



**Tuesday, July 19, 2022**  
**Board Strategic Planning Meeting**

**July 19-21, 2022**  
**Silver Cloud Inn at Point Ruston**  
**5125 Grand Loop, Ruston, WA 98407**  
**Call to Order: July 19 at 12:45p**  
**Adjourn: July 21 at 11:30a**

**1. Tuesday, July 19: Buffet Lunch [Waterview Terrace] (12:00p-12:45p)**

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**2. Call to Order [Onyx] (12:45p)**

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**3. Welcome and Announcements (12:45-12:50)**

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**4. Education Session: Sustainability [Onyx] (12:50-5:00)**

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- A. Scaling Up Sustainability and Equity (12:50-1:50)
- B. Sustainable Investing (2:00-3:00)
- C. Break (3:00-3:30)
- D. Climate Blueprint Introduction (3:30-4:00)
- E. Practitioner's Guide to Climate (4:00-5:00)

**5. Reception [Waterfront Terrace] (5:45-6:30)**

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**6. Buffet Dinner [Waterfront Terrace] (6:30-8:00)**

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- A. Education Session: Fireside Chat with TPG Rise Climate Executive Chair

**7. Wednesday, July 20: Buffet Breakfast [Onyx Foyer] (7:45-8:45)**

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**8. Education Session: Diversity, Equity, and Inclusion (DEI) [Onyx] (9:00-12:00)**

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- A. DEI Blueprint Introduction (9:00-9:30)
- B. Facilitated DEI Session - Part 1 (9:30-10:30)
- C. Break (10:30-10:45)
- D. Facilitated DEI Session - Part 2 (10:45-11:45)
- E. Board Reflections (11:45-12:00)

**9. Buffet Lunch [Waterfront Terrace] (12:00-1:30)**

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**10. Education Session: Impact Investing [Onyx] (1:30-3:00)**

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- A. Impact Investing

**11. Break (3:00-3:30)**

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**12. Education Session: Macro Overview [Onyx] (3:30-5:00)**

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- A. Macro Overview

**13. Reception [Waterfront Terrace] (5:45-6:30)**

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**14. Dinner [Waterfront Terrace] (6:30-8:30)**

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A. Education Session: China Investment Implications

**15. Thursday, July 21: Buffet Breakfast [Onyx Foyer] (7:45-8:45)**

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**16. Education Session: Board Governance [Onyx] (9:00-11:30)**

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A. Lessons Learned from Poor Governance: A Case Study (9:00-10:00)

B. Break (10:00-10:15)

C. Board Wrap Up and Resource Review (10:15-11:30)

**17. Adjourn (11:30a)**

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**WASHINGTON STATE INVESTMENT BOARD  
Board Meeting Minutes  
July 19-21, 2022**

The Washington State Investment Board met in open session at the Silver Cloud Hotel at Point Ruston, 5125 Grand Loop, Ruston, WA 98407.

Members Present: Tracy Guerin, Chair  
Ada Healey  
Sara Ketelsen  
Liz Lewis  
Bill Longbrake  
Yona Makowski  
Greg Markley  
Senator Mark Mullet  
David Nierenberg  
Representative Timm Ormsby  
Treasurer Mike Pellicciotti  
Mary Pugh  
Joel Sacks  
George Zinn

Members Absent: Judy Kuschel

Also Present: Allyson Tucker, Chief Executive Officer  
Chris Hanak, Chief Investment Officer  
Curt Gavigan, Chief Operating Officer  
Bobby Humes, Human Resources Director  
Chris Phillips, Institutional Relations Director  
Kristina Taylor, Chief Financial Officer  
Sherrie Trecker, Sustainability Officer  
Fabrizio Natale, Senior Investment Officer – Private Equity  
Stacy Conway, Executive Assistant  
Lisa Devlin, Administrative Assistant

Cam Comfort, Attorney General's Office  
Ken Mehlman, KKR  
Paul Bodnar, BlackRock  
Jim Coulter, TPG Global  
Hank Paulson, TPG Rise Climate  
Dr. Sheila Edwards Lange  
Maya Chorenge, The Rise Fund  
Maryanne Hancock, Y Analytics  
Jason Thomas, Carlyle  
Governor Gary Locke

## **CALL TO ORDER**

Chair Guerin called the meeting to order at 12:52 p.m. and took roll call. All Board members listed were in attendance.

