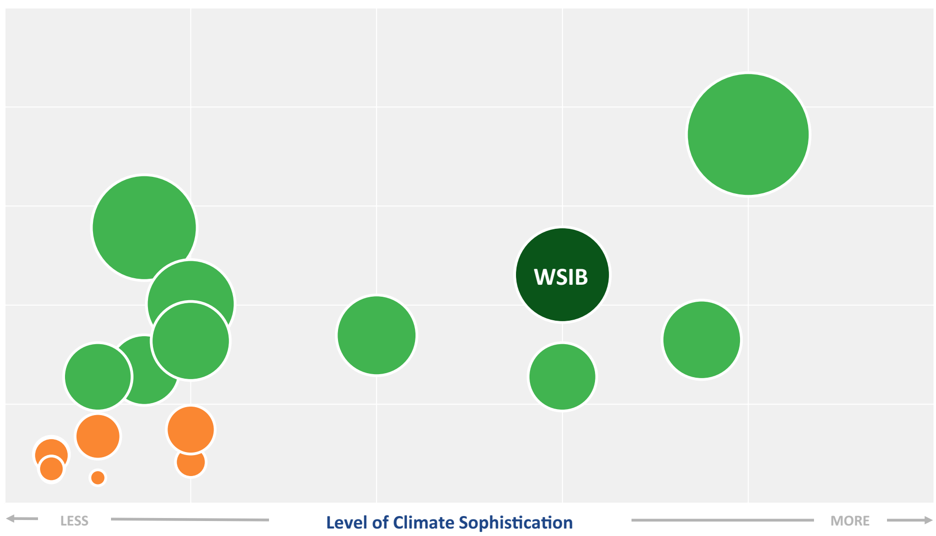


CLIMATE BLUEPRINT

Climate change is one of the largest systemic risks facing our investment portfolios today. Our 2023 Sustainability Report comes on the heels of a record-breaking summer of global heat waves in the U.S., per the National Oceanic and Atmospheric Administration[4]. The physical aspects of climate change are already impacting company profitability and valuations in industries like insurance. Increasingly, countries are stepping up to the challenge by creating new regulations and providing significant investments to lessen the long-term impacts of climate change. New regulations and more government-funded investment programs offer tremendous opportunities to invest in areas that stand to benefit from the transition to a low-carbon economy. The International Energy Agency estimates that to reach net zero by 2050, annual clean energy investments will need to more than triple by 2030, to around $4 trillion[5]. The Climate Blueprint creates a structure that will allow the WSIB to successfully navigate these complex issues, ensuring that we are prioritizing progress and consistency across agency climate goals, investment portfolio activities, and industry participation. Now in its second year of implementation, it appears to be doing exactly that.

PEER APPROACHES TO CLIMATE CHANGE

In line with the Acknowledge component of the Climate Blueprint framework, in early 2023 the WSIB distributed an anonymous survey to asset owners in the U.S. We focused the questions in the survey on how each agency is incorporating climate change into its investment, corporate governance, and advocacy practices. The survey also included questions about the participants' state regulatory environments and their dedicated ESG staffing relative to their plan size.



The size of the bubble is the plan's AUM. The AUM is also depicted on the Y axis. The WSIB's core peer group, with AUMs between $88 and $311 billion, are depicted in teal; smaller plans are depicted in orange.

Overall, the WSIB is currently well-positioned relative to peers in its approach to climate change. The WSIB scored higher than 79 percent of the survey respondents and 67 percent of the WSIB's core peer group. The agencies that scored higher than the WSIB have either a significantly higher number of dedicated ESG staff or utilize external consultants to assist with their climate-related objectives.

The survey helped the WSIB identify some potential areas of focus that are well-aligned with the objectives of the Climate Blueprint:

Increase measurement of climate-related risks and opportunities at a total portfolio level

- Data availability, accuracy, and comparability will likely continue to be a significant issue, particularly in private markets
- Consultants and external data providers with expertise in climate risk management can be utilized where practicable

Continue development of expertise in performing due diligence on climate impact and transition-related funds across all asset classes

- The WSIB's ESG curriculum and Learning Library will equip investment staff to identify new opportunities that seek to invest in the transition to a low-carbon economy

4 https://www.noaa.gov/news/june-marked-by-record-setting-us-heat-waves-severe-weather
5 https://www.iea.org/reports/net-zero-by-2050

MEASURING CLIMATE RISKS AND OPPORTUNITIES

TCFD has become the preeminent framework for the disclosure of climate-related risks and opportunities that will likely impact a company's long-term success. As the WSIB has evolved its sustainability program, we have increased the agency's alignment with the TCFD's recommendations, which are structured around four thematic areas, or pillars, that represent how organizations operate: governance, strategy, risk management, and metrics and targets. The WSIB's governance, strategy, and risk management processes have been described in detail throughout this report. The following section provides additional information on pillar four, metrics and targets[6].

