



RESPONSIBLE INVESTMENT REPORT 2022–2023

UNIVERSITY OF VICTORIA

MARCH 31, 2023



TABLE OF CONTENTS

MESSAGE FROM THE VPFO	1	RESPONSIBLE INVESTMENT	15
OUR RESPONSIBLE INVESTMENT APPROACH	2	Principles for Responsible Investment.....	16
Responsible Investment Policy.....	3	Collective Engagement.....	17
Working Capital Investment Policy.....	3	UNIE Engagement Case Study: Bank of Nova Scotia & National Bank of Canada.....	17
OUR IMPACT PORTFOLIO	4	INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION	18
What is Impact Investing?.....	5	Phillips, Hager & North (Fixed Income)	19
Impact Measurement	5	BlackRock (Infrastructure).....	20
Impact Results.....	5	Active Impact Investments (Venture Capital)	21
Active Impact Fund II.....	6	Raven Indigenous Capital Partners (Venture Capital).....	22
Jaza Energy Case Study	6	APPENDIX 1: CARBON INTENSITY METHODOLOGY	23
BlackRock Global Renewable Power Fund III.....	7	Methodology.....	23
Raven Indigenous Capital Partners Fund I.....	8	Current Measurement Approach	24
Student Housing and Dining Project.....	9	CONTACT	25
Impact GICs.....	9		
OUR DECARBONISATION PROGRESS	10		
What is Carbon Intensity?	11		
Decarbonisation Goal	12		
Qualitative Standards for GIC Investments.....	12		
Portfolio Carbon Footprint.....	13		
Annual Portfolio Carbon Intensity.....	14		

MESSAGE FROM THE VPFO

I am pleased to present the University of Victoria's Responsible Investment Report for the year 2022-23. This report aims to provide a comprehensive overview of our ongoing efforts and progress in achieving our responsible investment commitments and its implications for our working capital portfolio. The university remains committed to addressing the risks and opportunities associated with environmental, social, and governance (ESG) factors and climate change in our investment strategies.

Our Working Capital Investments encompass the operational cash reserves that remain accessible throughout the fiscal year, separate from endowments. The earnings derived from these funds constitute a crucial portion of our annual operating budget, pivotal in furthering our institutional priorities. In our capacity as stewards of these funds, we have integrated responsible investing principles into our strategy, an essential facet of advancing the university's financial objectives.

This past year has witnessed substantial advancement in realizing the commitments outlined in UVic's Responsible Investment Policy, and we have started to see an acceleration in the outcomes achieved by continuing to fund our impact investment commitments.

Our portfolio carbon intensity reduction strategy is also continuing to yield tangible

results, with the pool reducing its year-on-year three-year rolling weighted average carbon intensity by 50% and reducing its carbon intensity compared to our 2019 baseline by 76%.

Another important aspect of our approach to responsible investment involves collaborative engagement through the University Network for Investor Engagement (UNIE). Working together with 14 other Canadian universities, UVic takes proactive steps in collective engagement with enterprises to promote responsible investment practices and establish protocols for addressing climate-related vulnerabilities. We provide a case study later in the report detailing the work UNIE is accomplishing through collective engagement.

We attribute our strides in responsible investing to the invaluable input and support from our campus community and continue to advance along our responsible investment journey. We are committed to annually updating our activities within this report and on our official website, underscoring our dedication to transparency and continued progress.

Thank you.

Kristi Simpson
Vice-President Finance & Operations



OUR **RESPONSIBLE** INVESTMENT APPROACH

OUR RESPONSIBLE INVESTMENT APPROACH

The University of Victoria is deeply committed to sustainability and the urgent need to address climate change across society and in every university domain (research, education, community engagement, and campus operations). Our goal is to be a global leader in environmental and societal sustainability, including responding to the critical global issue of climate change.

To support our commitment to sustainability and to articulate our goals with respect to working capital investments, the University of Victoria adopted a new [Responsible Investment \(RI\) Policy](#) in January 2020 and a new [Working Capital Investment Policy](#) in June 2020.

Responsible Investment Policy

1. Uses the strategic framework to guide our working capital investment decisions in promoting sustainable futures and supporting Indigenous economic development;
2. Uses our investments to address the physical and transitional risks and opportunities of climate change;
3. Uses positive and negative screening to reduce the carbon intensity of our working capital investments by 45% by 2030; and
4. Uses a responsible investment approach (integrating Environmental, Social and Governance factors) to manage investment risks.