## **WELCOME AND ANNOUNCEMENTS**

Ms. Tucker addressed the curriculum and objectives of this year's strategic planning meeting stating that the meeting would include education sessions surrounding climate, geopolitics, and the WSIB's Climate and DEI Blueprints. She emphasized that the Board approved Investment Beliefs govern investment philosophy, and the education sessions are intended to illustrate how topics can be integrated into investing. The Board has a statutorily set mission – to maximize returns at a prudent level of risk. The discussion and education topics over the next two days are designed to help the Board navigate the issues, not solve them and to be responsive, not reactive.

## **SCALING UP SUSTAINABILITY AND EQUITY**

Mr. Mehlman presented an education session to the Board on sustainability and equity in private equity, addressing the current unprecedented global challenges and the opportunities for investors to step up in areas of climate action, sustainable living, lifelong learning, and inclusive growth. He discussed the importance of investing with a focus on solutions, and driving transformation through alignment, ESG, and value creation, emphasizing that active stewardship combines both aspects. In addition, he shared examples of the work KKR is doing in these areas.

Discussion ensued regarding the fiduciary duty of the WSIB; sustainability in the long-term for institutional investors; and the implementation, participants, and impacts of KKR's investment efforts.

## **SUSTAINABLE INVESTING**

Mr. Bodnar presented an education session on sustainable investing in the public markets, addressing BlackRock's philosophy of considering ESG insights that helps identify companies that are positioned to succeed in the long term, with a focus on climate transition and stakeholder capitalism. He discussed managing the net zero transition, noting that climate change is one of the greatest challenges in human history with significant implications for investors. He opined on the impact on long-term asset prices, current reallocation of resources and repricing of assets, and amount of investment necessary to retool the economy. He discussed in detail the climate transition, providing a framework for investment. He addressed sustainability and investment returns, and BlackRock's sustainable investing platform.

Discussion ensued regarding the competitiveness and feasibility of nuclear energy; divergence of climate change as a global issue with solutions at a country, state, and locality level; integration of ESG into fiduciary duty; investment implications of emissions reductions; climate resilience; and implementation of sustainability philosophy in passive management.

[The Board recessed at 2:52 p.m. and reconvened at 3:20 p.m.]

**CLIMATE BLUEPRINT INTRODUCTION**

Ms. Trecker presented an overview of the Climate Blueprint, discussing the purpose and approach, including the importance and desired outcomes of the blueprint; six-component framework to acknowledge, educate, act, measure, advocate, and engage; governance and team structure; and alignment and long-term vision at the agency, portfolio, and industry levels, highlighting alignment with fiduciary duty. She detailed past accomplishments, current initiatives, and a preview of 2023 initiatives. Ms. Trecker noted that the Climate Blueprint is a roadmap and not a definitive end-product. She summarized the key points, noting the ongoing tension between opposing views on the scale of impact-driven actions and ideologies.

Discussion ensued regarding measurement capabilities for public market investments, potential to apply learning from private investment experience to public market investments, the merging of the Sustainable Accounting Standards Board (SASB) with the Value Reporting Foundation, and further with the International Sustainability Standards Board (ISSB); desire for a systematic approach to ESG to ensure accurate measurement of outcomes; and estimated length of time to develop U.S. and/or global measurement standards.

Ms. Tucker commented on the importance of focusing on the real issues. There is a significant amount of discussion around labeling of the issues. This is an in-depth discussion about a topic that is very tricky for some of our peer funds to have. The WSIB will continue to improve, but will never be perfect, to become a climate-aware organization.

**PRACTITIONER’S GUIDE TO CLIMATE**

Mr. Coulter presented an educational session on climate considerations in investments. He discussed the evolution of consideration of ESG factors in building a responsible portfolio to impact investing – deploying capital to companies whose products or services positively impact societal issues and needs. He described TPG’s journey in leading the impact investing philosophy within private equity markets, including the formation of The Rise Funds. He discussed the dramatic change in thinking about the potential impacts of climate change and the numerous resources available on the topic. He addressed the changing investment landscape, scale of investment required to decarbonize, and TPG’s problem solving framework to address the issues, beginning with having the right mindset and defining the problem. He further discussed the framework by describing how to organize the tools to affect climate change, including clean energy sources in the form of clean electrons, clean molecules, and hydrogen, clean materials, as well as the impact of carbon removal, and technological and nature-based solutions. He concluded the framework discussion with examples of how TPG is making progress using the tools described.

