

2024 SUSTAINABILITY REPORT



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A MESSAGE FROM OUR CEO

I am pleased to present the Washington State Investment Board's (WSIB) 2024 Sustainability Report. Our investment time horizons tend to extend over decades, and our investment decisions are based exclusively on the interests of our beneficiaries. From baby boomers drawing pension benefits today to Gen Z plan members just entering the workforce, the sustainability of our investments is critically important. As the transition from fossil fuels to renewable energy sources plays out and tectonic societal shifts take hold, the portfolios we manage will reflect these changes in real time. Companies that proactively address the financial impacts of climate change, improve their economic outcomes by hiring a more diverse, equitable, and inclusive workforce, and promote governance practices that provide effective transparency and long-term sustainability will be well-positioned for long-term success. Those that don't will fall behind. That's why, in 2022, we developed Climate and Diversity, Equity, and Inclusion (DEI) Blueprints, providing our Board and staff with roadmaps to stay in front of these rapidly evolving areas of risk and opportunity.

Over the past year, we have made significant progress in implementing our Climate and DEI Blueprints:

- The WSIB continued to enhance its climate-related reporting in alignment with the globally recognized Task Force on Climate-Related Financial Disclosures (TCFD) guidelines.
- The WSIB joined the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative (DIA). The DIA was created to motivate private market participants to become more diverse and inclusive and to build momentum around adopting specific actions that advance DEI over time.
- The WSIB's investments in renewable energy companies increased by 29.7% in 2023, with over \$2.2 billion invested in this growing market as of December 31, 2023.
- The WSIB offered a variety of education sessions on sustainability to the Board and staff on topics ranging from fiduciary duties and sustainability to greenhouse gas (GHG) emissions measurement.

Sustainability-focused investment considerations have begun attracting more attention from various external interests. In the U.S., our highly polarized political system has been exerting more influence on how pension funds approach sustainability. In recent years, we have seen a raft of legislation aimed at state retirement funds. Some states have attempted to ban environmental, social, and governance (ESG) investment considerations from state retirement systems, while others have passed laws promoting values-based investing. Although the WSIB is not immune to these shifting political winds, we will remain true to our mission of maximizing returns at a prudent level of risk for the exclusive benefit of our beneficiaries.

Investments the WSIB makes on behalf of its beneficiaries are deployed worldwide, and the highly diversified portfolios we manage encompass a slice of global markets and the world economy. Climate change will continue to create investment risks and opportunities. We will be thoughtful and patient as we continue along this journey. As stewards of hundreds of billions of dollars in beneficiary assets, we cannot sacrifice the quality of our investment decisions.

While we have made good progress in our sustainability-related efforts over the last year, our climate and DEI work will continue. It is my hope that this report will further your understanding of the critical work the WSIB is doing to build more resilient and sustainable investment outcomes for the portfolios we manage and the beneficiaries we serve.

Allyson Tucker, CFA, CAIA
Chief Executive Officer





INTRODUCTION

As of June 30, 2024, the Washington State Investment Board managed \$205.2 billion in 39 funds and over 18,500 investment holdings, with investments in 93 countries and 50 currencies. The largest of these funds is the Commingled Trust Fund (CTF), which is the investment vehicle for aggregated pension plans in Washington State. The CTF consistently ranks among the top funds in the country. It is a credit to the WSIB's unyielding commitment to our mission: to invest the funds entrusted to us with integrity, care, and skill to maximize return over the long term at a prudent level of risk for the exclusive benefit of beneficiaries.

This mission has served the state of Washington well over decades. For the year ending June 30, 2024, the CTF returned 8.5 percent. For the 10-year period ending June 30, 2024, the CTF returned 8.9 percent, outperforming all its policy benchmarks for the period. The WSIB explicitly invests over a long-term horizon and believes that integrating financially material sustainability considerations into its investment process will lead to superior long-term results.

| ASSET CLASS | 1 YEAR | 3 YEAR | 5 YEAR | 10 YEAR |
|-----------------|--------|--------|--------|---------|
| TOTAL FUND | 8.5% | 6.4% | 9.9% | 8.9% |
| FIXED INCOME | 4.8% | -1.5% | 1.2% | 2.2% |
| TANGIBLE ASSETS | 10.8% | 9.7% | 8.8% | 7.0% |
| REAL ESTATE | -2.1% | 13.2% | 12.2% | 11.9% |
| PUBLIC EQUITY | 19.6% | 5.5% | 10.8% | 8.7% |
| PRIVATE EQUITY | 8.4% | 8.1% | 14.4% | 13.3% |
| INNOVATION | 10.3% | 10.3% | 10.4% | -2.1% |
| CASH | 5.6% | 3.3% | 2.3% | 1.7% |

Additional information on the WSIB's performance can be found at <https://www.sib.wa.gov/reports.html>.



WSIB SUSTAINABILITY PROGRAM

The WSIB's sustainability program comprises three complementary underlying 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 in 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

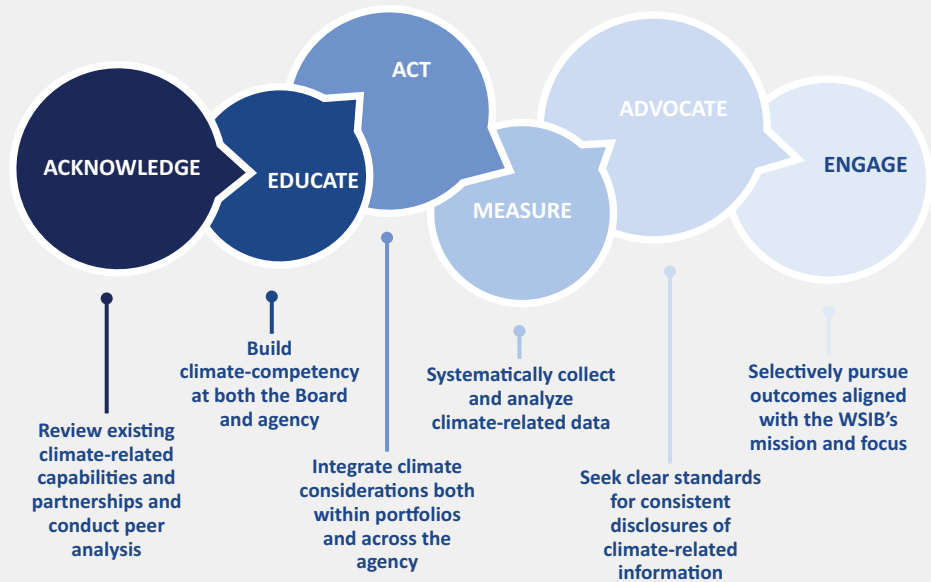
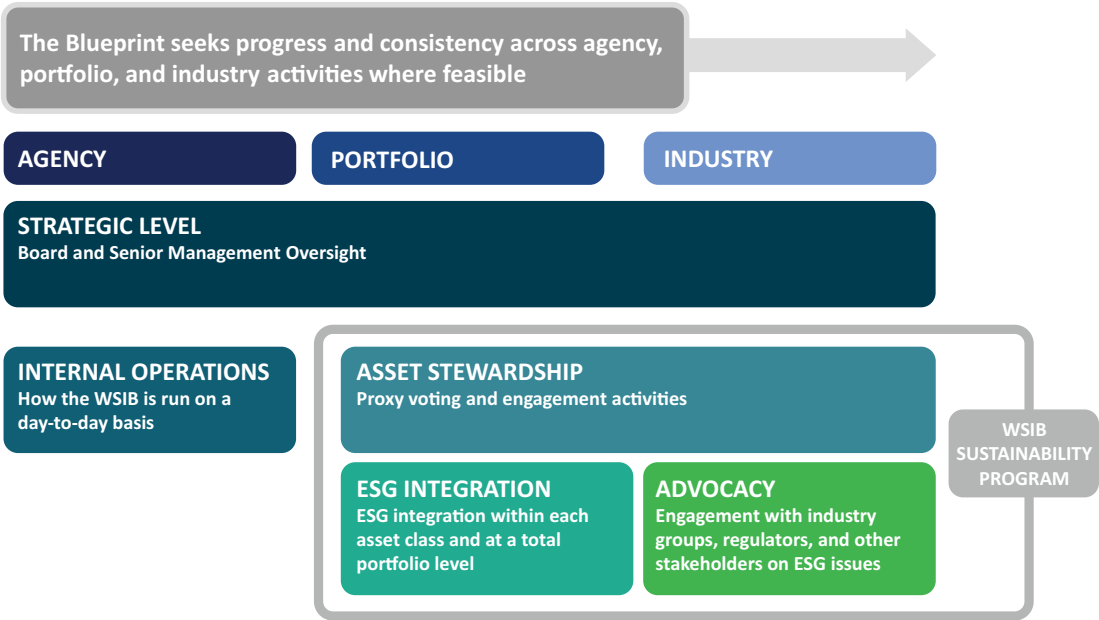
INSTITUTIONAL RELATIONS

- 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

BLUEPRINT FRAMEWORKS

In 2022, the WSIB introduced DEI and Climate Blueprints as two of the agency’s key long-term strategic initiatives. These blueprints are strategic tools that 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. The blueprints are dynamic project plans that will evolve based on WSIB needs, prioritizing progress and consistency across agency, portfolio, and industry activities.