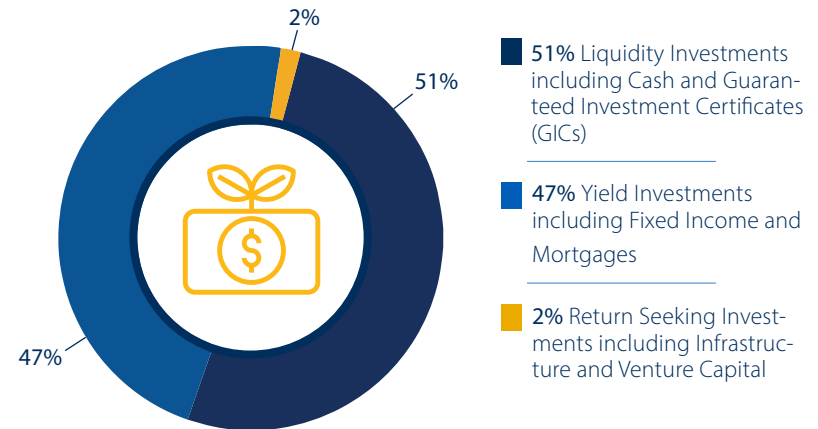
The policy also outlines tools we will use to achieve our goals, including becoming a signatory to the Principles of Responsible Investment (PRI) in 2020, aligning the disclosure practices of our investment managers with recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), exercising active ownership, and utilizing screens to achieve our carbon intensity goals.

Working Capital Investment Policy

The Working Capital Investment Policy was updated to ensure alignment with the RI policy goals. The policy commits to investing at least 25% of the working capital pool in thematic impact investments to promote sustainable futures and Indigenous economic development. Recognizing the collective responsibility of educational institutions in supporting the transition to a low-carbon economy, the University of Victoria joined 14 other universities to sign the [Climate Charter](#), where we pledged to follow RI practices within our investments.

The university's working capital investment pool (the pool) reflects the cash on hand available to support campus operations. The current asset mix of the pool is shown in the chart below:

Working Capital Pool Investments - \$299 million



Working Capital Investment Pool by Asset Category, as at March 31, 2023



OUR **IMPACT** PORTFOLIO

OUR IMPACT PORTFOLIO

What is Impact Investing?

The Global Impact Investing Network (GIIN) defines Impact Investments as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Thematic impact investments are investments made in sectors where companies stand to benefit from macro-level societal or environmental trends.

Impact Measurement

The [UN Sustainable Development Goals](#) (SDGs) are a collection of 17 goals set by the UN General Assembly in 2015 to achieve a better and more sustainable future for all. The university aligns with these goals on its two impact investment themes guided by our Strategic Framework: promoting sustainable futures and supporting Indigenous economic development.

In 2020, the [Impact Investment Working Group](#) provided advice and guidance on the methodology to be used to measure and evaluate the impact achieved by our investments. It was agreed that the [IRIS+](#) metrics developed by GIIN would be used, and we would report the metrics aligned to the UN SDGs.

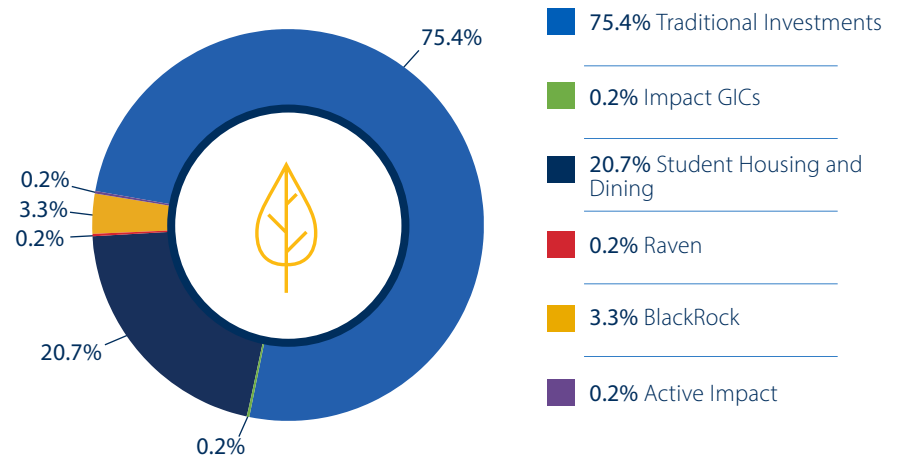


Impact Results

As at March 31, 2023, the Working Capital Investments has committed to invest 24.6% of its portfolio in impact investments as outlined in the figure below. This amount represents an increase from last year's 23.2% commitment.

The 25% target set in our Working Capital Investment Policy is only intended as a minimum threshold for the university, and we will continue to seek suitable impact opportunities beyond our commitment once our target is achieved. While we are continuing to actively search for other thematic impact investment opportunities, we are also glad to share our commitment of \$62 million in the Student Housing and Dining project has been fully invested.

