



SUBJECT	Responsible Investing Update
SUBMITTED TO	Sustainability & Climate Action Committee
MEETING DATE	November 22, 2021
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	For input only - No action requested
LEAD EXECUTIVE	Peter Smailes, Vice-President Finance & Operations
SUPPORTED BY	Yale Loh, Treasurer Dawn Jia, President and CEO, UBC IMANT Graham Sheppard, Senior Investment Analyst, UBC IMANT

PRIOR SUBMISSIONS

The subject matter of this submission was considered by the Sustainability & Climate Action Committee most recently in [April 2021](#).

EXECUTIVE SUMMARY

The briefing updates the Sustainability Committee on the implementation of UBC IMANT's Responsible Investing Strategy. Notable achievements since the April update include:

- Completion of the 2020 Carbon Footprint Report measuring our progress towards the 2030, 45 percent carbon emissions reduction target (report released publicly in July)
- A \$120 million commitment to seed a reduced carbon global equity fund, funded in July. This is in addition to the \$110 million funding of a sustainable opportunities strategy announced in March
- UBC IMANT partnered with Ortec Finance, a global leader in climate risk modelling, to conduct a climate risk analysis of the endowment portfolio (completed in July)
- Completion of UBC IMANT's Active Ownership Guidelines in June. The guidelines describe our four pillars of active ownership: Engagement, Affiliation, Advocacy and Assessment

As an ongoing reminder of the strategic framework within which UBC IMANT is working, it is important to re-state that The UBC Board of Governors ("BoG") approved a resolution in April 2020 that outlined UBC's commitment to implement a comprehensive response to the climate emergency in order to mitigate climate change-related financial risk to the endowment assets. In alignment with the resolution, UBC IMANT developed a comprehensive Responsible Investing Strategy, approved by the BoG in September 2020. The implementation of the Strategy will establish a socially and environmentally sustainable portfolio, position UBC as a leader in post secondary institution investing and achieve the University's carbon reduction target for the Endowment portfolio.

In line with the University's declaration of a climate emergency, UBC IMANT's Responsible Investing Strategy is a multi-year initiative that was designed to first prioritize environmental risk in the endowment portfolio with additional objectives related to Social and Governance factors to be developed in 2022. Since the Strategy was approved one year ago, UBC IMANT remains on track in meeting the Strategy's stated deliverables and has made particular progress on climate risk monitoring and carbon reduction. UBC IMANT intends to provide the Sustainability Committee with a scorecard assessment on its responsible investing activities towards the end of the 2021-2022 fiscal year, as well as an update on planned activities for 2022-2023.

Overview of Responsible Investing activities

Since the April 2021 update to the Sustainability Committee, UBC IMANT has made progress on a number of activities planned for the current fiscal year, summarized below:

Environmental (Climate)-Related Activities

1. Carbon Emissions Measurement and Reporting

Under the direction of the UBC Board of Governors, UBC IMANT has been spearheading portfolio carbon emissions measurement (or “footprinting”) efforts and is among leading Canadian institutions evaluating emissions data as a component of climate risk analysis and external manager evaluation. The results of this work, the 2020 UBC Endowment Carbon Footprint Report, was released publicly in July. The report outlines the metrics used to measure portfolio emissions and establishes the baseline emissions upon which to measure the University’s progress against the 45 percent carbon footprint reduction target. The 2020 UBC Endowment Carbon Footprint Report has been included as an attachment to this document.

The report shows that the endowment carbon footprint decreased by 10 percent versus the baseline through March 31, 2021. Since then, UBC IMANT has made substantial progress in reducing the endowment’s carbon footprint through its equity portfolio transformation, including the investments made with Impax Asset Management in March 2021 and Arrowstreet Capital in July. Through June 30, 2021, the endowment’s carbon footprint was 46% below the baseline level, while the other emissions metric we track – carbon intensity – is 30% below the baseline level. While we are encouraged by the early progress, it is important to note that the carbon footprint of the endowment will fluctuate over time due to the calculation methodology of the metrics and may rise if broad equity market performance is poor.

2. UBC Endowment \$120M Commitment to Reduced Carbon Equity Fund

UBC IMANT has partnered with Arrowstreet Capital, a leading quantitative investment firm, to make a \$120M investment to seed a new Paris Agreement aligned reduced carbon fund. UBC IMANT was instrumental in the choice of MSCI’s Paris Aligned Index as the fund’s benchmark, which significantly reduces carbon intensity relative to the broad benchmark today and establishes an annual carbon reduction glide path needed to achieve the 1.5°C target by 2050. As the seed investor of the fund, UBC IMANT also was able to embed sustainability-based proxy voting requirements into the fund. The investment closed on June 30, 2021 with assets that represent approximately five percent of UBC’s Endowment.

3. Endowment Climate Risk Analysis

In July, UBC IMANT, in partnership with Ortec Finance, conducted a climate risk analysis on the UBC Endowment Fund’s investments as part of the endowment asset mix review. Ortec Finance is a global leader in climate risk modelling based out of the Netherlands with extensive expertise developed in conjunction with Cambridge Econometrics, Duke University and the Potsdam Institute for Climate Studies.