Discussion ensued on how to navigate varying state, and national, and global climate regulations.

[The Board recessed at 5:00 p.m. and reconvened in open session at 7:15 p.m.]

## **EDUCATION SESSION: FIRESIDE CHAT WITH TPG RISE CLIMATE EXECUTIVE CHAIR**

Ms. Hancock moderated a discussion with Mr. Paulson focused on sustainable investment. Along with a 32-year career at Goldman Sachs, serving as chairman and chief executive officer beginning in 1999, and serving as Secretary of the Treasury from 2006 to 2009, Mr. Paulson served in various conservationist roles throughout his lifetime. Drawing on his vast experience in the investment and conservation arenas, Mr. Paulson shared key points for consideration relative to sustainability and took questions from Board members.

[The Board and recessed for the day at 8:20 p.m.]

## **July 20, 2022**

The Board reconvened in open session at 9:00 a.m. All Board members listed were in attendance.

### **DEI BLUEPRINT INTRODUCTION**

Mr. Humes presented an overview of the Diversity, Equity, and Inclusion (DEI) Blueprint, discussing its purpose and approach, benefits, and how the DEI Blueprint will be executed. The DEI Blueprint is a strategic tool with a six-component framework for the WSIB to acknowledge, educate, act, measure, advocate, and engage. He described the DEI Blueprint's impact to the agency as a tool to set DEI direction, create Board and staff alignment, and generate a DEI commitment from the Board and staff.

Mr. Humes reviewed the governance and team structure of the project, the long-term vision at the agency as it relates to DEI themes, including the impact DEI has on long-term investing, and highlighted past accomplishments, present initiatives, and a preview of 2023 initiatives. He concluded that the DEI Blueprint is a roadmap to seek progress and consistency across agency, portfolio, and industry activities related to DEI and engagement is key to its success. Discussion ensued on how the Board can best support the WSIB's DEI Blueprint project and overall DEI goals as the project advances and the desire for regular updates and discussions on the progress that staff and the Board is making in this area.

### **BOARD ENGAGEMENT WITH DEI: A STRATEGIC INVESTMENT IN PEOPLE AND FIDUCIARY PERFORMANCE**

Dr. Lange led an interactive discussion regarding the conflation of the Board's fiduciary responsibilities with DEI considerations in its governance and oversight responsibilities. She shared her background and experience, including examples of DEI work with two prominent local boards and the progress generated by deliberate internal change. Dr. Lange presented the results of the pre-meeting Board member survey on key DEI areas. The Board and executive staff members broke into small groups to discuss equity measurement and tools, as well as the leadership survey findings and actions the Board can take to move DEI progress. Board members provided a recap of their group discussions highlighting their strengths and areas for improvement or further education.

[The Board recessed at 10:30 a.m. and reconvened at 10:45 a.m.]

Dr. Lange addressed DEI as it relates to an investment in people, which falls under the “social” aspect of ESG, as well as DEI as a fiduciary resource, which falls under the “governance” piece. She discussed policies and practices that deter diversity in the investment world and provided examples of how a diverse and inclusive workforce can deliver better returns.

Board members and executive staff broke into small groups for discussion regarding how the Board can advance DEI and investment goals as well as the WSIB’s DEI Blueprint work. Board members provided a recap of their group discussions highlighting how the Board can effectively engage in the strategic work of the DEI Blueprint.

[The Board recessed at 11:58 a.m. and reconvened at 1:32 p.m.]

**IMPACT INVESTING**

Mr. Natale introduced Ms. Chorenge and Ms. Hancock, explaining the importance of data and metrics and accurate measurement in impact investing.