Working Capital Pool - Impact Investments and Commitments*








*Working Capital Impact Investments and Commitments, as at March 31, 2023. Commitments are funded over time as funds are called and then will be reported as investments

Active Impact Fund II (AIF II)

Main Impact Area: Promoting Sustainable Futures | Investment Year: 2021 | Geographic Location of Impact: North America

Active Impact's AIF II invests in companies that support the global transition to a carbon neutral economy, focusing on themes including clean energy & transportation, smart infrastructure, sustainable food & water, and circular economy. The fund's investments as at March 31 has saved 23,652 MWh of electricity and avoided 17,841 tons of CO₂ equivalent emissions.

IMPACT OUTCOMES			
SDG	METRIC	IMPACT FROM FUND	IMPACT ATTRIBUTABLE TO UVIC
 6 CLEAN WATER AND SANITATION	Litres water saved (Year)	136 million litres	1 million litres
 13 CLIMATE ACTION	Greenhouse gas emissions avoided (Year)	59,211 tons of CO ₂ emissions avoided	491 tons of CO ₂
 13 CLIMATE ACTION	Greenhouse gas emissions avoided (Cumulative)	76,692 tons of CO ₂ emissions avoided	637 tons of CO ₂
 13 CLIMATE ACTION	MWh electricity saved (Year)	29,495 MWh electricity saved	245 MWh electricity saved
 13 CLIMATE ACTION	MWh electricity saved (Cumulative)	53,147 MWh electricity saved	441 MWh electricity saved

AIF II Impact Outcomes, as at March 31, 2023

Jaza Energy Case Study

Jaza's batteries provide an accessible and safe alternative to pollutive kerosene lamps and diesel generators while creating gainful employment that elevates families out of poverty. Their solar-charged batteries are distributed through centrally-located community hubs (run exclusively by women) and provide safe, affordable, and consistent energy without centralized grid infrastructure. With cheaper and more reliable electricity, children have the ability to study and play after hours. By empowering both their employees and customers, Jaza is able to foster long-term relationships with communities throughout Tanzania and Nigeria.

Please see Active Impact's [2022 Climate Impact Report](#) for more information.




"We have countless stories of women saying that they never thought their kids would be able to go away to school, and now they're paying for them to get college educations—these women are now the head of their households."

Jeff Schnurr, Founder & CEO, Jaza Energy

BlackRock Global Renewable Power Fund III (GRP III)

Main Impact Area: Promoting Sustainable Futures | Investment Year: 2020 | Geographic Location of Impact: Global

BlackRock's GRP III focuses on investing in solar and wind renewable power generation projects globally. The fund's investments as at March 31 are expected to generate a lifetime impact of avoiding 94,113,720 tons of CO₂ and power 79,584,693 homes with clean energy.

IMPACT OUTCOMES			
SDG	METRIC	IMPACT FROM FUND	IMPACT ATTRIBUTABLE TO UVIC
6 CLEAN WATER AND SANITATION 	Water savings from renewable power generation (Lifetime)	221,173,261 m ³ of water reduced	1,437,626 m ³ of water reduced
7 AFFORDABLE AND CLEAN ENERGY 	Homes powered with clean energy (Lifetime)	79,584,693 homes	517,301 homes powered with clean energy
13 CLIMATE ACTION 	Greenhouse gas emissions avoided (Lifetime)	94,113,720 tons of CO ₂ emissions avoided	611,739 tons of CO ₂ emissions avoided

GRP III Impact Outcomes, as at March 31, 2023



Raven Indigenous Capital Partners Fund I (RICP I)

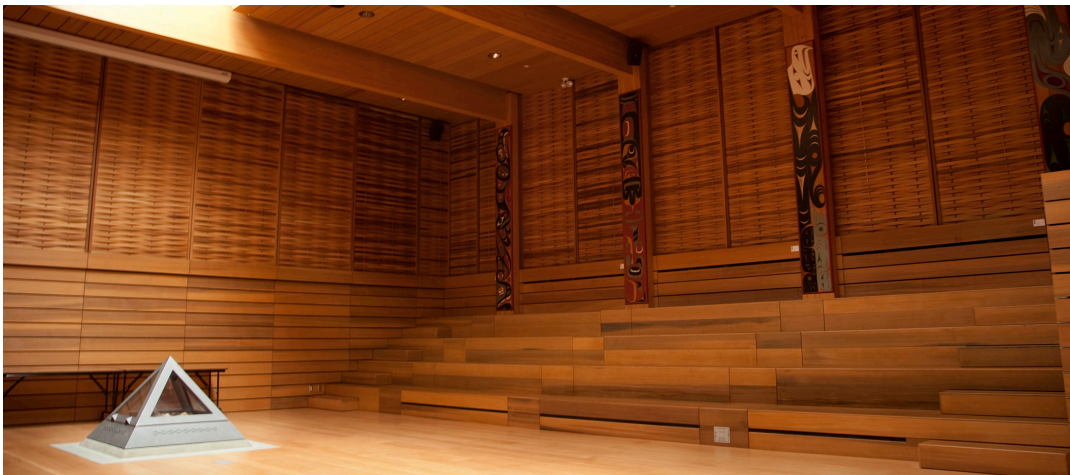
Main Impact Area: Supporting Indigenous Economic Development | **Investment Year:** 2020 | **Geographic Location of Impact:** Canada