Insights from the analysis were used in establishing a recommended Strategic Portfolio for the Fund. Integrating a comprehensive climate risk review into the asset mix study enabled UBC IMANT to make more informed “climate-aware” decisions on the asset mix that incorporate short-term and long-term (40-year) climate risks and identify opportunities in portfolio implementation. The study produced several important insights incorporated into the asset mix review:

- i. Climate risk is systemic in nature and will lead to lower expected total portfolio returns in the endowment fund under all climate scenario pathways.
- ii. Climate risk cannot be effectively hedged or eliminated through simple divestment from fossil fuels, although it can partially mitigate the impact under certain scenarios.
- iii. The Canadian economy is uniquely exposed to climate risk. Decreasing exposure reduces portfolio climate risk under any transition pathway that limits global warming.

Over time, better understanding the impact of climate risk will be key to the long-term sustainability of the UBC Endowment. UBC IMANT is in the process of assessing additional datasets and risk tools that will enhance monitoring of climate risk and policy developments.

Social & Governance – Related Activities

1. UBC IMANT Active Ownership Guidelines

UBC IMANT is committed to active ownership as an effective tool to improve portfolio returns, mitigate risks and push for stronger ESG integration by our Managers and the assets in which they invest. In keeping with our commitment to strengthen advocacy and leadership in the responsible investing space, UBC IMANT formalized a set of Active Ownership Guidelines to establish the key principles and guidelines regarding active ownership when investing on behalf of the University. The guidelines were submitted to the UBC IMANT Board in June. The guidelines apply to all assets under UBC IMANT management and are implemented through four channels: Engagement, Affiliation, Advocacy and Assessment.

- **Engagement**

- Partnering with external investment managers that share our active ownership philosophy
- Partnering with like-minded investors to engage external managers to improve their own ESG activities, with an emphasis on climate risk, worker well-being and diversity and inclusion

- **Affiliation**

- Participation in industry organizations amplifies contributions to Responsible Investing and investor stewardship

- **Advocacy**

- Communicating our clients' priorities and evolving best practices in responsible investing to our partners and to the broader investment community
- Advocacy channels include Investment Managers, working with other like-minded investors, conference presentations and supporting industry group initiatives

- **Assessment**

- Monitoring portfolio investments for controversies and poor scoring ESG companies and raising issues with external partners
- Examining manager engagement activities, and evaluating performance against key indicators
- Establishing internal ESG ratings to standardize manager evaluation on ESG integration and estimation of residual ESG risks

The Active Ownership Guidelines are attached to this document.

APPENDICES

1. UBC Endowment 2020 Carbon Footprint Report
2. UBC IMANT Active Ownership Guidelines

PRESENTATIONS

1. Responsible Investing Update



INVESTMENT
MANAGEMENT TRUST INC.
The University of British Columbia

2020

UBC Endowment Carbon Footprint Report

Building a sustainable future

UBC IMANT's aim is to grow and to strengthen the financial foundation of the university in a responsible manner

The UBC Investment Management Trust Inc. (UBC IMANT) Team is pleased to present our first carbon footprint report. This report is a result of many years of diligent work in implementing the principles of Responsible Investing, with a particular focus on climate risk and carbon dioxide emissions, which contribute to global warming.

Under the direction of the UBC Board of Governors, UBC IMANT has been spearheading carbon footprinting efforts and was among leading Canadian institutions that evaluated the CO₂ emissions data as a component of climate risk analysis being incorporated into our investment processes and external manager evaluation.

Today, we present our comprehensive carbon footprint report, which describes the Responsible Investing activities we have undertaken in 2020, discusses our initial CO₂ emissions estimates and establishes a baseline for evaluating our progress against our ambitious carbon reduction goal of reducing carbon footprint by 45% by 2030.



2020 Responsible Investing Update

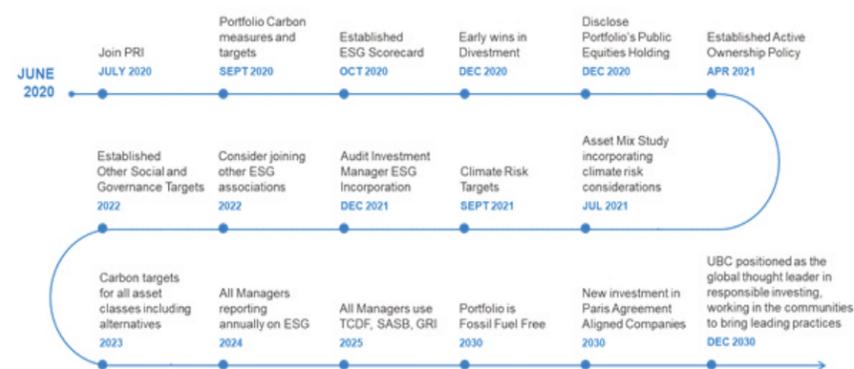
Responsible Investing at UBC IMANT incorporates:

- The fiduciary responsibility to ensure that the financial requirements of all stakeholders are met
- Sustainability through incorporation of best practices in Environmental, Social and Governance (ESG) considerations
- Active ownership and engagement

2020 was an important year for UBC IMANT in terms of the continued implementation of our responsible investment approach. Through a collaborative approach with our stakeholders, we developed the UBC IMANT Responsible Investing Framework and identified the key objectives for our responsible investment strategy and related action items.