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. The CEO 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

The Climate and DEI Blueprint frameworks continue to provide the WSIB with the governance, structure, and focus to make meaningful progress on systemic issues that are core to the WSIB’s mission. As the work has progressed over the last two years, staff has shifted from focusing on the acknowledgement and education components of the frameworks to also include taking action and measuring results. Advocacy and engagement have long been critical to the WSIB’s sustainability approach and will mature and adapt as the industry evolves.

CLIMATE BLUEPRINT

Climate change remains one of our investment portfolios' most significant systemic risks today. Our 2024 Sustainability Report arrives amid another record-breaking year of global heat waves and environmental disruptions, highlighting the critical need to address climate-related risks in our investment portfolios. According to recent reports, 2024 is on track to be the world's hottest year, surpassing the extreme temperatures and climate events in 2023.¹ Many governments across the globe are responding with new regulations and substantial investments to mitigate the long-term effects of climate change, presenting considerable opportunities to invest in sectors poised 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 triple by 2030 to around \$4 trillion. The Climate Blueprint creates a structure that will allow the WSIB to successfully navigate the complexity of climate change.

PROGRESS TO DATE

Now in its third year of implementation, the WSIB's Climate Blueprint continues to guide our efforts in addressing climate-related risks and opportunities across our investment portfolios. Below is a summary of our progress.

- Developed and implemented an ESG Curriculum and Learning Library for investment staff, enhancing the team's understanding and capacity to integrate ESG factors into decision-making.
- Formally integrated assessments of ESG considerations into our decision-making processes.
- Incrementally updated the proxy voting policy to reflect our climate-related goals, enabling us to better influence corporate behavior in line with our objectives.
- Enhanced climate-related reporting by aligning with the four core pillars of the TCFD (detailed later in the report).
- Assessed the availability and quality of GHG emissions data across asset classes, allowing us to identify gaps and areas for improvement in our emissions measurement efforts.
- Joined the ESG Data Convergence Initiative (EDCI) and increased involvement in the Sustainable Markets Initiative.

ESG DATA CONVERGENCE INITIATIVE (EDCI)

The WSIB joined EDCI in early 2023 as part of its ongoing effort to advocate



**ESG Data
Convergence
Initiative**

for consistent, comparable, and quantitative ESG data-in both public and private markets. The EDCI is an organization comprised of private equity firms (general partners) and their investors (limited partners). Its 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 initiative allows general partners and portfolio companies to benchmark their current position and generate progress toward ESG improvements while enabling greater transparency and more comparable portfolio information for limited partners and investment managers. Currently, 450+ total members have committed to the EDCI, representing ~\$38T USD of assets under management and ~6,300 companies worldwide.²

EDCI METRICS

GREENHOUSE GAS EMISSIONS (GHG)

- 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)

¹ 2024 could be world's hottest year as June breaks records | Reuters

² EDCI

TCFD DISCLOSURE

SUMMARY

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. The TCFD framework has been incorporated into regulations that govern many countries and states, as well as the International Sustainability Standards Board (ISSB) standards, which are the leading voluntary sustainability accounting standards globally. In 2023, the oversight of TCFD was transitioned to the International Financial Reporting Standards (IFRS), which also oversees ISSB.

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, representing how organizations operate: governance, strategy, risk management, and metrics and targets. The WSIB is disclosing this information voluntarily; it is not required by law or statute. We are doing this because we believe that aligning with this industry standard supports the disclosure of consistent, comparable, decision-useful sustainability-related information, for which we have long advocated. We also believe that our own disclosure adds credibility to our engagements with companies and investment partners on the benefits of disclosure using TCFD standards.

This report broadly describes the four core TCFD pillars, adding context that we believe is relevant to our stakeholders. As we are in the early stages of implementing TCFD reporting standards, there are areas of this report where we do not adhere strictly to each specific TCFD recommendation.³

GOVERNANCE

TCFD Recommendation: Disclose the organization’s governance around climate-related risks and opportunities.

BOARD OVERSIGHT

The Climate Blueprint lays out the WSIB’s approach to addressing climate change as a systemic risk that impacts not only our investment portfolios but how we operate as an agency and engage with outside organizations. The WSIB Board oversees the Climate Blueprint. It is fully integrated into the WSIB’s overall strategy, which is reviewed and approved by the Board annually. Updates on progress are provided to the Board mid-year. Staff also regularly updates the Board on specific elements of the Blueprint throughout the year as needed and provides periodic training sessions on climate-related topics.

Our CEO, Allyson Tucker, sponsors the Climate Blueprint and has decision-making authority over actions that require significant staff time commitment or monetary cost. The Head of Sustainability is responsible for implementing the Blueprint, seeking consensus where possible from all relevant staff members, including the Sustainability Working Group and Senior Investment Officers.

INTERNAL INVESTMENT COMMITTEE INVOLVEMENT

Climate-related risks and opportunities are considered for all new investments. Investment staff analysis of climate-related risks and opportunities are provided to the Internal Investment Committee, which regularly meets to review and discuss investment strategy, important projects, and individual investment opportunities. The Investment Committee is an advisory committee to the Chief Investment Officer (CIO). Committee meetings are comprised of senior staff and the CEO.

GOVERNANCE AND PROJECT OVERSIGHT

| | | |
|---------------------------|------------------------------|-----------------|
| PROJECT OVERSIGHT | WSIB BOARD | |
| | WSIB CEO | PROJECT SPONSOR |
| | WSIB MANAGEMENT TEAM | PROJECT LEAD |
| | HEAD OF SUSTAINABILITY | PROJECT TEAM |
| TECHNICAL PROJECT SUPPORT | SUSTAINABILITY WORKING GROUP | |
| | STAFF | |

³ Recommendations | Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org)

SUSTAINABILITY WORKING GROUP INPUT

The Sustainability Working Group, chaired by the Head of Sustainability, reviews, supports, and consults on the WSIB's ESG-related activities, including asset stewardship and integration within the investment process and Climate and DEI Blueprint project management. The WSIB's Sustainability Working Group includes representatives from Institutional Relations, Human Resources, Investments (Public Equity, Fixed Income, Private Equity, Real Estate, Tangible Assets), Risk Management and Asset Allocation, and Legal, Risk, and Compliance.

STRATEGY

TCFD Recommendation: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.

The investment strategy for the defined benefit funds is explicitly long-term in focus (i.e. 15+ years). The WSIB's investment program results are critical for meeting the State's promise to provide a secure retirement for current workers and retirees, as well as generations of Washingtonians who have yet to enter the workforce. Because of this, managing the long-term risks and opportunities related to climate change is paramount. We consider both physical and transition risks. Physical risks include both acute (shorter-term) and chronic (longer-term) risks associated with climate change. Transition risks include policy, legal, technology, market, and reputation risk. Our strategies for addressing these risks are as follows:

DEVELOPMENT AND IMPLEMENTATION OF CLIMATE BLUEPRINT

Our Climate Blueprint is a strategic framework for integrating climate considerations into our investment discipline and overall organizational mission. It aims to address agency climate goals, investment portfolio activities, and industry engagement with long-term sustainability objectives. The Blueprint is dynamic and evolves based on WSIB's priorities, ensuring that climate-related risks and opportunities are consistently incorporated into strategic planning and investment decisions. This includes implementing tools to measure portfolio GHG emissions and using scenario analysis to evaluate the potential impacts of climate change on long-term investment returns.

INVESTMENT IN RENEWABLE ENERGY AND TRANSITION-RELATED FUNDS

We have made several investments in renewable energy and transition-related funds, recognizing the long-term financial benefits of transitioning to a sustainable economy. For instance, the WSIB has invested in the TPG Rise Climate II fund, which focuses on climate-related investments that offer financial returns and positive environmental impacts. These investments are part of WSIB's broader strategy to capitalize on opportunities that arise from the global shift towards decarbonization and sustainable development.

ENGAGEMENT WITH EXTERNAL STAKEHOLDERS AND REGULATORY BODIES

The WSIB engages with external stakeholders, including regulatory bodies such as the Securities and Exchange Commission (SEC) and global sustainability organizations, to provide our perspective on best practices and stay up to date on potential regulatory requirements. We believe required disclosure of consistent, comparable climate-related information by companies will help the WSIB assess its portfolios' climate-related risks and opportunities over the long run. In support of these efforts, the WSIB submitted two comment letters to the SEC supporting mandatory disclosure of financially material climate-related information by public companies.

ACTIVE ENGAGEMENT AND PROXY VOTING ON CLIMATE-RELATED ISSUES FOR PUBLIC COMPANIES

The WSIB utilizes active engagement and proxy voting as tools to maximize returns at a prudent level of risk consistent with our fiduciary duties. Because of its potential impact on our investment portfolios, climate change is a key area of focus in our engagement and proxy voting activities. For example, in recent years, the WSIB has strengthened its proxy voting policy to hold board directors at companies that are systemic to the energy transition accountable for not taking sufficient steps to reduce their climate-related risks. More information on the WSIB's climate-related proxy voting and engagement activities can be found on page 20 of this report.