Raven Indigenous Capital Partners is an Indigenous-led and owned financial intermediary that invests in Indigenous enterprises as catalysts for social change and prosperity. As at March 31, 2023, RICP I has retained 127 Indigenous employees across its portfolio companies.

In addition to reporting IRIS+ aligned impact metrics, Raven also aligns its impact reporting with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Please see [Raven's 2022 Impact Report](#) for a full report of the fund's impact metrics.

IMPACT OUTCOMES			
SDG	METRIC	IMPACT FROM FUND	IMPACT ATTRIBUTABLE TO UVIC
 8 DECENT WORK AND ECONOMIC GROWTH	Indigenous jobs retained	127 Indigenous jobs retained	3 Indigenous jobs retained

RICP I Impact Outcomes, as at March 31, 2023



Student Housing and Dining Project

Main Impact Area: Promoting Sustainable Futures

Investment Year: 2023

Geographic Location of Impact: Victoria, BC

In 2018, the university committed to provide financing to the new Student Housing and Dining Project, demonstrating our commitment to sustainability. The design and construction of the new buildings will meet Leadership in Energy and Environmental Design (LEED) V4 Gold and Passive House standards, the most rigorous global building standards for sustainability and energy efficiency.

The investment in the Student Housing and Dining Project supports the university's Climate and Sustainability Action Plan and the working capital's impact investment commitment. Construction of the project achieved a waste diversion rate of 91.7% and we expect to achieve the following reductions compared to traditional residences:

- 88% reduction of GHG emissions with the process of heating water
- Up to 80% in energy savings in annual cooling through mixed-mode ventilation
- 80% reduction of GHG emissions in the commercial kitchen

Please see the [Student Housing and Dining Project Case Study](#) for more information regarding the project.



Impact GICs

Main Impact Area: Promoting Sustainable Futures

Investment Year: Recurring

Geographic Location of Impact: Canada with a focus in BC

Impact GICs were created in collaboration with credit unions across Canada. Unlike traditional GICs, Impact GICs allows the university to make a positive impact on our environment and community while generating competitive returns. All loans from the Impact GIC program support local businesses pursuing at least one of the UN SDGs.



OUR **DECARBONISATION** PROGRESS



OUR DECARBONISATION PROGRESS

What is Carbon Intensity?

Carbon intensity refers to the amount of greenhouse gases (GHGs) produced directly or indirectly to support the activities of a person or an entity.

The GHGs are measured in equivalent tons of carbon dioxide (CO₂e) and are reported in three emissions scopes.

- **Scope 1:** GHG emissions are direct emissions from sources that are owned or controlled by the entity.
 - Ex. On site fossil fuel combustion from company facilities
 - Ex. Fleet fuel consumption from company vehicles
- **Scope 2:** GHG emissions are indirect emissions generated in the production of electricity, heat, or steam consumed by the entity.
 - Ex. Purchase of electricity for use
- **Scope 3:** GHG emissions are emissions from sources not owned or directly controlled by the entity but are a consequence of the activities of the entity.
 - Ex. Upstream activities such as employee commuting, travel, or purchased goods
 - Ex. Downstream activities such as the use of products