METRICS AND TARGETS

The WSIB uses various metrics to assess its climate-related risks and opportunities. Each has its strengths and limitations. A lack of standardized climate-related data, particularly in private markets, and significant disparities in the data of off-the-shelf climate solutions make it difficult for the WSIB to identify and share metrics that capture the agency's exposure to the physical and transition risks associated with climate change. This report focuses on three methods for approximating the WSIB's climate risk metrics: exposure to high-risk industries, exposure to renewable energy companies, and the public equity portfolio's greenhouse gas emissions (GHG) footprint.

We are actively researching additional methods of measuring and monitoring the WSIB's climate-related risks. These methods include scenario analysis, climate value-at-risk[7], and portfolio-implied temperature alignment[8].

EXPOSURE TO HIGH-RISK INDUSTRIES

Beginning this year, in addition to publicly disclosing exposure to fossil fuel companies annually, the WSIB will calculate its exposure to industries the TCFD has identified as "having a high likelihood of climate-related financial impacts." The TCFD believes these sectors will most likely be affected by either transition risk (policy and legal, technology or market, reputation), physical risk (acute and chronic), or future restrictions on GHG emissions and energy and water usage.

The WSIB's primary method for managing its exposure to these sectors is focused on investment staff education to ensure that our investment partners thoroughly consider company- and industry-specific climate risks and opportunities. This bottom-up approach requires nuance and a deep understanding of each investment partner's process for accounting for and managing these risks.

The largest TCFD category the WSIB has exposure to is Materials and Buildings, most of which is in the real estate asset class. Given the long-term nature of our real estate holdings, the team is acutely aware of both the physical and transition risks facing its portfolio, and the WSIB's partners are actively reviewing these risks on a property-by-property basis.

The WSIB also sees opportunities to invest in real estate that is sustainable and geared toward a low-carbon economy. Most of the WSIB's real estate partners consider relevant mitigation factors when such factors are financially practical, incorporating simple yet effective features such as low-flow plumbing, automatic light- or motion-controlled LED fixtures, and high-efficiency variable air control heating and cooling systems. In combination, these strategies provide effective tools to materially reduce energy and water consumption. Our real estate partners also consider locational factors such as proximity to public transportation in their decision-making process.

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6 https://www.fsb-tcfd.org/about/

7 Climate value-at-risk is a risk measure that estimates the potential investment losses in a portfolio due to climate change over a specified time horizon. This could include both transition and physical risks associated with climate change.

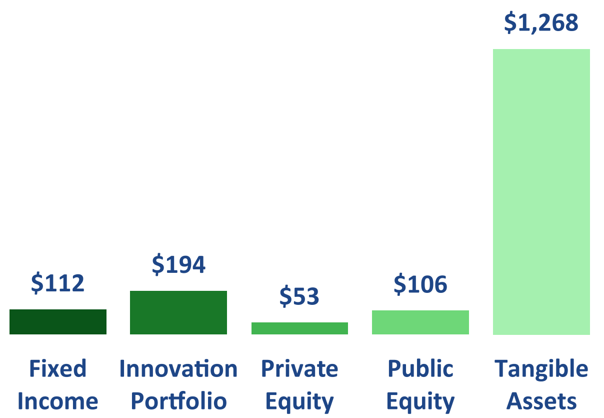
8 Portfolio-implied temperature alignment is a risk measurement tool that shows how closely the portfolio or company aligns with a given decarbonization target, such as net zero greenhouse gas emissions by 2050.

Separately, through a trusted partner, the WSIB made a long-term investment in a large mixed-use community where the developer seeks to integrate sustainability throughout the project. The development incorporates habitat and wildlife protection into its community, which is a significant draw for residents and commercial tenants alike. The community is 100 percent solar-powered and utilizes smart grid digital electric distribution to optimize efficiency and lower energy costs. Not satisfied solely with these achievements, the developer continues to explore other ways to incorporate sustainable measures into the community, like food waste reduction among residents and alternative building materials.