The Responsible Investing Framework and accompanying objectives and actions were the basis for the UBC IMANT Responsible Investing Roadmap developed in cooperation with our University stakeholders.

Responsible Investing Roadmap



To help us evaluate our progress in mitigating climate risk, carbon emissions arising from our investments in public equities were targeted to serve as key performance indicators (KPIs).

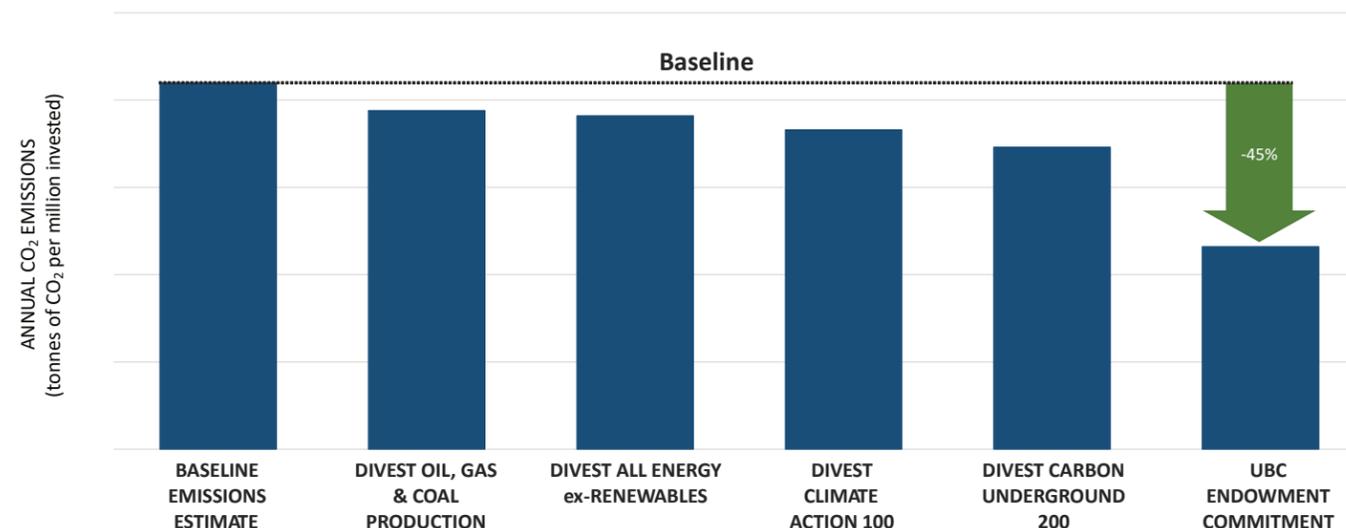
To that end, we have evaluated the quality and coverage of the available data and assessed the methodologies behind various carbon emission and carbon intensity measures to guide our decisions as to which metrics to adopt to best assess our external managers, communicate with our stakeholders and to track our emission reduction goals.

Based on our Responsible Investing objectives and the related timeline, we developed an ESG scorecard to be used for communication with our stakeholders. This scorecard will be expanded as we continue to expand our Responsible Investing activities.

Why Carbon Footprint?

In response to the climate crisis declared by UBC President Santa Ono in 2019 and in consultation with our University stakeholders, UBC IMANT set an aggressive carbon emission reduction target for the UBC Endowment's portfolio. Our approach to a reduction in carbon emissions goes beyond a simple divestment approach, achieving greater emissions reductions aimed at combating climate change.

CO₂ Emissions Reductions of Various Approaches



Through in-house analysis we arrived at the ambitious goal of reducing our portfolio carbon emissions by 45% by 2030. This journey is already underway, with an evaluation of our existing external manager relationships and their alignment with this CO₂ emissions reduction goal.

With the establishment of explicit and measurable climate risk mitigation targets, we decided that direct access to relevant datasets was critical. To that end, we have evaluated multiple data providers and delivery platforms. In the fourth quarter of calendar year 2020 we entered into a contract with a preferred provider and are now monitoring our progress along the path of CO₂ emissions reduction.

“UBC IMANT is firmly committed to working alongside our clients, investment managers and peers in mitigating climate risk. As a data driven organization, we will continue to focus not only on reaching our stated climate goals but advocating for the steady improvement of climate data consistency and availability”