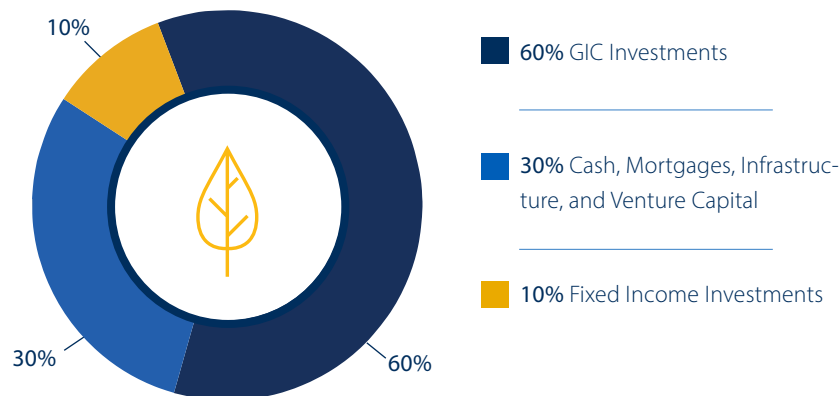
Decarbonisation Goal

The university's decarbonisation goal is to reduce the carbon intensity of our working capital portfolio by 45% by 2030. This goal was determined by referencing the Intergovernmental Panel on Climate Change's urge to reduce CO₂ emissions by 45% from 2010 levels in order to limit global warming below 1.5°C, while considering methodology and data constraints faced by the university. Investing in companies with a lower carbon intensity will help the portfolio mitigate physical and transitional risks associated with climate change as society transitions to a greener economy that is focused on reducing greenhouse gas emissions.

The measurement of carbon associated with investments is a new and rapidly developing field and, as such, there are data availability constraints. These constraints limited our ability to measure before 2017 and to include scope 3 emissions. The decarbonisation working group provided advice and guidance on how to approach measurement within current limitations. We are, however, committed to reviewing methodologies annually to consider opportunities to include more of our assets beyond corporate fixed income, review new carbon intensity measures, and to consider incorporating scope 3 emissions.

With the above limitations we are currently measuring the carbon intensity of 10% of our portfolio as follows:

Carbon Footprint Approach



Working Capital Investments Carbon Footprint Approach, as at March 31, 2023



Recognizing the current portfolio carbon intensity is calculated on 10% of the working capital investment pool, we look to continue expanding the carbon footprint coverage and develop qualitative measures for assets that cannot be carbon footprinted at this time.

Qualitative Standards for GIC Investments

By referencing [Oxford Martin's Principles for Climate-Conscious Investment](#), the university developed the following Qualitative Standards for GIC Investments.

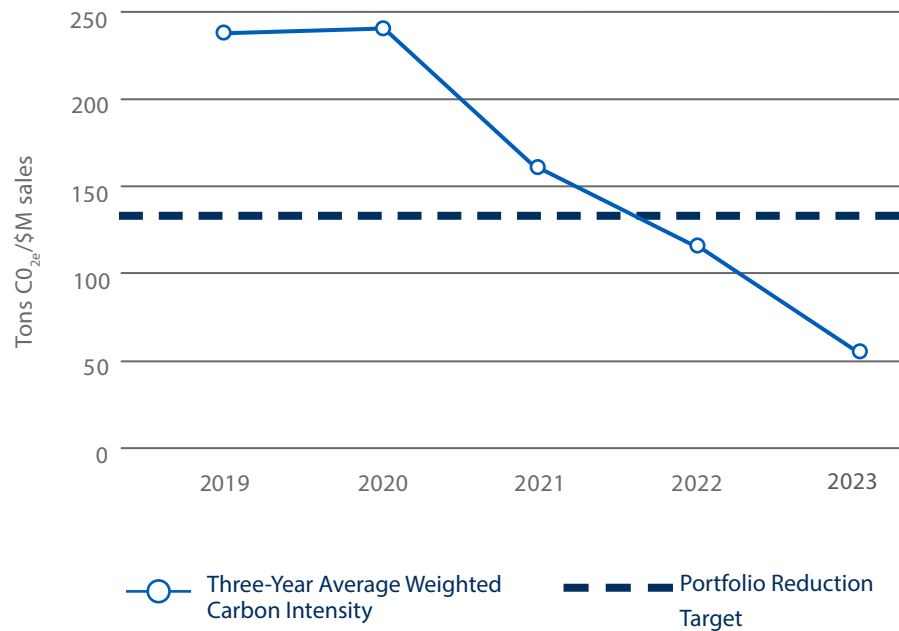
Assuming risk adjusted returns are not compromised and recognizing restrictions within our Working Capital Investment Policy and Responsible Investment Policy, the Working Capital pool will prioritize making GIC investments with financial institutions that:

- Have a commitment to net-zero emissions through policy,
- Have a profitable net-zero business model by integrating climate considerations during lending, and
- Have quantitative medium-term carbon reduction targets.

Portfolio Carbon Intensity

As outlined in the figure below, in 2023 the university reduced the Working Capital's three-year rolling average carbon intensity by 50% compared to its previous year and by 76% compared to our baseline 2019. The reduction in carbon intensity is driven by a fund transition and our manager investing in less carbon intensive firms.

Three-Year Rolling Weighted Carbon Intensity



Working Capital Investments Three-Year Rolling Average Carbon Intensity, as at March 31, 2023

Annual Portfolio Carbon Intensity

The figure below outlines the annual carbon intensity used to calculate the three-year rolling average carbon intensity. Total emissions are reported starting from 2020 when data became available.