TCFD DISCLOSURE



RISK MANAGEMENT

TCFD Recommendation: Disclose how the organization identifies, assesses, and manages climate-related risks.

The WSIB attempts to ensure that climate-related risks and opportunities are thoroughly evaluated across all aspects of the investment process. This approach is integrated into the organization's broader risk management framework, which allows the WSIB to consider climate-related risks in the context of other financial and operational risks.

UTILIZATION OF PARTNER ESG ASSESSMENT FRAMEWORK

The WSIB systematically assesses climate-related risks through its partner ESG assessment framework. This framework is applied across all investment decisions to aid investment officers in thoroughly evaluating climate risks before making any investment. The framework includes criteria for assessing the long-term climate-related risks facing portfolio investments, always considering the investment time horizon of the strategy.

TRAINING AND EDUCATION PROGRAMS FOR INVESTMENT STAFF AND BOARD

The WSIB has implemented a formal ESG education curriculum that incorporates climate-related risks and opportunities. This curriculum assists investment staff and the Board in gaining the knowledge and tools required to assess and manage climate risks effectively.

QUARTERLY RISK REPORTS INCLUDING EXPOSURE TO HIGH-RISK INDUSTRIES

The WSIB produces quarterly risk reports that incorporate the State's defined benefit investments' exposure to industries identified by TCFD as having a high likelihood of climate-related impacts.

ONGOING MONITORING OF PUBLIC EQUITY PORTFOLIO EMISSIONS

The WSIB has access to emissions data of its public companies through both S&P Trucost and MSCI, which offer insights into

GHG emissions intensity relative to our benchmarks and other climate-related data. This information, which continues to improve year after year, is reviewed by the Public Equity team on a regular basis, including when considering new investment managers. It is reported annually in the Sustainability Report in the Metrics and Targets section.

METRICS AND TARGETS

TCFD Recommendation: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

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 and transition investments, and the public equity portfolio's 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,⁴ and implied temperature rise.⁵

The WSIB does not set climate-related targets, as our focus is on maximizing returns at a prudent level of risk. However, we believe that gathering certain climate-related metrics and data is critical in helping us manage risks and opportunities in our investment portfolios over the long term.

EXPOSURE TO HIGH-RISK INDUSTRIES

Beginning in 2022, the WSIB began calculating its exposure to industries in the investment program that the TCFD has identified as "having a high likelihood of climate-related financial impacts". The TCFD considers these industries to be

⁴ MSCI Climate VaR Introduction

⁵ Implied Temperature Rise - MSCI

TCFD DISCLOSURE

those most likely to be affected by either transition risk (policy and legal, technology or market, or 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 of 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 are 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.



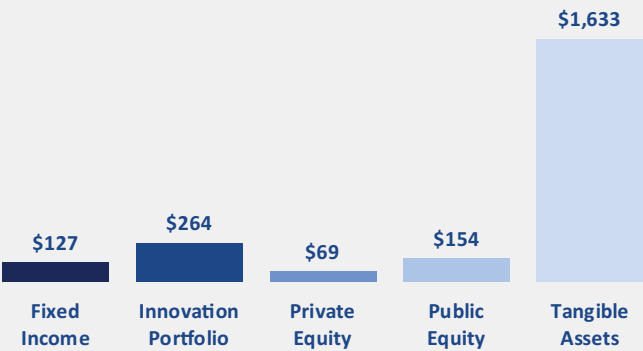
| TCFD Sector and Industry (as of December 31, 2023) | Total Value (\$ Millions) | Percent of CTF |
|--|------------------------------|----------------|
| Agriculture, Food, and Forest Products | \$7,060 | 4.3% |
| Agriculture | \$2,716 | 1.7% |
| Beverages | \$1,069 | 0.7% |
| Packaged Foods and Meats | \$2,265 | 1.4% |
| Paper and Forest Products | \$1,010 | 0.6% |
| Energy | \$7,445 | 4.6% |
| Coal | \$109 | 0.1% |
| Electric Utilities | \$1,827 | 1.1% |
| Oil and Gas | \$5,510 | 3.4% |
| Materials and Buildings | \$46,305 | 28.5% |
| Capital Goods | \$6,242 | 3.8% |
| Chemicals | \$1,808 | 1.1% |
| Construction Materials | \$400 | 0.2% |
| Metals and Mining | \$2,404 | 1.5% |
| Real Estate Management and Development | \$35,451 | 21.8% |
| Transportation | \$5,464 | 3.4% |
| Air Freight | \$1,071 | 0.7% |
| Automobiles and Components | \$2,104 | 1.3% |
| Maritime Transportation | \$597 | 0.4% |
| Passenger Air Transportation | \$569 | 0.4% |
| Rail Transportation | \$867 | 0.5% |
| Trucking Services | \$256 | 0.2% |
| Total Exposure to TCFD Sectors and Industries | \$66,274 | 40.8% |
| Total CTF | \$162,377⁶ | |

⁶ The values stated in this table differ from the values reported in other WSIB-published reports for the December 31, 2023 time period. This variance is expected as the agency received updated private markets asset valuations after December 31, 2023.

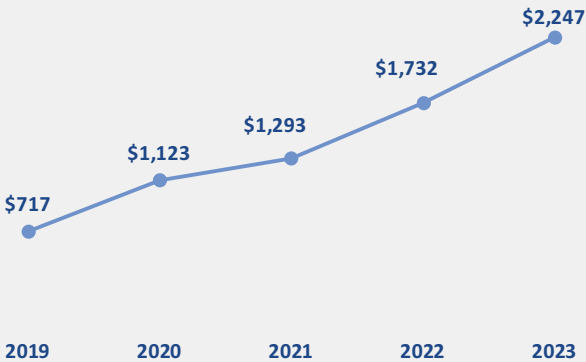
TCFD DISCLOSURE



NET ASSETS IN RENEWABLE ENERGY
AS OF DECEMBER 31, 2023 (\$ MILLIONS)



EXPOSURE TO RENEWABLE ENERGY COMPANIES
(\$ MILLIONS)



EXPOSURE TO RENEWABLE ENERGY AND TRANSITION INVESTMENTS

Leading data providers do not use a consistent definition of what is considered renewable. The WSIB takes a conservative approach to identifying renewable energy companies within our 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. For example, a car manufacturer with significant and growing revenue from electric vehicle sales would not be included in this calculation, even though the company is taking clear action to support the transition. The WSIB’s approach is to invest in companies through the transition and our definitions of renewable and transition companies will expand to be more inclusive over time.

The WSIB’s exposure to renewable energy companies has grown dramatically since 2019. Investments totaled \$2.2 billion as of December 31, 2023, representing 1.4 percent of the total 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 within 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.

The WSIB has additional exposure to investments focused on climate solutions and other sustainability objectives through its investments made in funds that are focused on having a positive environmental or social impact, building renewable energy capacity, and investing in companies to help them decarbonize. The transition to a low-carbon economy presents a multi-trillion-dollar investment opportunity. Each of the investments listed on the right have been made after careful analysis of their potential risk-adjusted returns. As the energy transition evolves and matures, opportunities to invest in market-return strategies focused on climate-related solutions are expected to continue to increase.⁷

| Year | Fund | Asset Class | Amount (\$ Millions) |
|------|-------------------------------|-----------------|----------------------|
| 2017 | The Rise Fund | Innovation | \$200 |
| 2017 | Jade Wind | Tangible Assets | \$156 |
| 2017 | Emerald Energy Ventures | Tangible Assets | \$1,140 |
| 2019 | The Rise Fund, II | Innovation | \$250 |
| 2019 | Ecosystem Investment Partners | Tangible Assets | \$200 |
| 2021 | TPG Rise Climate | Innovation | \$325 |
| 2022 | The Rise Fund III | Private Equity | \$250 |
| 2023 | Ara Fund III | Private Equity | \$200 |
| 2023 | Schroders Greencoat | Tangible Assets | \$300 |
| 2023 | Towerbrook Delta | Private Equity | \$100 |
| 2024 | TPG Rise Climate II | Private Equity | \$400 |
| | | | \$3,521 |