Dawn Jia, President and CEO, UBC IMANT

How We Measure Carbon Footprint



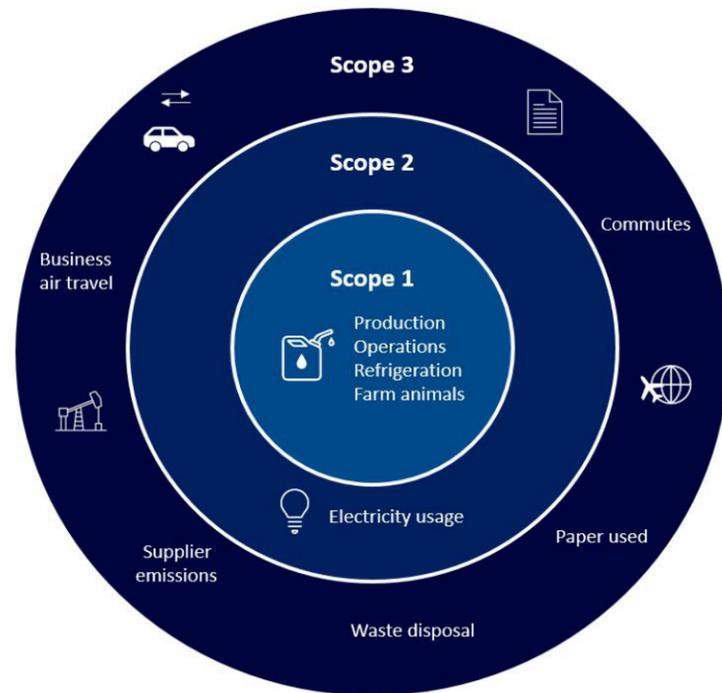
The carbon footprint of a company is an estimate of the greenhouse gas (GHG) emissions generated from the activities of a company. Greenhouse gas emissions included in carbon footprint estimates include carbon dioxide (CO₂), hydrofluorocarbons (HFCs), methane (CH₄), nitrogen trifluoride (NF₃), nitrous oxide (N₂O), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). These GHG emissions are then expressed in terms of CO₂ equivalents.

In estimating a carbon footprint, we consider the following sources of emissions that are typically divided into three categories, or scopes (as defined by MSCI):

Scope 1 GHG emissions are those directly occurring "from sources that are owned or controlled by the institution, including: on-site stationary combustion of fossil fuels; mobile combustion of fossil fuels by institution owned/controlled vehicles; and "fugitive" emissions. Fugitive emissions result from intentional or unintentional releases of GHGs, including the leakage of hydrofluorocarbons (HFCs) from refrigeration and air conditioning equipment as well as the release of CH₄ from institution-owned farm animals".

Scope 2 GHG emissions are "indirect emissions generated in the production of electricity consumed by the institution".

Scope 3 GHG emissions are all the other indirect emissions that are "a consequence of the activities of the institution, but occur from sources not owned or controlled by the institution" such as commuting; waste disposal; embodied emissions from the extraction, production, and transportation of purchased goods; outsourced activities; contractor owned vehicles; line loss from electricity transmission and distribution.



How We Measure Carbon Footprint

UBC IMANT's analysis currently includes Scope 1 and Scope 2 emissions. Scope 3 emissions in its current form suffers from low data availability and inconsistent methods of estimation; however our goal is to incorporate this data as it becomes more robust.

We monitor two carbon emission measures: total "carbon emissions" defined as carbon emissions per \$1 million invested and "carbon intensity" defined as carbon emissions per \$1 million of sales.

Emission estimates allow for understanding what the carbon footprint of investment activities is, to evaluate if emissions are declining, to compare against different investment strategies and to attribute emissions to various sectors of the economy. Our carbon emission reduction targets are set against this estimate in order to lower GHG emissions associated with our investments.

The total carbon emissions of an investment portfolio are calculated as the sum total of the carbon emissions of each company we are invested in, proportionate to our investment in that company.

Total carbon emissions:

$$\sum_i^n \frac{\$ investment_i}{Issuer's full mcap_i} \times Issuer's emissions_i$$

Emission intensity is a secondary measure allowing UBC IMANT to identify best-in-class companies overall and within industry sectors. It also has the benefit of being more stable as it links emissions that are driven by the overall state of the economy.

The total carbon intensity of an investment portfolio is calculated as the sum total of the carbon emissions per unit of sales revenue of each company we are invested in, proportionate to our investment in that company.

Total carbon intensity:

$$\frac{\sum_i^n \frac{\$ investment_i}{Issuer's full mcap_i} \times Issuer's emissions_i}{\sum_i^n \frac{\$ investment_i}{Issuer's full mcap_i} \times Issuer's sales_i}$$

Where:

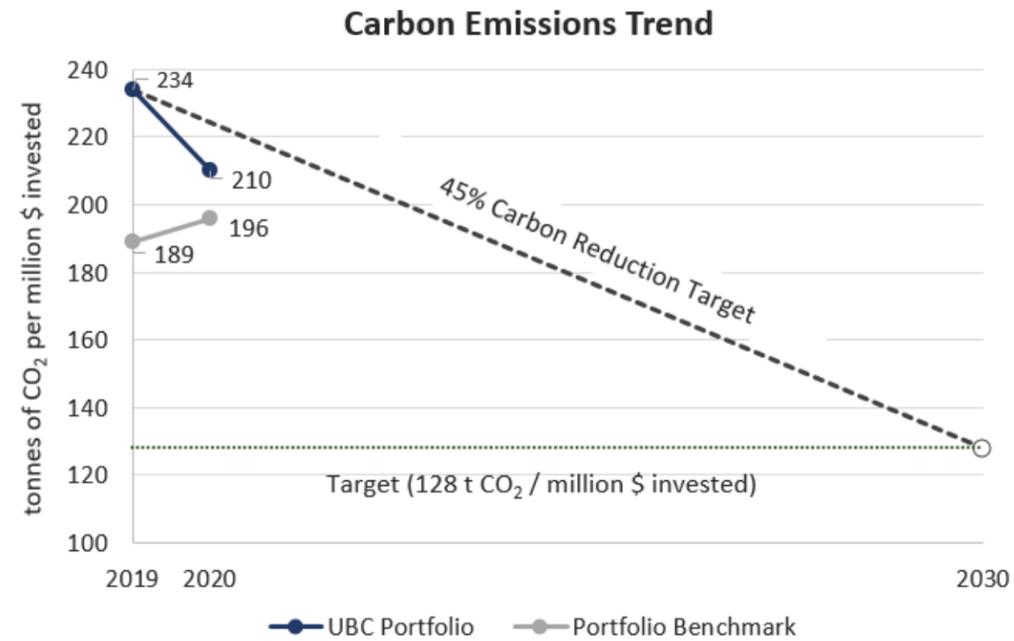
\$ investment – value of the UBC Endowment investment in a company (issuer).