CARBON FOOTPRINTING DATA 2017-2023 ¹					
YEAR	ASSET CLASS	DATA COVERAGE	WEIGHTED AVERAGE CARBON INTENSITY	THREE-YEAR ROLLING WEIGHTED AVERAGE CARBON INTENSITY	TOTAL EMISSIONS
2017	Fixed income	7%	233 Tons CO _{2e} / \$M sales	N/A	N/A
2018	Fixed income	8%	300 Tons CO _{2e} / \$M sales	N/A	N/A
2019	Fixed income	13%	185 Tons CO _{2e} / \$M sales	239 Tons CO _{2e} / \$M sales	N/A
2020	Fixed income	25%	235 Tons CO _{2e} / \$M sales	240 Tons CO _{2e} / \$M sales	125 Tons CO _{2e}
2021	Fixed income	27%	64 Tons CO _{2e} / \$M sales	161 Tons CO _{2e} / \$M sales	97 Tons CO _{2e}
2022	Fixed income	30%	46 Tons CO _{2e} / \$M sales	115 Tons CO _{2e} / \$M sales	67 Tons CO _{2e}
2023	Fixed income	31%	62 Tons CO _{2e} / \$M sales	57 Tons CO _{2e} / \$M sales	25 Tons CO _{2e}

Normalized Carbon Intensity Data from 2017 to 2023 (Carbon intensity is calculated as at March 31 of each year)

¹ The data coverage has been normalized in the weighted average carbon intensity and total emissions calculations to account for the increasing coverage as a result of more companies reporting their emissions.



RESPONSIBLE INVESTMENT



RESPONSIBLE INVESTMENT

Responsible investing includes taking environmental, social, and governance (ESG) factors into consideration. We believe this approach will also reduce long-term risks and improve risk-adjusted returns. All Working Capital Investments are made with full consideration of all factors, including ESG factors.

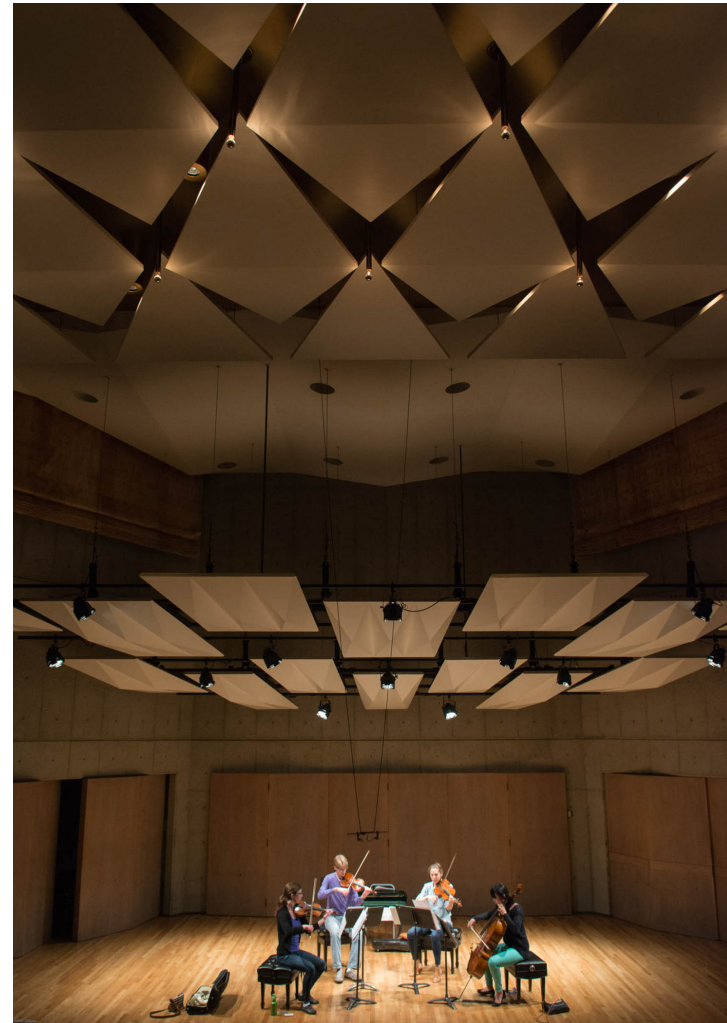
In implementing the RI policy, external investments managers due diligence will now include:

- Considering how ESG issues are incorporated into the investment decision-making process,
- Considering how investment managers engage with management to improve ESG practices, and
- Requesting regular disclosure from investment managers regarding the process by which ESG factors are incorporated in the investment decision-making process.

Principles for Responsible Investment

As a signatory, we view PRI's principles as a framework for responsible investing and abide by their six guiding principles:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.