7 Private Market Impact Investing: A Turning Point | World Economic Forum

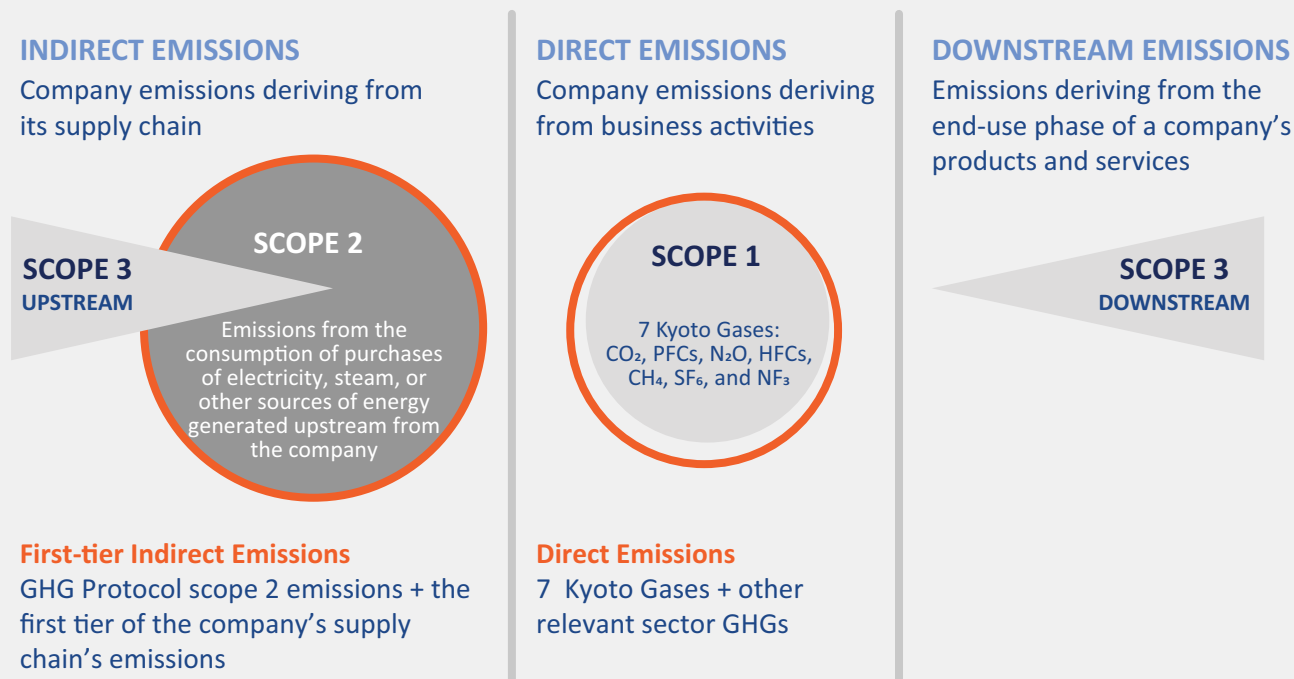
GHG EMISSIONS

The WSIB continues to advocate for disclosure of scope 1 and scope 2 emissions by companies in both public and private markets. We believe GHG emissions measurement, combined with measuring our exposure to high-risk industries, can provide a more complete view of the climate-related risks in our portfolios. However, emissions disclosure by companies is still in its infancy, particularly in the private markets. This lack of data makes it extremely difficult for the WSIB to calculate a total portfolio carbon footprint or analyze our portfolio company emissions in a decision-useful way.

The WSIB has been monitoring its public equity portfolio carbon footprint using both S&P Trucost and MSCI for several years. However, obtaining a carbon footprint for the private markets portfolios has been challenging due to a lack of publicly available emissions data from private companies. In an attempt to address this, the WSIB joined the EDCI in 2023 to promote the reporting of consistent ESG data in private markets, including GHG emissions. Additionally, in 2024, the WSIB surveyed its private markets partners on the current state of emissions measurement in their portfolios. The results can be found in later sections of this report. In the near term (the next 1-3 years), the WSIB plans to disclose the percentage of our investment portfolios with current emissions data, as well as a fixed-income portfolio carbon footprint. In later reports, as emissions coverage grows, we should be able to report a full carbon footprint of the CTF to our stakeholders.

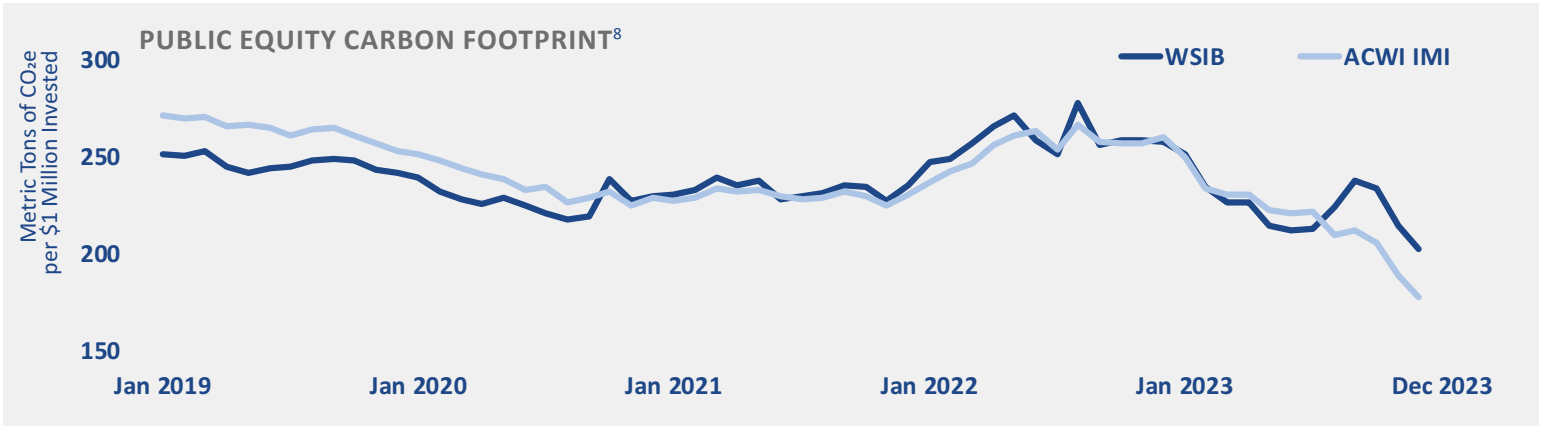
PUBLIC EQUITY CARBON FOOTPRINT

In this report, we disclose the S&P Trucost calculation of the WSIB's public equity portfolio carbon footprint. 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.



Source: Trucost, April 2020. CO₂ = Carbon dioxide, PFCs = perfluorocarbons, N₂O = nitrous oxide, HFCs = hydrofluorocarbons, CH₄ = methane, SF₆ = sulphur hexafluoride, and NF₃ = nitrogen trifluoride.

TCFD DISCLOSURE



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 five contributors to the WSIB’s emissions as of December 31, 2023, were NTPC Limited (India), China National Building Material (China), Adani Power Limited (India), Petroleo Brasileiro SA (Brazil), and China Shenhua Energy Company Limited (China).⁹ The top contributor to emissions, NTPC Limited, is the largest power company in India, with an electric power generating capacity of 71 gigawatts, primarily generated 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.

This focus on investing through the energy transition is particularly relevant in the broader global context, especially in countries like China. In 2023, China accounted for 35% of global GHG emissions.¹⁰ Given the scale of its emissions and the challenges involved, China’s successful transition to a low-carbon economy is essential for meeting global climate goals. It also presents substantial opportunities for economic growth, particularly through the advancement of low-carbon technologies and the creation of high-skilled jobs.

FIXED INCOME CARBON FOOTPRINT

While the WSIB has access to some emissions data for corporate debt securities, calculating a comprehensive carbon footprint for our fixed income portfolio remains challenging. Issues such as double-counting emissions in cases where we own both the debt and equity of a company and accounting for emissions from government debt complicate this process. The WSIB is actively researching how to address this and will provide an update in next year’s Sustainability Report.

PRIVATE MARKETS CARBON FOOTPRINT

As mentioned above, in 2024, staff surveyed our private markets partners on whether they were gathering scope 1, 2, and 3 emissions data for their portfolio companies. The survey also asked whether the partner was a member of EDCI and whether they had made a public net zero commitment. Over 90 percent of our partners responded to the survey, and overall, the results were positive. More than half of our partners are currently gathering scope 1 and 2 emissions for existing funds. In private equity, disclosure is closely correlated with EDCI membership. In our tangible assets, real estate, and innovation portfolios, EDCI membership is less common, but our partners are still generally disclosing scope 1 and 2 emissions data or plan to do so in the future.

⁸ Source: S&P TruCost. Public Equity CTF Total Composite

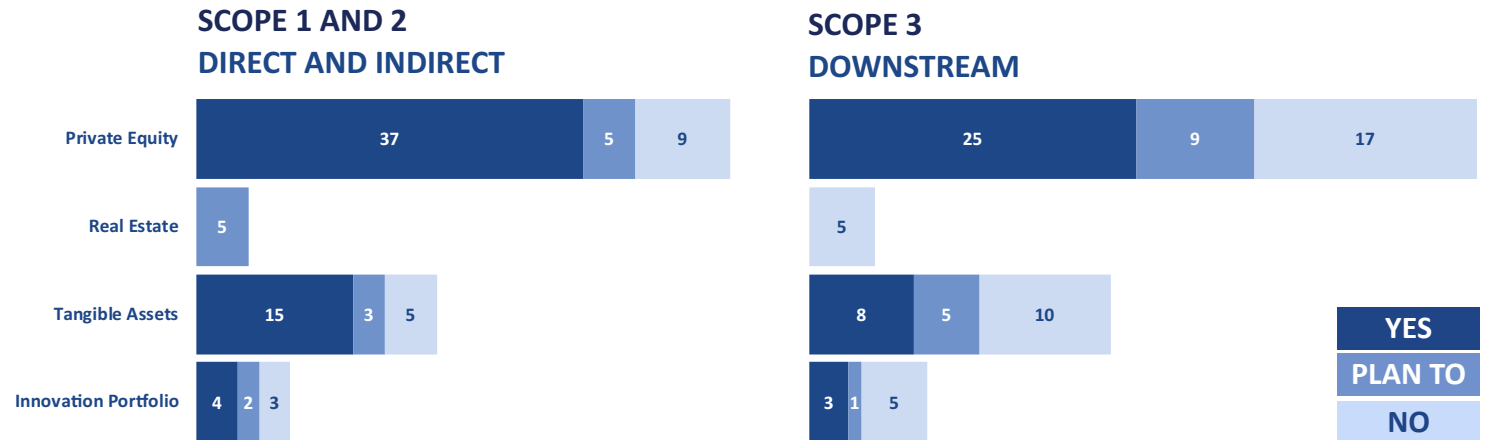
⁹ Source: MSCI. Contributions to portfolio emissions is based on the company’s absolute scope 1 and 2 greenhouse gas emissions and the CTF percent ownership in the market cap of a given company.