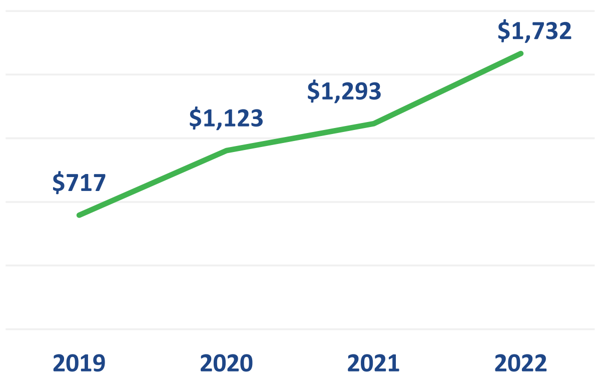
Industry	Control Structure ($ Millions)				
Sector and Industry	Active	Limited Partner	Passive	Grand Total	Percent of CTF
Agriculture, Food, and Forest Products	$1,804	$3,806	$822	$6,432	4.3%
Agriculture	$150	$2,152	$40	$2,342	1.6%
Beverages	$639	$110	$390	$1,139	0.8%
Packaged Foods and Meats	$589	$980	$364	$1,933	1.3%
Paper and Forest Products	$426	$564	$28	$1,018	1.5%
Energy	$3,483	$2,713	$1,830	$8,026	5.4%
Coal	$90	$10	$14	$114	0.1%
Electric Utilities	$1,620	$60	$589	$2,268	1.5%
Oil and Gas	$1,773	$2,644	$1,227	$5,644	3.8%
Materials and Buildings	$3,623	$39,981	$3,507	$47,111	31.5%
Capital Goods	$1,318	$2,629	$1,760	$5,706	3.8%
Chemicals	$481	$782	$513	$1,776	1.2%
Construction Materials	$280	$50	$63	$393	0.3%
Metals and Mining	$1,137	$686	$420	$2,242	1.5%
Real Estate Management and Development	$408	$35,834	$752	$36,994	24.8%
Transportation	$1,427	$2,374	$959	$4,760	3.2%
Air Freight	$137	$484	$123	$745	0.5%
Automobiles and Components	$409	$779	$535	$1,723	1.2%
Maritime Transportation	$171	$403	$31	$604	0.4%
Passenger Air Transportation	$82	$339	$20	$441	0.3%
Rail Transportation	$585	$162	$189	$936	0.6%
Trucking Services	$43	$207	$61	$311	0.2%
Total Exposure to At-Risk Industries	$10,336	$48,874	$7,119	$66,329	44.4%
Total CTF AUM				$149,337	

CTF Assets as of December 31, 2022

NET ASSETS IN RENEWABLE ENERGY AS OF DECEMBER 31, 2022 ($ MILLIONS)



EXPOSURE TO RENEWABLE ENERGY COMPANIES ($ MILLIONS)



EXPOSURE TO RENEWABLE ENERGY COMPANIES

The WSIB takes a conservative approach to identifying renewable energy companies within its investment portfolios. We will only designate a company as renewable if nearly all its business activity comes from power generation via renewable energy sources (wind, solar, hydroelectric, or biofuel), the production of biofuels, or the production of power generation equipment that supports one of the above sources. The solar-powered city described above is not a company focused on renewable energy generation and therefore, not included in the figures below.

Identifying renewable energy-focused companies is still a somewhat manual process, as these types of companies sit in multiple industries and off-the-shelf data providers do not use a consistent definition of what is considered renewable.

The WSIB's exposure to renewable energy companies has grown dramatically since 2019. Investments totaled $1.7 billion as of December 31, 2022, representing 1.1 percent of the total Commingled Trust Fund (CTF) assets under management. The primary drivers of this growth are the tangible assets portfolio focus on investing in upstream and midstream energy companies, as well as investments in the TPG Rise platform in our innovation and private equity portfolios. Increasingly, we are investing in renewable energy companies across asset classes as our traditional investment partners recognize that these companies can provide compelling long-term investment opportunities.