Collective Engagement

The University of Victoria is a member of the University Network for Investor Engagement (UNIE), through the Shareholder Association for Research and Education (SHARE). Alongside 14 other post-secondary institutions, we work to engage companies on climate-related discourse, leading to tangible changes and progress in corporate sustainability practices.

Engagement—the act of communicating with a company on critical issues, as an investment shareholder and overall stakeholder—enables investors to use their voices to support better corporate sustainability policies and practices. Through collaboration with both the UNIE network and the larger SHARE network, we have a voice with scale, leading engagements that are supported by rigorous research and deep expertise from SHARE’s staff and strategic partners.

UNIE focuses on engaging on the following issues:

- Reduce emissions in line with Paris commitments
- Shift lending and capital expenditures to reduce financed emissions
- Implement responsible climate lobbying policies and practices
- Incorporate climate risk in business strategy and board oversight
- Work towards a just transition that doesn't leave workers or communities behind

These engagements have involved collaboration between the UNIE network and SHARE’s larger network of engagement clients, including UVic’s investment portfolio. UVic is committed to continuing these engagements and using our power as an institutional investor to advocate for climate-resilient decision-making across a variety of sectors. We are excited to be working with 14 other university partners through UNIE and using our combined power to amplify our voice.

Over the last year, we saw a wide range of engagements begin and continue, including, but not limited to, those addressing long-term climate action plans in oil and gas, company net-zero plans in banking, as well as the social and human rights impacts of coal facility closures.

UNIE Engagement Case Study: Bank of Nova Scotia & National Bank of Canada

Issue: Banks and lending institutions hold tremendous unrealized potential to address the climate crisis. SHARE has been engaging Canadian banks to improve their performance in relation to the emissions they finance, which lags behind their international peers. In 2021 the International Energy Agency released its Net Zero Pathway, which stipulates that in order to meet Paris climate commitments, no new oil and gas supply should be identified or explored. Consequently, lending institutions should not be providing finance to projects that seek to identify new oil and gas supply.

Action: SHARE submitted shareholder proposals on behalf of its clients to Bank of Nova Scotia and National Bank of Canada, which were intended to be put on the ballot at their respective annual meetings, calling on them to bring their lending policies into alignment with the IEA’s pathway and to prohibit financing new oil and gas supply.

Outcome: SHARE came to an agreement with both banks and withdrew the proposals, securing instead a commitment to develop criteria for the net-zero plans that the banks will be requiring from its lending clients. SHARE will continue to engage in that process to press for lending restrictions that are aligned with the IEA’s framework and therefore in line to meet our global climate targets. That continued dialogue will take place throughout 2022.





INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION

INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION

Phillips, Hager & North (Fixed Income)

Responsible Investment Philosophy

Responsible investment (RI) is an umbrella term used to describe a broad range of approaches that can be used to incorporate ESG considerations in the investment process. RI is also sometimes referred to as sustainable investment. PH&N views ESG integration as systematically incorporating ESG factors into investment processes with the goal to identify potential risks and opportunities and improve long term, risk-adjusted returns.

Their approach to RI is comprised of three pillars, and PH&N takes specific actions under each of these pillars to deliver investment returns without undue risk of loss.

- **Fully integrated ESG:** All investment teams integrate relevant ESG factors into their investment processes.
- **Active Stewardship:** PH&N conveys its views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors.
- **Client-driven solutions and reporting:** PH&N aligns solutions with client demand and provide transparent and meaningful reporting.

Integration in the Investment Process

Rather than applying a top-down ESG investment screen, PH&N teams assess the risks and opportunities associated with issuers' ESG practices throughout the due diligence process. A team's main goal is to understand the impact of such practices on the company's overall sustainability and credit quality. The teams employ a wide range of resources to expand their insight of pertinent ESG information, including management and rating agency engagement as well as third-party research. PH&N does not force themselves to look for ESG factors in order to fulfill an arbitrary requirement but, instead, believe it is prudent and vital to look at a corporate bond in its entirety. This research naturally includes ESG considerations to the extent that they reflect the quality and value proposition of an investment.

Consumer Staples Firm Case Study

Objective: Due diligence on a potential new investment.

Analysis: The RBC Global Equity team conducted several information-seeking engagements with the company's management team, including in areas of corporate culture and employee well-being, net-zero strategy, biodiversity, water, and regenerative agriculture strategies.

The team noted:

1. The company has clear sustainability goals, including SBTi commitments in line with a 1.5°C warming scenario and significant visibility across the management team and board.
2. The company has a comprehensive biodiversity strategy, which includes anti-deforestation commitments and a regenerative agriculture strategy that targets social co-benefits along with emission reductions.
3. The company has board- and management-level oversight of its sustainability strategy.