¹⁰ The changing landscape of global emissions – CO2 Emissions in 2023 – Analysis - IEA

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TCFD DISCLOSURE

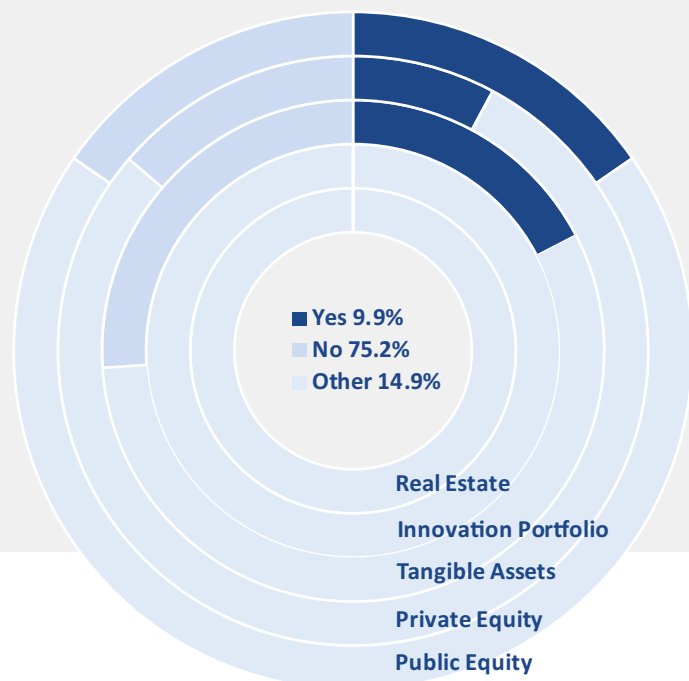
DOES YOUR FIRM GATHER EMISSIONS DATA FOR THE HOLDINGS OF THE FUND(S) THAT THE WSIB IS INVESTED IN?



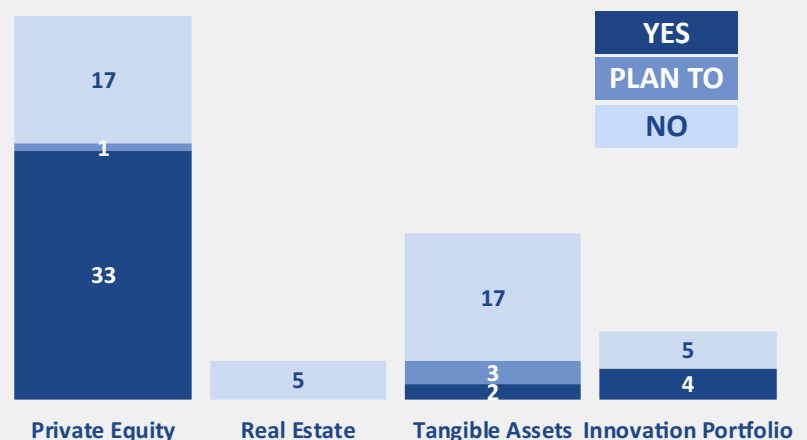
WSIB INVESTMENT PARTNER NET ZERO COMMITMENTS AND EMISSIONS

Most of our investment partners do not have formal net zero commitments in place but are in the process of gathering emissions data for their underlying holdings. Emissions reporting and analysis are commonly framed within the context of climate-related risks and opportunities rather than a top-down objective to reduce emissions at a total portfolio level. Emissions reporting regulation and client demand are primary drivers of increased emissions disclosures among our partners.

HAS YOUR FIRM MADE A PUBLIC COMMITMENT TO ACHIEVE NET ZERO EMISSIONS IN ITS INVESTMENT PORTFOLIOS BY 2050?



IS YOUR FIRM A MEMBER OF THE ESG DATA CONVERGENCE INITIATIVE?



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 (e.g., stranded asset risk and poor historical performance during certain time periods) 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. Between 2021 and 2024, the WSIB received hundreds of divestment requests in one form or another.

The WSIB’s adherence to its statutory fiduciary duties require 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, the use of ownership rights to influence the activities and behavior of investee companies, is a superior investment strategy as compared with divestment. The goal of active ownership 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.

FOSSIL FUELS: IMPACTS OF ACTIVE OWNERSHIP VERSUS DIVESTMENT

| | Active Ownership | Divestment |
|---|---|--|
| Alignment with WSIB Investment Beliefs | Fully aligned with fiduciary duties 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 duties |
| 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 equity 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 to no effect on reducing global emissions |
| Cost | Proxy voting and engagement efforts are included in the investment management fees for equity strategies | Increases costs to plan because custom mandates require selectively removing fossil fuel exposure from investment products |

DEI BLUEPRINT

The WSIB is committed to providing an inclusive workplace that recognizes, values, and respects all individuals. DEI policies, programs, and organizational strategies are meant to:

- Create and sustain an inclusive and diverse work environment.
- Build the WSIB's reputation as an employer of choice with a focus on career growth and advancement opportunities.
- Provide resources and training opportunities across the organization.
- Identify, and elevate emerging issues.
- Support efforts to attract and retain the best talent.
- Advocate externally within the investment industry on issues related to DEI.

The DEI Blueprint is meant to align our internal DEI values with external sustainability efforts. External efforts encompass engagement with public companies and our partners, incorporation of DEI considerations into investment decision-making, and public advocacy efforts.

The WSIB currently has a DEI Committee with two co-chairs, executive leadership sponsorship, an established DEI policy, and an ESG investment framework that includes DEI considerations. In 2024, the WSIB made significant progress on both internal and external DEI-related initiatives:

- Created an internal diversity metrics dashboard.
- Joined the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative.
- Updated our internal DEI resource library.
- Continued to enhance our WSIB internship program.

ILPA DIVERSITY IN ACTION INITIATIVE

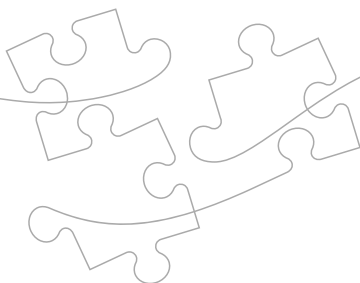
In 2024 the WSIB joined the ILPA Diversity in Action Initiative (DIA). The DIA was created to motivate private market participants to engage in a journey toward becoming more diverse and inclusive and to build momentum around the adoption of specific actions that DEI over time. As a signatory, the WSIB commits to the following actions:



- Adopt a DEI policy that is communicated to employees.
- Track internal hiring and promotion statistics by gender and race/ethnicity.
- Put in place organizational goals that result in demonstrable practices to make recruitment and retention more inclusive.
- Request DEI demographic data (e.g., the ILPA Diversity Metrics Template) for any new commitments.
- Assign senior-level DEI accountability aligned with an investment or senior management role.
- Provide unconscious bias training for all employees on an ongoing basis.
- Encourage use of statewide diverse employee resource groups.
- Commit to encourage and promote diversity within boards of directors at investee portfolio companies.

The DIA aligns well with the WSIB's DEI Blueprint, which prioritizes progress and consistency in DEI across agency, portfolio, and industry efforts. The WSIB's Head of Sustainability is a member of the ILPA DIA Steering Committee.

While the ILPA DIA is focused on private markets participants, the WSIB is applying the principles of the initiative across its entire investment portfolio.



DEI BLUEPRINT

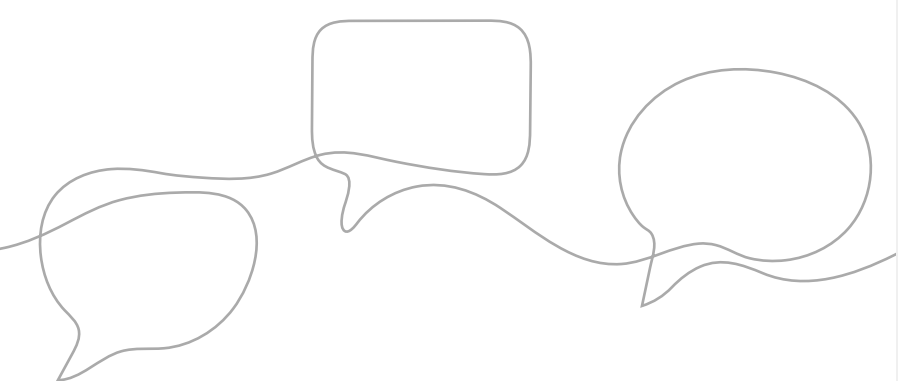


AN INTERN'S EXPERIENCE

One of the things that most impressed me about the WSIB was its inclusive culture. The agency has brought together individuals from many different backgrounds, myself included, having come from engineering. During my internship, I had the chance to work with almost every team at the agency, seeing the dedication of my colleagues up close and building connections with external partners that will help me in my career. Collaborating on the Sustainability Report this year was a milestone for me, as the agency has made deliberate and tangible progress in integrating material sustainable investment considerations into its investment approach over many years.