Ms. Chorenge discussed The Rise Fund’s journey in impact investing, describing her background and the advent of the term “impact investing,” noting the 2015 call to action with the United Nations’ Sustainable Development Goals (SDGs). She addressed the difference between impact investing and other pools of capital, specifically, the collinear nature of impact and financial returns. She described the challenges in impact investing, including the funding gap in capital needs to meet the SDGs, the challenge of impact investing at scale, investing without concession, and measurement. Investing with impact requires non-concessionary returns and measurable and reportable impact. She shared two portfolio company examples.

Ms. Hancock described the universe of impact investment ratings and standards noting that there is beginning to be a convergence in ratings and standards organizations. She discussed the importance of up-front assessment and determining what drives the investment. Y Analytics was built for the analysis of externality pricing, and it oversees a robust impact assessment process, with a unique capability and substantially underwritten by investors. She described the key decision tools and external auditor verification of the hold-period impact assessment, noting the evolution of evidence-based impact investing. She shared several real-case measurement examples and highlighted future investment opportunity areas.

Discussion ensued regarding the difference between investing in companies with strong ESG practices and impact investments, investments that exist solely for their impact; filling the impact investment funding gap; need for uniform measurement and standards; challenges in public/private partnerships; examples of investments that did not proceed as expected; requirement of not taking uncompensated risk; creation of sustainable businesses with collinear goals to set them up for continuation beyond exits; and the limited ability to replicate the impact investment model in the public markets.

[The Board recessed at 3:00 p.m. and reconvened at 3:33 p.m.]

**MACRO OVERVIEW**

Mr. Thomas presented a macro overview with a focus on inflation and geopolitics. He discussed the impact of the pandemic on spending patterns, supply chain issues, impact of massive fiscal stimulus, the return of interest rate risk, transparency of the Federal Reserve, easing of wage pressures, and contracting real goods spending. He explained forward rates and quantitative easing, and he discussed current consumer and corporate debt levels, the national housing shortage, and forecasted long-term mortgage rates. He addressed the Russian invasion of Ukraine and the correlating price spike in commodities due to sanctions and the potential significant economic impact in Europe.

Discussion ensued regarding potential for the Federal Reserve to cut interest rates or halt future increases, U.S. aid to Ukraine and additional actions that could force Russia to agree to a ceasefire, and opportunity for mortgage bond investment.

Mr. Thomas discussed decoupling with China, noting that it will be difficult, as China will be about 25 percent of global GDP and 7 of the top 10 busiest container ports are in China. Sheer scale of investment means it is virtually impossible to decouple – must accept fewer goods to enter your economy. He discussed China’s imports and exports, noting that many goods are assembled in China, and China’s bilateral surplus with the U.S. is built on bilateral deficits with suppliers in Germany, Japan, Korea, Taiwan. He addressed China’s consumption and China’s larger number of mature corporations as compared to the U.S.

[The Board recessed at 5:05 p.m. and reconvened at 7:15 p.m.]

**EDUCATION SESSION – CHINA INVESTMENT IMPLICATIONS**

Ms. Tucker moderated a discussion with former Governor Locke regarding the implications of investing in China. As Governor of Washington State, U.S. Secretary of Commerce, and U.S. Ambassador to China, Mr. Locke has been a leader in the areas of education, employment, trade, health care, human rights, immigration reform, privacy, and the environment. The discussion centered on Governor Locke’s expertise and knowledge of China’s history, culture, government, and business. Governor Locke shared his experience-based observations relevant to the concerns of the WSIB, and entertained questions from Board members.

[The Board recessed at 8:15 p.m. for the day.]

**July 21, 2022**

The Board reconvened in open session at 9:02 a.m. All Board members listed were in attendance. Chair Guerin noted that due to an unforeseen circumstance, Ms. Reeves, who was scheduled to present the Governance Case Study, was unable to travel and therefore the item would be removed from the agenda.



**BOARD WRAP UP AND RESOURCE REVIEW**

Following a short ice breaker exercise, the Board and executive staff broke into small groups to discuss the content of the previous two days of the Board meeting. Following the breakout session, each group shared with the entire group the observations made in their small group discussions.

Ms. Tucker shared an overview of the print resources available to Board members on the topics of climate, DEI, and China, encouraging Board members to choose books based on their individual interests.

**ADJOURNMENT**

There was no further business to come before the Board, and the meeting adjourned at 11:00 a.m.