TPG RISE

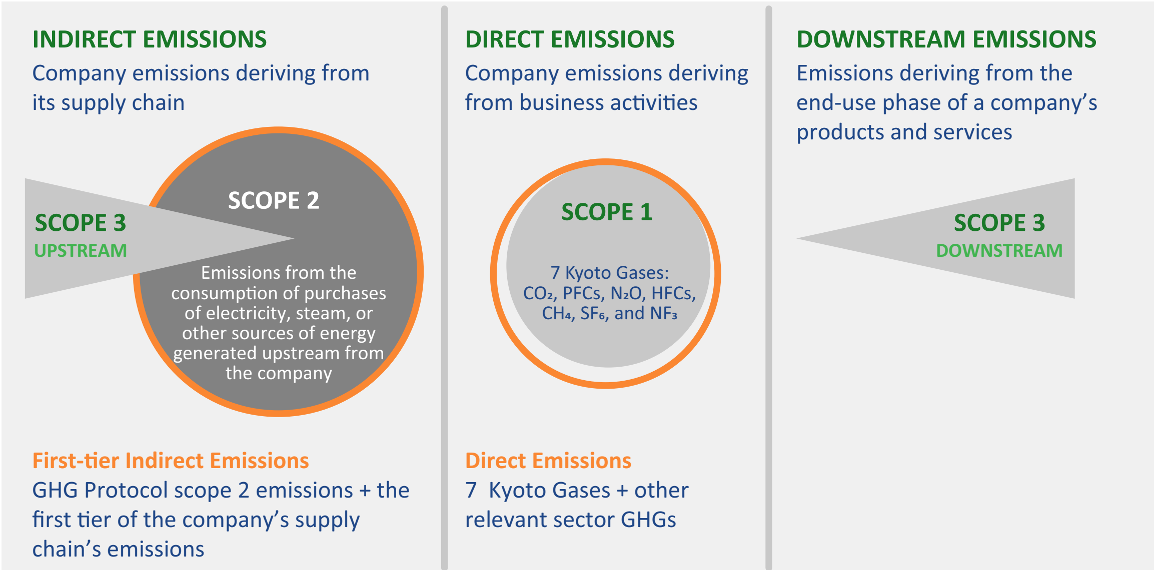
The WSIB was one of the TPG Rise Fund's first investors. TPG founded the fund in partnership with a group of philanthropists to offer expertise in business solutions that help achieve the United Nations SDGs. The fund invests in companies driving strong business performance and returns alongside measurable social and environmental impact. TPG's impact investing funds include the Rise Funds, TPG Rise Climate, and the Evercare Health Fund. The WSIB has invested in all three of TPG's Rise Funds as well as TPG Rise Climate.

Much of the TPG Rise investments are not captured in the WSIB's renewable energy exposure because only some of the funds' holdings meet the WSIB's renewable criteria.

Date	Fund	Asset Class	Amount ($ Millions)
Mar 2017	The Rise Fund	Innovation	200
Feb 2019	The Rise Fund, II	Innovation	250
Jul 2021	TPG Rise Climate	Innovation	325
May 2022	The Rise Fund III	Private Equity	250
			1,025

GHG EMISSIONS

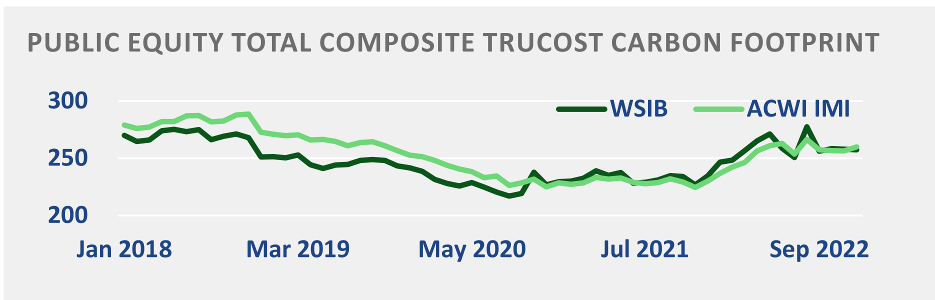
The WSIB continues to advocate for disclosure of scope 1 and scope 2 emissions by companies in both public and private markets. We believe the measurement of emissions provides a better indicator of our overall climate risk than our exposure to specific industries. However, emissions data is only publicly reported and verified by a few companies within our investment portfolio. This limitation makes it difficult to obtain a total portfolio carbon footprint.



Source: Trucost, April 2020. CO_2 = Carbon dioxide, PFCs = perfluorocarbons, N_2O = nitrous oxide, HFCs = hydrofluorocarbons, CH_4 = methane, SF_6 = sulphur hexafluoride, and NF_3 = nitrogen trifluoride.

In 2021, the SEC proposed a Climate-Related Financial Disclosure rule that would require publicly-listed companies to report scope 1 and 2 GHG emissions, as well as scope 3 emissions where material. This rule is expected to be finalized in late 2023. Through the combination of increasing regulatory requirements and voluntary initiatives such as the EDCI, we believe more public and private companies will begin disclosing their GHG emissions. This will allow us to calculate our total portfolio carbon footprint in a more meaningful way.

The WSIB monitors its public equity portfolio carbon footprint using both S&P TruCost and MSCI. The two providers use different methods for calculating the WSIB's public equity portfolio carbon footprint, resulting in very different values. In this report, we disclose the S&P TruCost calculation of the WSIB's public equity portfolio carbon footprint, which assigns a higher value to our public equity portfolio emissions because the calculation includes some scope 3 emissions while the MSCI calculation only includes scope 1 and scope 2 emissions. S&P TruCost measures a portfolio's carbon footprint in metric tons of CO2e (carbon dioxide equivalents) per $1 million invested by aggregating operational and first-tier supply chain carbon footprints of index constituents.