The WSIB's success isn't just about hitting arbitrary metrics that don't align with its mission; it's about making a genuine impact for the beneficiaries it serves. While others might focus on numbers that don't tell the full story, WSIB stays true to its core values, earning the trust of state teachers, firefighters, police officers, judges, and public workers—those who protect our society and shape our future generations. This commitment is what truly drives the WSIB's investment success, and it speaks for itself. Looking back, I wouldn't trade this rewarding internship experience for any other career opportunity I could have pursued.

Respectfully,
Alvin Chen
Sustainability Intern



LEARNING LABS

In 2024 the WSIB launched a new Learning Labs program, designed to educate staff on some of the biggest issues the WSIB faces today. Each quarterly session features outside experts and collaborative breakout groups with plenty of opportunities to engage with colleagues.

Learning Labs revolve around strategic themes aligned with professional and personal growth. The strategic themes include:

- Geopolitical risks
- The emergence of artificial intelligence (AI)
- Staff retention
- Leadership development
- Sustainability
- Resilience





ASSET STEWARDSHIP

The beneficiaries 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

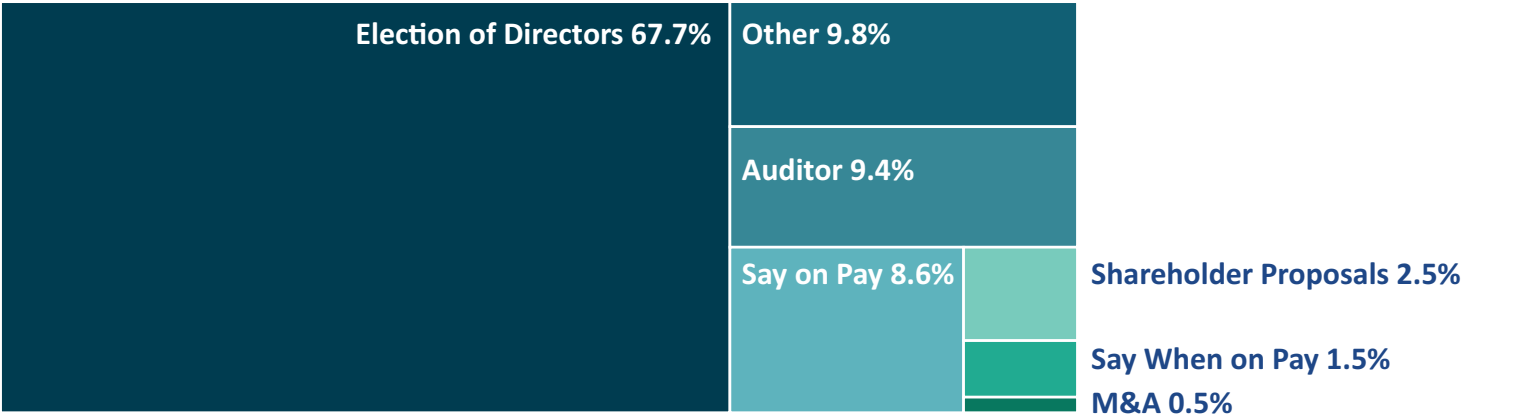


PROXY VOTING

Through our ownership of publicly traded stocks, the WSIB is a shareholder in thousands of companies and has the right and responsibility to vote ballots at annual and special meetings. The WSIB’s shareholder proxy voting attempts to focus those companies on 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 diverse boards and management teams benefit 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 directly voted on 2,970 meetings between July 1, 2023, and June 30, 2024, versus 2,993 in Fiscal Year (FY) 2023. The agency cast proxy votes for 27,773 individual proxy proposals (FY 2023: 28,378) primarily related to the election of directors, ratification of auditor, and advisory votes on executive compensation (Say on Pay (SoP)).



The WSIB supported 89.7 percent of the 18,791 director votes cast in FY 2024. These votes were in line with the WSIB’s Global Proxy Voting Policy.

THE CURRENT SHAREHOLDER PROPOSAL 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 company management. However, the shareholder proposal process allows investors to submit resolutions for inclusion on the ballot upon meeting certain criteria. Recently, the volume of shareholder-backed resolutions has increased 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 ESG-skeptic proponents. Second, the 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. Nonetheless, a review of SEC activity in 2024 shows more requests from companies to exclude proposals from the ballot and a higher rate of those requests being granted versus the SEC’s 2023 activity.

ASSET STEWARDSHIP

As a result, the number of shareholder resolutions increased, and the WSIB's support levels began to drop beginning in calendar year 2022, although this seems to have leveled off in the current period. The WSIB reviewed 692 shareholder proposals in FY 2024 and 689 in 2023, likely reflecting some balance of more exclusions and more submissions. In FY 2024, the WSIB supported 46.4 percent of shareholder proposals reviewed. This is down slightly from the level in the previous fiscal year (49.6 percent), largely owing to small variations across voting for a large number of governance-related proposals and repeated compensation-related proposals, which are not aligned with market practices. The WSIB's support levels for environmental and social proposals increased slightly in FY 2024.

| FY | Shareholder Proposals | Environmental ("E") | Social ("S") | Governance ("G") | | Compensation | Miscellaneous |
|------|------------------------------|---------------------|----------------|------------------|---------------------|---------------|---------------|
| | | | | All Other | Dissident Directors | | |
| 2024 | 692 (46.4%) | 116 (39.7%) | 258 (42.6%) | 188 (71.8%) | 26 (30.8%) | 85 (14.1%) | 19 (31.6%) |
| 2023 | 689 ¹¹ (49.6%) | 108 (34.3%) | 223 (38.6%) | 214 (72.9%) | 51 (58.8%) | 74 (32.4%) | 19 (47.4%) |

Data reflects number of proposals and (WSIB support rate for those proposals)

In 2023, the WSIB made two key improvements to the governance and transparency of its proxy voting process. Oversight of the proxy voting policy and process was moved from the Audit Committee to the full Board, allowing all Board members to participate in critical proxy policy-related conversations. Additionally, the WSIB now reports its proxy voting results on a quarterly basis rather than semi-annually.

Also, in late 2023, the WSIB board finalized approval of several updates to its proxy voting policy and associated guidelines, including:

- Alignment of the WSIB's diversity disclosure categories to match the Nasdaq reporting framework.
- Formalizing a focus on responses to prior shareholder votes in considering the election of directors.
- Adoption of a more expansive view of what constitutes unfavorable bylaw amendments.
- Update of views around executive and director stock ownership guidelines.
- Update of policy regarding clawback provisions in view of new rules issued by the SEC and adopted by U.S. stock exchanges.

The updates are intended to maintain alignment between the WSIB proxy voting policy and evolving market guidance and regulations and to center the Climate and DEI Blueprints as the basis for WSIB proxy voting decisions.

BOARD-LEVEL CLIMATE ACCOUNTABILITY

- In 2023, the WSIB codified a policy of holding boards of companies critical to the climate transition accountable for strong governance and disclosure frameworks around the issue.
- In FY 2024, the WSIB voted against directors at seven companies based on climate-related concerns.
 - 10 additional companies were flagged for future monitoring.

The WSIB's Proxy Voting Policy and Guidelines and historical proxy voting records are available at <https://www.sib.wa.gov/oversight.html>.

ASSET STEWARDSHIP



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 in 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+. In the coming years, 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 2024 from each of these campaigns are below.

THE CLIMATE ACTION 100+

The Climate Action 100+ was launched in 2018 as a 5-year campaign, and the WSIB has been a member since its inception. The three stated aims of the coalition at that time were to improve climate-related governance, reduce emissions, and promote alignment with the TCFD. The coalition put forward a renewed 7-year vision in 2023, including 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 June 2023, the WSIB renewed its participation in Climate Action 100+ for an additional 7 years.

For phase one, the WSIB was the co-lead for two campaigns for large Washington-based companies within the coalition's target list of companies structurally significant to the climate transition. During the transition to the second phase, the WSIB stepped down as lead for one of these companies but remains a supporting investor. 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 as the goals of phase one had largely been achieved, bringing that campaign to a close.

CDP

The 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 2023, 288 investors with nearly \$29 trillion in assets requested information on climate change, water, and forest management (19.9 percent responded). The WSIB was the lead outreach participant for seven Washington-based companies. Questionnaires contain metrics aligned with the TCFD, as well as other areas such as a company's climate lobbying practices. In 2023, the CDP added a new section to the water questionnaire focused on plastics.