Issuer's full mcap – market capitalization (value of all the shares issued by a company) of a company.

Issuer's emissions – total annual GHG emissions of a company.

Issuer's sales – total value of annual sales of a company.

Carbon Emissions



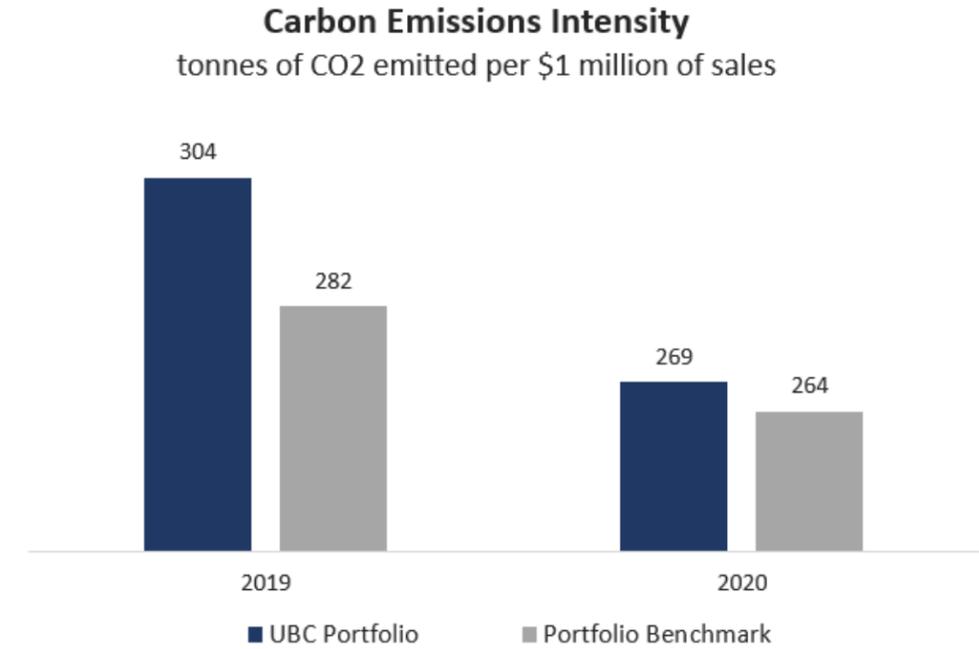
At the beginning of the 2020-21 fiscal year, we estimated the 2019 baseline for emissions reduction measurement. The UBC Endowment public equity holdings are estimated to emit 234 tonnes of CO₂ per million dollars invested. A year later, 2020 emissions are estimated to decline to 210 tonnes of CO₂ per million dollars invested, on track to achieve our goal of a 45% emissions reduction by 2030. This goal aims to reduce portfolio CO₂ emissions to below 128 t CO₂/m invested, which translates to a reduction of nearly 165-thousand tonnes of CO₂ emitted per year. For context, this is equivalent to removing over 35,000 cars from our roads.

Our emission targets are not limited to an absolute reduction in carbon emissions; we are also mindful of our portfolio emissions relative to passive investments in equity indexes. With respect to that measure, our baseline of 234 tonnes of CO₂ per \$1 million invested (t CO₂/m invested) is higher than comparable passive investment strategies (i.e. portfolio benchmarks) which are estimated to emit 189 t CO₂/m invested.

This unfavourable comparison is driven by a greater portfolio allocation to defensive equity strategies. Such defensive strategies tend to prefer stable businesses with predictable cash flows, such as utility companies. Unfortunately, many of these companies are also among the highest CO₂ emitters by virtue of the industry in which they operate.

Our emission estimation tools allow us to determine that our external investment managers selected utility companies that emit 34% less CO₂ than the overall utility sector which is consistent with our goals of investing in best-in-class companies with respect to climate risk mitigation.

Carbon Intensity



In addition to absolute and relative levels of CO₂ emissions, we monitor CO₂ emissions intensity which is defined as the amount of CO₂ emitted by a company to generate \$1 million of sales. This measure enables UBC IMANT to identify companies that are efficient in using their emissions budget. That indicator shows that to generate \$1 million in sales portfolio companies emit 304 tonnes of CO₂, which is slightly greater than passive investments. Using detailed emissions data, we focus on the sources of excessive emissions and engage with external managers to consider implementing portfolio changes that reduce emissions intensity with an eye to improving investment returns.