Most of the WSIB's public equity portfolio is passively managed, and therefore the portfolio's carbon footprint will likely never deviate significantly from its benchmark. Before September 2020, the WSIB's public equity portfolio carbon footprint was lower than its benchmark, the MSCI ACWI IMI. It trended higher until the second half of 2022 when it converged with the benchmark. The increase in emissions relative to the benchmark was primarily driven by active managers seeing opportunities to invest in nonrenewable energy companies at low valuations, particularly in emerging markets. The top contributors to the WSIB's emissions as of December 31, 2022, were NTPC Limited (India), China National Building Material (China), ArcelorMittal SA (Luxemborg), and Petroleo Brasileiro SA (Brazil). The top contributor to emissions, NTPC Limited, is the largest power company in India, with an electric power generating capacity of 71 gigawatts, primarily through coal. By 2032, the company plans to have 60 gigawatts of capacity through renewable energy sources, constituting nearly 45 percent of its overall power generation capacity. The WSIB's investment in NTPC Limited is consistent with the Board's approach to investing through the energy transition.

ENGAGEMENT OVER DIVESTMENT

Individuals and groups opposed to the principles or practices of a subset of investee companies (e.g., oil and gas, firearms, private prisons) often see divestment from these companies as an optimal strategy for addressing their concerns. Proponents believe defunding specific companies or sectors of the economy can be used as a punitive policy lever that will improve investor outcomes, ranging from financial results to social and environmental changes. Opponents believe that defunding companies and sectors for ideological reasons is inconsistent with broader investment objectives, has negligible impact, and is ineffective corporate governance, as divested assets are often purchased by owners who do not focus on ESG issues. The WSIB has received over 150 divestment requests in one form or another during the past 2-plus years (2021-2023). Periodic requests have been received since 2015 and earlier.

The WSIB's statutory adherence to fiduciary duty requires that material risk factors, including environmental and social impacts, be recognized and accounted for as part of the investment decision-making process. Based on our ongoing research, the WSIB believes active ownership is a superior investment strategy to divestment. Active ownership is the use of ownership rights to influence the activities and behavior of investee companies. The goal is to improve governance practices and enhance the long-term value of companies. Where the WSIB has exposure to relevant companies, we and our partners monitor and assess the climate-related risks and opportunities specific to that company, vote proxies, and engage when prudent. The WSIB believes engagement with companies that are critical to the climate transition is superior to divestment.

FOSSIL FUELS: IMPACTS OF ACTIVE OWNERSHIP VERSUS DIVESTMENT

	Active Ownership	Divestment
Alignment with WSIB investment beliefs	Fully aligned with fiduciary duty and overall objective to maximize returns at a prudent level of risk	Misaligned with investment belief that "investment or asset class constraints and/or mandates will likely reduce investment returns"; rigid ESG mandates do not always align with fiduciary duty
Impact on risk/return	Allows for maximum diversification and selection of high-quality fossil fuel companies that provide energy transition solutions	Reduces diversification; may lead to unintended bets or imprudent risks elsewhere in a portfolio
Influence on how companies are run (Public Equities only)	Maximizes responsible ownership via actively voting proxies and engaging with companies to reduce their carbon footprint	Concedes proxy voting responsibility to other shareholders who may have shorter-term interests
Participation in transition to a low carbon economy	Ability to influence company strategy that aligns with the transition to a low carbon economy	While divestment from fossil fuels will reduce the total portfolio carbon footprint, it likely will have little effect on reducing global emissions
Cost	The cost of active ownership is not materially reduced by a decision to divest from a portion of the market	Increases costs to plan because custom mandates require selectively removing fossil fuel exposure from investment products

LOOKING FORWARD: 2023 AND BEYOND

The WSIB is taking more intentional steps to address critical systemic issues across our organization and our portfolios. These steps and plans are updated every year as part of the WSIB's Climate and DEI blueprints. We believe these blueprints will serve the agency and our beneficiaries well in the coming years, particularly in the face of intensifying politicization of ESG investment factors.

In the years since our first ESG report was published in 2018, the WSIB has made significant progress in integrating sustainability and ESG considerations into our investment approach. We recognize we have more work ahead, including how to use our position as a respected institutional investor to improve available data and refine strategies to engage and evaluate how companies respond to material ESG risks and opportunities. We, along with many of our peers, see a duty to act responsibly and as a catalyst for change that will be best for the portfolios we manage and ultimately our beneficiaries.

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