INVESTOR COALITION FOR EQUAL VOTES (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

WSIB staff votes nearly all proxies for U.S.-based publicly traded company shares held by the WSIB's investment managers. 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 support the agency in adequately and cost-effectively managing these considerations.

Oversight of investment manager proxy voting and engagement activities is integrated into the manager selection and monitoring processes. The WSIB uses the following approach to monitor the public equity managers' stewardship-related responsibilities:

- 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 duties.



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. Our 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 six critical ESG considerations we believe are material across all asset classes and strategies. This became the WSIB's ESG framework.

Building upon this framework along with years of experience integrating material ESG factors into the investment due diligence process, in 2023, the WSIB began to develop an ESG curriculum and Learning Library. 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.

WSIB ESG FRAMEWORK

FIDUCIARY DUTY/ALIGNMENT WITH WSIB INTERESTS

DIVERSITY, EQUITY, INCLUSION

CLIMATE RISK MANAGEMENT

ESG POLICY, PRACTICES, PROCEDURES

INTEGRATION WITHIN INVESTMENT PROCESS

CULTURE



CASE STUDIES

The WSIB invests in many companies that are at the forefront of sustainability, both in dedicated impact and transition funds and more traditional investment funds focused on integrating financially material ESG risks and opportunities. We have highlighted a cross section of such companies below.¹²

TRACKING THE FUTURE OF SOLAR ENERGY

COMPANY: NEXTRACKER

FUNDS: TPG RISE II AND TPG RISE CLIMATE

The WSIB invested in TPG Rise II and in TPG Rise Climate, which collectively hold a stake in Nextracker—a global leader in intelligent, integrated solar tracker and software solutions for utility-scale solar projects. Solar trackers are support structures that allow solar panels to follow the path of the sun and absorb more solar radiation. For the past 8 years, Nextracker has consistently maintained its position as the top player in the solar tracking market, driving forward the global transition to renewable energy. In 2023, Nextracker marked a significant milestone with a successful IPO, delivering a strong return on investment for the WSIB.

Learn more: <https://www.nextracker.com/sustainability/>



FUELING TOMORROW: AN AMBITIOUS APPROACH TO SUSTAINABLE AVIATION

COMPANY: TWELVE

FUND: TPG RISE III AND TPG RISE CLIMATE

The WSIB has invested in TPG Rise III and in TPG Rise Climate, which collectively own a stake in Twelve, a company leading efforts to reduce the aviation industry's carbon footprint. Twelve has established significant partnerships, including an agreement with International Airlines Group (IAG) to produce 1 billion liters of Sustainable Aviation Fuel (SAF) over 14 years and a partnership with Alaska Airlines, a Washington-based airline. This jet fuel is made from CO₂, water, and renewable electricity. It has up to 90 percent lower lifecycle emissions than conventional jet fuel. Twelve's expansion plans include a new production plant in Washington,¹³ which should drive economic growth. This investment positions the WSIB to capitalize on innovations in the energy sector while supporting a critical transition to sustainable aviation.

Learn more: <https://www.twelve.co/post/twelve-s-first-of-a-kind-e-saf-jet-fuel-plant-in-washington-state-receives-project-finance-construct>



¹² The information provided is for educational purposes only and should not be considered as investment advice.

¹³ Twelve Breaks Ground: Washington Sustainable Aviation Fuel Plant (businessfacilities.com)

CASE STUDIES



SUSTAINABLE URBAN REDEVELOPMENT THROUGH BUILDING MATERIALS AND SOLAR TECHNOLOGY

INVESTMENT PARTNER: AEVITAS PROPERTY PARTNERS

The WSIB's investment partner, Aevitas Property Partners, has an investment in a real estate operating company (REOC) that holds industrial/warehouse properties in the Randstad region of the Netherlands. This REOC undertakes projects that deliver financial returns and contribute to sustainable urban redevelopment. For instance, the REOC recently completed a multi-tenant industrial building that incorporates sustainable materials like Larix wood (CLT) in the construction of its canopy. CLT is more sustainable than more traditional alternatives like concrete and steel. A wholesale food market in the complex will have a solar-paneled roof capable of generating 1 megawatt per hour (1MWp) at its peak. The electricity generated will help power zero-emission transportation for tenants. Furthermore, the REOC is installing solar panels across multiple properties in Amsterdam and Rotterdam, with plans to add 6-8MWp by 2025.



REIMAGINING WIND ENERGY SOLUTIONS

COMPANY: LIFTWERX

FUND: TOWERBROOK DELTA

The WSIB has invested in TowerBrook Delta, L.P. This fund's focus on sustainability is reflected in its alignment with the United Nations Sustainability Development Goals (UN SDGs).¹⁴ Among its portfolio companies, LiftWerx stands out for its pioneering work in craneless technology for wind turbines, offering a more cost-effective and scalable solution for performing large corrective repairs at high wind speeds by eliminating the need for traditional ground-based cranes. This innovative approach reduces operational costs and supports wind energy expansion—a sector poised for substantial growth in the U.S.

Learn more: <https://liftwerx.com/>



COMMITMENT TO CLEANER ENERGY

COMPANY: ENEL GROUP

INVESTOR: WSIB FIXED INCOME

The WSIB owns Enel SpA sustainability-linked bonds (SLBs) in its fixed income portfolio. Enel SpA is a leading European utility and the largest electric utility in Italy. They also operate in Spain and Latin America through holdings in Endesa SA (Spain), Enel Chile and Enel Americas. Enel SpA's sustainability practices are embedded in its business strategy, targeting ambitious environmental goals that bolster its long-term stability. The company is committed to reducing its GHG emissions and expanding its renewable energy capacity, which are two key performance indicators linked to its SLBs.¹⁵ The SLBs have a coupon step-up feature that can be thought of as a way for bondholders to hold companies accountable for meeting their sustainability-related goals. Enel SpA failed to meet some of these sustainability performance targets recently, which triggered a coupon step-up, increasing the yield that the WSIB is earning on these bonds. Staff continues to monitor Enel SpA's progress on its sustainability efforts.

Learn more: <https://www.enel.com/investors/investing/sustainable-finance/sustainability-linked-finance>

TAKING FLIGHT WITH SUSTAINABLE AVIATION FUEL

COMPANY: SIGNATURE AVIATION

FUND: GIP IV

The WSIB has invested in Global Infrastructure Partners Fund IV (GIP IV), which owns Signature Aviation ("Signature"), the world's leading global Fixed Base Operator (FBO). Signature owns a large-scale aviation fuel supply business and has an established track record of significant Sustainable Aviation Fuel (SAF) offtake agreements in the general aviation sector, supporting its customers' commitments to decarbonize aviation emissions. As the first FBO to provide a permanent supply of SAF, Signature plays a key role in reducing the aviation sector's carbon footprint. Notably, Signature has partnered with airports and customers to ensure SAF is now always available at 18 locations, including some of its bases with large fuel supply contracts at San Francisco and Los Angeles, California. At Los Angeles International Airport (LAX), it has achieved a 100 percent supply of blended SAF, marking a substantial step toward sustainable aviation.¹⁶ As a result of its efforts to support SAF deployment in its own operations and its industry-wide advocacy efforts, Signature received the Boeing Supplier of the Year award for 2023.

Learn more: <https://www.signatureaviation.com/about/about-us/>



¹⁵ Takeaways from Enel's sustainability-linked bonds performance targets | IEEFA

¹⁶ Signature Aviation at Los Angeles International Airport Now 100% Supplied by Blended Sustainable Aviation Fuel

CASE STUDIES



RACING TOWARDS SUSTAINABILITY WITH HIGH-SPEED RAIL

COMPANY: ITALO

FUND: GIP CASCADE

The WSIB has invested in Global Infrastructure Partners Cascade (GIP Cascade), which includes an investment in Italo, a high-speed rail passenger operator in Italy. Rail is considered to be a “green” mode of passenger transport, and Italo’s operations exemplify this through its modern, fully electric fleet that significantly reduces carbon emissions relative to fossil fuel-based engines. Italo’s high-speed trains, such as the AGV and EVO models, are built with 98 percent recyclable materials. The trains include features like electrodynamic regenerative braking, which saves up to 9 percent of electricity during braking. For long-distance travel, such as from Milan to Rome, Italo reduces CO2 emissions by more than four times compared to car travel, making it a leader in sustainable passenger transportation in Italy.

Learn more: <https://www.italotreno.com/en/the-train/italo-evo>



DELIVERING INTEGRATED ENERGY SOLUTIONS FOR A GREENER BRAZIL

COMPANY: ENGIE BRASIL ENERGIA

FUND: BRANDES EMERGING MARKETS EQUITY STRATEGY

Through the WSIB’s investment in Brandes Emerging Markets Equity Strategy, the WSIB has an interest in the public company ENGIE Brasil Energia, a leading renewable energy company in Brazil. ENGIE Brasil Energia operates across generating, selling, and transmitting electric energy, gas transportation, and energy solutions. With an installed capacity of approximately 10 GW in 82 plants, representing around 6 percent of Brazil’s domestic capacity, much of ENGIE Brasil Energia’s installed capacity comes from renewable sources, including hydropower, wind, solar, and biomass. ENGIE Brasil Energia also owns Brazil’s most extensive natural gas transportation network and offers integrated solutions for reducing costs and emissions, improving infrastructure, and enhancing urban sustainability.