Individual company carbon data enables us to aggregate all public equity investments and identify which companies are the largest emitters of GHGs within the equity portfolio. This knowledge helps us evaluate if removing those holdings will materially reduce our carbon footprint without compromising returns.

Utilizing our carbon emissions data we identified immediate opportunities to improve our portfolio climate risk profile and have added managers that explicitly incorporate climate risks and opportunities into their investment decisions. Where appropriate, we engage with external investment managers to adjust investment mandates to better align them with our Responsible Investment objectives. In some instances, we opt to redeem from existing investment programs and reinvest in opportunities that are better aligned with our Responsible Investing goals.



Next Steps

This baseline carbon footprint report will serve as a reference point for estimating carbon emissions reductions objectives embedded in our Responsible Investing Framework. Carbon footprinting improves our engagement efforts and enhances our Responsible Investing implementation. As per the UBC IMANT Responsible Investing Roadmap, we will continue to expand our risk assessment beyond carbon emissions to include climate risks. Further ahead, we will aim to include other asset classes in carbon emissions estimates as data becomes available.

UBC IMANT is positioned for the future





ACTIVE OWNERSHIP GUIDELINES

JUNE 2021

1. Overview

In providing investment management services to our clients, UBC Investment Management Trust (UBC IMANT) implements its Responsible Investing Framework through;

- maintaining its fiduciary responsibility to help its clients to accomplish their financial objectives,
- incorporating environmental, social and governance (ESG) considerations in investment decision making, and
- acting as active owners on behalf of its clients.

UBC IMANT is committed to active ownership as an effective tool in improving returns and mitigating risks through incorporation of ESG considerations that are expected to have a positive impact on societies and the environment. Active ownership goes beyond divestment and allows for the opportunity to drive responsible corporate practices through dialogue and influence.

2. Purpose

The purpose of the Active Ownership Guidelines (Guidelines) is to establish the general approach, key principles, and guidelines at UBC IMANT regarding active ownership when investing on behalf of our clients. Those Guidelines are implemented in conjunction with the Investment and Responsible Investing Policies of UBC IMANT clients.

The Guidelines are aligned with UBC IMANT's commitment to the Principles for Responsible Investing (PRI), to which UBC IMANT is a signatory.

3. Scope

Those Guidelines apply to all assets under UBC IMANT management. For clarity, the practical implementation of the principles of active ownership will vary depending on the asset category and implementation strategy chosen.

4. Our Active Ownership Approach

UBC IMANT's active ownership approach is implemented through:

- engagement,
- affiliations,
- advocacy, and
- assessment.

4.1 Engagement

UBC IMANT seeks to partner with investment managers that share our active ownership philosophy. External investment managers are expected to engage with their portfolio companies on ESG-related matters with particular emphasis on climate risks, worker well-being and diversity and inclusion.

In addition to manager-initiated engagement UBC IMANT will collaborate with managers in instances identified by UBC IMANT as controversial or material.

The establishment of ESG related targets that relate to achieving Responsible Investing goals are among the criteria that UBC IMANT looks for when partnering with Managers.

Escalation is an important component of engagement and often requires persistent and repeated interactions possibly through multiple channels and over time. As active owners UBC IMANT will deploy escalation engagement strategies that are deemed to be most effective for a given situation and asset type. Similarly, escalation in engagement is expected from external manager partners.

Various asset categories allow for different engagement tools to be most effective:

Equity Ownership

Public equity investments offer the ability to participate in proxy voting. Responsibility for exercising voting rights is delegated to investment managers of pooled funds. UBC IMANT shall evaluate whether Managers' proxy voting policies align to the principle of voting in favour of measures that promote good social, environmental, and corporate governance practices and vote against measures that are not in the best long-term interest of shareholders.

UBC IMANT evaluates the alignment of managers' proxy voting policies with its Responsible Investing Framework. Proxy voting reports provided by external managers are the mechanism for disclosing aggregated proxy voting information including votes in support and against management, votes on shareholder proposals and voting details on ESG matters. Furthermore, securities lending practices are reviewed with respect to proxy voting.

Private equity and real assets investments carry the possibility of having a significant ownership stake in companies. As such they create opportunities for active ownership and meaningful engagement with corporate management. UBC IMANT seeks to work with external managers that take a leadership role in the active ownership of private assets.

Close collaboration between private equity managers and corporate management creates an opportunity to influence how to address ESG matters affecting portfolio companies.

With enhanced access to corporate management teams, high level of active ownership and productive engagement is expected from private equity investments.

Fixed Income Lending

For fixed income investments that do not carry with them ownership privileges of equity holders, UBC IMANT adopts where possible an active lender approach to provide funding to projects related to climate transition, energy efficiency or of social benefit.

UBC IMANT seeks to cooperate with investment managers that, in addition to fundamental credit analysis, focus on the use-of-funds and maintain alignment with responsible investing principles.

In addition to directed use-of-funds lending managers are expected to include ESG and responsible investing considerations in their analysis of debt issuers.

4.2 Affiliations

Participation in industry organizations amplifies contributions to Responsible Investing and investor stewardship.

UBC IMANT will regularly evaluate its organizational affiliations to ensure they strongly align with its Responsible Investing approach. Affiliations are assessed based on the impact of UBC IMANT contributions and alignment with Responsible Investing goals and priorities and UBC IMANT will join selected organizations with the goal of advancing Responsible Investing.

4.3 Advocacy

As investment managers entrusted with clients' assets, UBC IMANT will communicate clients' priorities and evolving best practices in Responsible Investing to its partners and to the broader investment community.

4.4 Assessment

The evaluation of active ownership activities undertaken by managers and UBC IMANT is a cornerstone for obtaining informative insight about engagement activities and identifying opportunities for improvement or prioritization.

External managers are evaluated as part of their identification, selection, and onboarding process. Once invested with a manager, an ongoing monitoring and engagement process is in place to review portfolio investments for controversies and poor ESG assessments. Manager engagement activities are examined, and performance evaluated against key performance indicators.

UBC IMANT will utilize an ESG rating methodology to evaluate managers' ESG integration, estimate ESG risks and engagement and advocacy efforts.

5. Governance

UBC IMANT must have a President/CEO approved Active Ownership Guidelines describing its active ownership practices when investing clients' assets and is implemented in conjunction with Investment and Responsible Investing Policies of UBC IMANT clients.

The Guidelines are reviewed by UBC IMANT at least every two years to maintain Policy alignment with UBC IMANT Responsible Investing Framework, implementation priorities and industry developments.

Responsible Investing Update

November 19, 2021

Dawn Jia, President & CEO
UBC Investment Management Trust



Responsible Investing Progress



Opportunity	November 2019
Divestment	Pure divestment of fossil fuel investments identified as contrary to responsibility of fiduciary duty. Sustainable Future Pool excludes fossil fuel and targets low carbon footprint
Low carbon portfolios	
Carbon intensity reduction targets	
Protecting portfolio from climate risk	Currently not considered
Identifying financial opportunities to benefit from climate transition	Currently not considered
Engagement & proxy voting	Managed by external fund managers
Public policy & regulatory advocacy	Canadian Coalition for Good Governance



November 2021
Commitment to Fossil Fuel Free and 45% reduction in carbon footprint for Endowment Fund by 2030
Climate risk specifically incorporated into asset mix and spend rate analysis
Investment in Climate Opportunities Equity Fund
Active Ownership Guidelines in place
Advocacy continues on multiple fronts (e.g., PRI, Public presentations)

Significant progress has been made since 2019

Climate Action Opportunities Update



Opportunity
Divestment
Low carbon portfolios
Carbon intensity reduction targets
Protecting portfolio from climate risk
Identifying financial opportunities to benefit from climate transition
Engagement & proxy voting
Public policy & regulatory advocacy

Climate Action

- Endowment Fund Climate Risk Analysis
- Carbon Footprint Update
- Investment Implementation
 - \$120M commitment to Reduced Carbon Fund benchmarked to Paris-aligned Index
 - External Manager ESG Integration

Climate Risk Analysis: Key Insights



1. Climate risk is systemic and unhedgeable
 - Stock-picking/Divestment is insufficient to manage systemic risk
2. Climate risk (transition or physical risk) reduces the expected return on the Endowment across all modelled scenarios
3. Canada is uniquely exposed to climate risk
 - Decreasing exposure reduces portfolio climate risk under any transition pathway to limit global warming

Carbon Emission Metrics:



Carbon Footprint

Carbon emissions per \$1M invested

“What is our proportional share of a company’s total carbon emissions?”

Benefits:

- Simple measure of the total carbon emissions of the invested portfolio

Drawbacks:

- Volatile - can be heavily influenced by equity market valuations

Committed target – 45% reduction by 2030

Carbon Intensity

Carbon emissions per \$1M of sales

“How much CO₂ do the companies we own emit to generate \$1 million of sales?”

Benefits:

- Measures how carbon efficient the investment portfolio is
- UBC IMANT can use to identify sources of excessive emissions in the portfolio

Drawbacks:

- Doesn’t provide the absolute level of carbon emissions attributable to the portfolio

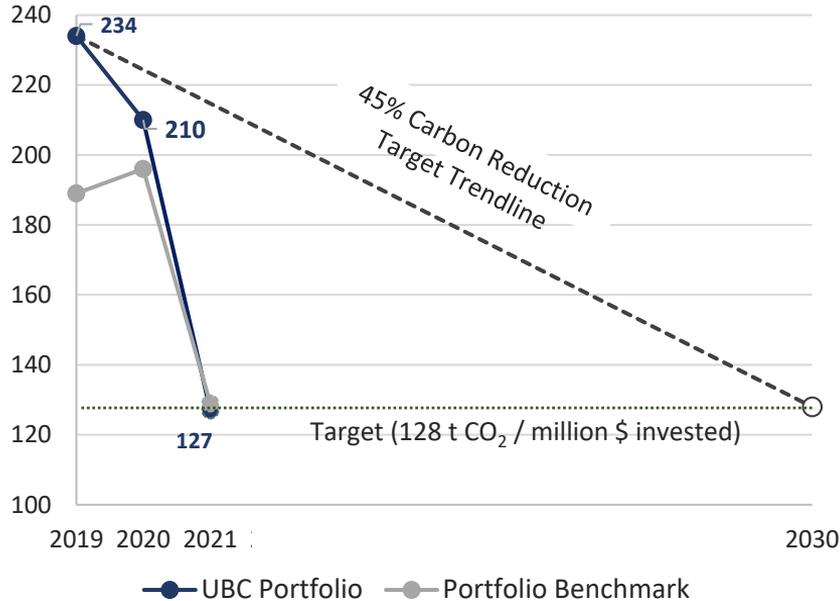
Target – 45% reduction by 2030

Endowment Fund Carbon Emissions:



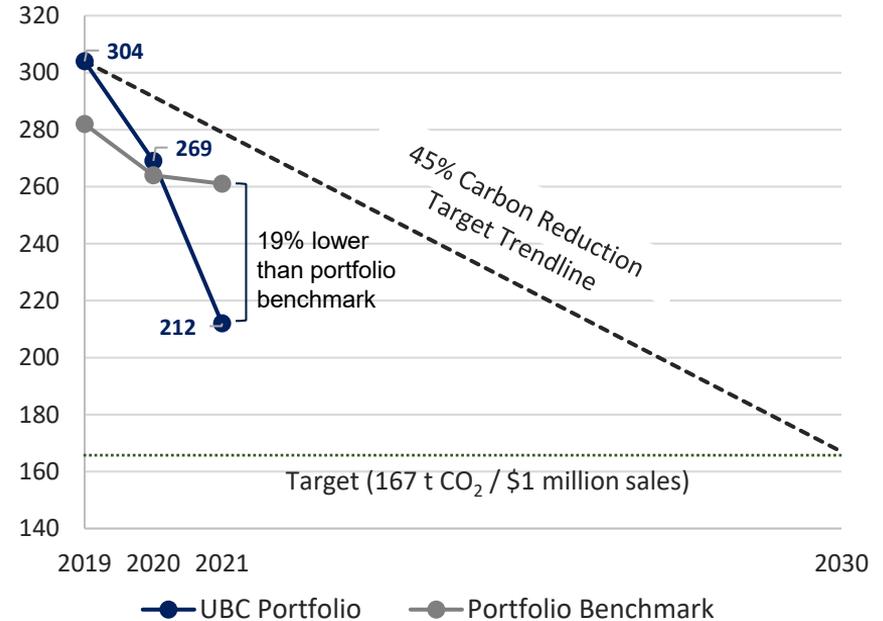
46% below baseline¹

UBC Endowment Carbon Footprint
(tonnes of CO₂ per million \$ invested)



30% below baseline¹

UBC Endowment Carbon Intensity
(tonnes of CO₂ per \$1 million of sales)



¹ June 30, 2021 figures vs. March 2020 Baseline

Investment Implementation

- **July 2021:** \$120M investment in reduced carbon, Paris-aligned equity fund
- Continuing to improve private asset program ESG integration and reporting



Engagement and Proxy Voting Update



UBC IMANT Active Ownership Guidelines

ENGAGEMENT

- Partner with investment managers that share our active ownership philosophy.
- Cooperation with like-minded investors to engage external managers to improve their ESG processes
- Emphasis on climate risk, worker well-being and diversity and inclusion.

ASSESSMENT

- Monitoring portfolio investments for controversies and poor scoring ESG companies and raise issues with external partners.
- Manager engagement activities are examined, and performance evaluated against key indicators.
- Internal ESG ratings to standardize manager evaluation on ESG integration and estimation of residual risks.

AFFILIATIONS

- Participation in industry organizations amplifies contributions to Responsible Investing and investor stewardship.



ADVOCACY

- Communicate UBC's priorities and evolving best practices in Responsible Investing to our partners and to the broader investment community.
- Advocacy Channels: investment managers, investment industry conference presentations, industry group initiatives

Appendix



Responsible Investing Dashboard



UBC Endowment Fund				
Item	Performance Indicator(s)	Target	Timeline	Status
Climate Action				
Divestment of Fossil Fuels	Percentage of total portfolio	0%	2030	1.4% ¹
Carbon Footprint	Total Emissions - Tonnes CO2 / \$ million invested Intensity - Tonnes CO2 / \$ million sales revenue	45% Reduction from Baseline	2030	-46% -30%
Climate Risk Analysis	Complete a climate risk analysis on the Endowment Fund	n/a	March 2022	☑
Engagement & Proxy Voting				
Active Ownership Guidelines	Establish Active Ownership Guidelines	n/a	March 2022	☑
Proxy Voting	Active manager proxy voting policies align with UBC IMANT Responsible Investing approach	100%	Ongoing	●
Public Policy & Advocacy				
Active Contributions/Advocacy	Industry Presentations/Roundtables; News Releases; Responsible Investing Industry Memberships	n/a	Ongoing	●
Public equity holding disclosure	Maintain updated disclosures (semi-annual)	n/a	March 2022	☑
Manager ESG Integration	Number of managers with ESG policies, reporting, association memberships (e.g., PRI)	2/3 by count	March 2022	●

¹ June 30, 2021 estimate

☑ Complete ● On-track ● Monitoring ● Off-track ● Not Started

Responsible Investing Roadmap