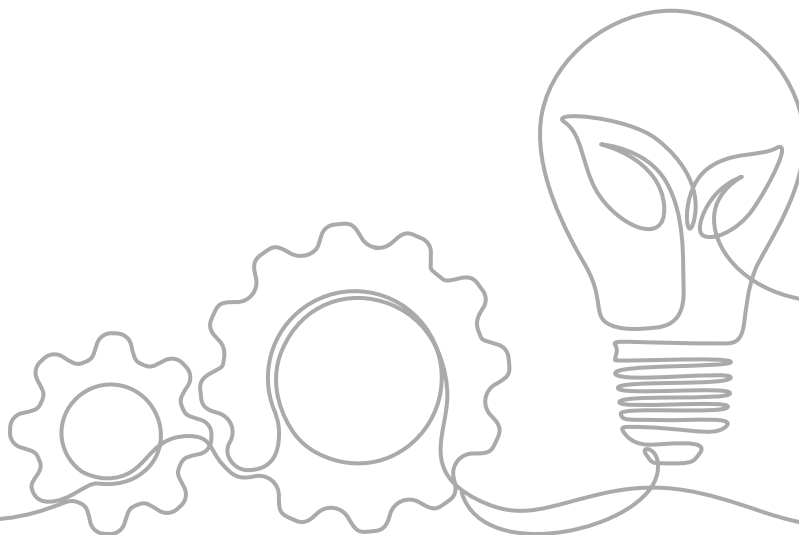
Learn more: [ENGIE Brasil](#)



CONSERVING WATER AND NURTURING LOCAL ECOSYSTEMS

INVESTMENT PARTNER: PARTNERS ENTERPRISE CAPITAL HOLDINGS (PECH)

The WSIB's investment partner, PECH, invests in an owner and operator of industrial/warehouse properties in California. These properties feature ongoing sustainability work that includes the evaluation, prioritization, and implementation of low-cost measures to improve the energy efficiency of the company's assets and reduce its environmental footprint. This REOC has implemented drought-tolerant landscaping projects that replace traditional turf with drought-resistant plants in Southern California properties in an effort to save water and increase curb appeal, in addition to minimizing flammable plant material, as these assets are located near an area prone to wildfires. Additionally, this REOC has implemented a Beehive Initiative at select locations to help people understand the significance of bees, build ecological awareness, and promote more sustainable communities and food systems.





ADVOCACY

At the WSIB, our collective engagement with like-minded owners enhances our influence as a long-term, responsible investor. We rely heavily on partnerships with pension fund peers, investment managers, and industry coalitions to amplify our voice. In line with our fiduciary duties, 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.

In addition to those organizations listed previously in the Engagement section of this report, which we utilize to collectively engage with other investors on topics that impact the sustainability of the companies that we own, we also work with the organizations below to enhance our advocacy efforts. These organizations are focused on enhancing the sustainability of the overall investment industry.

Ceres

WSIB Role: Member

Ceres is a nonprofit advocacy organization working to accelerate the transition to a cleaner, more just, and sustainable economy. Ceres makes the business case for action on the greatest sustainability challenges facing our world today: climate change, water scarcity and pollution, and nature and biodiversity loss.

<https://www.ceres.org/>

Council for Institutional Investors

WSIB Role: U.S. Asset Owners Advisory Council

CII is a leading voice for effective corporate governance, strong shareowner rights and sensible financial regulations that foster fair, vibrant capital markets. CII promotes policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries.

<https://www.cii.org/>

FCLT Global

WSIB Role: Board Member

FCLTGlobal's mission is to focus capital on the long term to support a sustainable and prosperous economy.

<https://www.fcltglobal.org/>

Institutional Limited Partners Association

WSIB Role: Board Member, Diversity in Action Steering Committee Member

The Institutional Limited Partners Association (ILPA) engages, empowers and connects limited partners to maximize their performance on an individual, institutional and collective basis.

<https://ilpa.org/>

Investor Stewardship Group

WSIB Role: Member

The ISG was formed as a sustained initiative to establish a framework of basic investment stewardship and corporate governance standards for U.S. institutional investor and boardroom conduct.

<https://isgframework.org/>

JP Morgan Scottsdale Action Forum

WSIB Role: Participant

A gathering of CEOs, world leaders, and institutional investors to come together to discuss critical sustainability topics like decarbonization initiatives and the energy transition.

Ownership Works

WSIB Role: Limited Partner Leadership Council Member

Ownership Works is a nonprofit organization that partners with companies and investors to provide all employees with the opportunity to build wealth at work.

<https://ownershipworks.org/>

Society for Corporate Governance

WSIB Role: Member

The Society for Corporate Governance's role is to serve members by providing practitioners with the knowledge, skills, and tools to promote effective governance for the benefit of boards, management, and shareholders.

<https://societycorp.gov.org/home>

Sustainable Markets Initiative

WSIB Role: Asset Manager/Asset Owner Task Force Member

The Sustainable Markets Initiative's mandate, better known as the Terra Carta, has a mission to build a coordinated global effort to enable the private sector to accelerate the achievement of global climate, biodiversity and Sustainable Development Goal targets.

<https://www.sustainable-markets.org/>

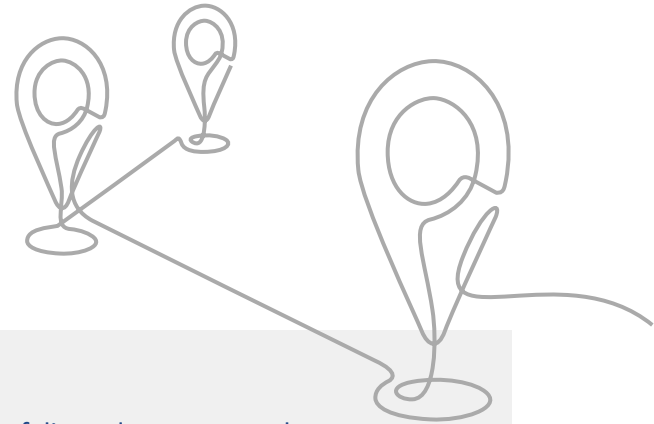
World Economic Forum

WSIB Role: Centre for Financial and Monetary Systems Advisory Council

The World Economic Forum is the International Organization for Public-Private Cooperation. It provides a global, impartial and not-for-profit platform for meaningful connection between stakeholders to establish trust, and build initiatives for cooperation and progress.

(<https://www.weforum.org/>)

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.



KKR'S EMPLOYEE OWNERSHIP STRATEGY

The WSIB supports broad-based employee ownership across its investment portfolio and encourages the implementation of employee ownership programs through collaboration with Ownership Works. Founded in 2021, Ownership Works aims to create \$20 billion in wealth for working families by 2030 and ultimately make shared ownership the new norm at work. The Ownership Works model, which includes developing ownership cultures and promoting financial literacy, has the potential to extend share ownership to millions of lower-income and diverse workers. The WSIB's CEO, Allyson Tucker, is a member of the Limited Partner Leadership Council of Ownership Works.

One of the WSIB's private equity partners, KKR, is a founding partner of Ownership Works. Since 2011, KKR has supported companies in implementing broad-based employee ownership programs throughout its portfolio, first in their U.S. industrial investments and now more broadly across other sectors and regions. This type of broad-based engagement and alignment can drive results in businesses while also playing an important role in driving greater financial inclusion. KKR portfolio companies have awarded billions of dollars in equity to over 100,000 non-senior management employees across over 50 portfolio companies.

A notable illustration of this approach is KKR's investment in Ingersoll Rand, a global leader in products such as compressor systems, power tools, and lifting solutions, which serve critical industries, including aerospace, construction, and oil and gas.¹⁷ Under KKR's stewardship, Ingersoll Rand implemented a transformative broad-based ownership program that expanded the percentage of employees who had an ownership stake in the company from 1.4 percent to 100 percent, substantially improving workforce engagement and retention. Employee engagement scores surged from the 20th to the 90th percentile, while annual turnover decreased from 20 percent in 2013 to just 3 percent in 2021.¹⁸ These outcomes highlight the general benefits of broadening employee ownership, in terms of company profitability and overall employee satisfaction.

Learn more: <https://vimeo.com/729045754>



¹⁷ Ingersoll Rand Air Compressors, Power Tools, Lifting and Fluid Handling Products

¹⁸ KKR Americas Flagship Private Equity Overview (KKR Broad Based Ownership Programs LP Overview 8.7.24 document), 2024



LOOKING FORWARD

The WSIB continues to uphold our role as fiduciaries as we consider how material sustainability risks and opportunities impact our investment portfolios and agency. Now in the third year of implementation, the Climate and DEI Blueprint objectives and outcomes are becoming more refined and specific. We will continue to make measured progress on these critical initiatives in the coming years. Stakeholders should expect to see improved transparency of climate-related data as the quality and availability improve over time. We will also seek to provide examples of portfolio companies and investment partners that are creating more sustainable futures while improving investment returns.



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