Outcome: The team incorporated its ESG analysis into its fundamental analysis process.

The investment team determined that the potential climate-related risks, which have the ability to create contingent liabilities—including for the products the company sources and grows—are minimized and well controlled.

As a result of its analysis, the team believes that the company's industry-leading measures should put the company in an advantaged position to capture market share. This contributed to the team determining that the company was an attractive investment opportunity, and it initiated investment in the first quarter of 2022.

BlackRock (Infrastructure)

Responsible Investment Philosophy:

BlackRock Real Assets recognizes the environmental, social, and economic impacts of their investments, and the firm is committed to managing these impacts in a compliant and responsible manner and to offer sustainable investing solutions to its clients. The firm believes that a robust, integrated approach to sustainable investing is essential in preserving and enhancing the value of its assets throughout its investment lifecycle. Given the long term and physical nature of the firm's real assets investments, it considers effective ESG assessment and management to be a fundamental component of risk management.

It has been providing investors with pure-play renewable energy and climate infrastructure investment opportunities since 2011. The firm's investment thesis is built upon the transition to a zero-carbon economy, and it recognizes the increasing global aspirations to reach net-zero emissions by 2050 will only further accelerate this transition.

Additionally, it is continuing to advance its approach to measuring, monitoring, and managing climate impacts at the individual project-level and across the firm's portfolios. Over the past two years the firm has significantly enhanced its impact measurement framework, specifically focusing on its approach to measuring and reporting greenhouse gas emissions across the firm's investments. It incorporate an analysis of these impacts, in addition to broader social and environmental impacts, into each stage of its investment process across sourcing, due diligence, investment approval, and asset ownership and management.

Integration in the Investment Process

When evaluating investments, ESG risks and opportunities (which may have a material impact throughout the investment life cycle) are fully considered alongside traditional investment approaches by the investment management team. The GRP Team works closely with the BlackRock Sustainable Investing team as a standard procedure. While taking into account the varying nature of their investments, the firm's approach to integrating ESG within its investment processes is outlined below:

Sourcing and Screening:

- Initial ESG assessments are performed to help identify any ESG "deal breakers" or any issues that require more extensive due diligence.
- Analysis helps inform decisions on whether to progress the investment opportunity or not.

- This may include activities such as desktop reviews of key project documentation, including planning permission conditions and Environmental Impact Assessments. For greenfield projects, ESG considerations are factored into the design process and project planning.

Due Diligence:

- ESG risk assessments are undertaken for all new investments. This risk assessment may include the use of proprietary ESG Questionnaires, reviews from external consultants, and site visits.
- Identify and quantify the financial impacts of material ESG risks and integrate these into its valuation models as appropriate.
- This risk assessment may also include the identification of the counterparty who is best placed to manage the relevant ESG risk and due diligence on the lead sponsor when investing as a debt provider.

Investment Committee Approval:

- Material ESG risks and opportunities are recorded throughout the investment process and, where appropriate, discussed with the relevant Investment Committee.
- Recommendations will be made using a reasonable and considered professional judgment based on the information and data available.
- BlackRock Real Assets will not invest if the relevant Investment Committee determines that any ESG risks cannot be sufficiently quantified or mitigated.

Project Lotus Case Study:

Project Lotus is a preferred equity investment in a leading residential solar company aiming to build roughly 900 MW of assets over the next several years. As part of the due diligence and investment in Lotus, the Team noted the following:

- The nature of residential solar projects typically poses much lower risks to protected species and water pollution in comparison to large-scale renewable projects;
- This company is active in the residential solar industry and uses existing home rooftops to site its renewable energy projects, limiting the impact on land and local wildlife; and
- Residential solar allows the consumer to generate clean energy and a direct saving on utilities to regular homeowners.

Active Impact Investments (Venture Capital)

Responsible Investment Philosophy

Active Impact invests in early-stage climate tech solutions that can solve the most urgent environmental issues. It maintains that it can achieve venture scale profits by investing exclusively in companies that make a significant positive impact on greenhouse gas emissions or waste. As a Certified B Corp, Active Impact looks beyond ESG or Responsible Investment risks/practices in an endeavour to only invest in operations that are as impactful as the product.

Impact Integration in the Investment Process:

The first screen Active Impact uses in its investment process is to analyze whether a company fits its impact mandate within one of the following four climate verticals: clean energy & transportation, smart infrastructure, sustainable food & water, and circular & sharing economy. During the diligence process they dig deeply into the product's impact today and future potential. Post investment, every portfolio company reports environmental impact key performance indicators quarterly. This data is used on aggregate to measure the impact of the fund and also at the portfolio company level to inform active support. Annually, diversity is measured internally and at the portfolio company level.



Raven Indigenous Capital Partners (Venture Capital)

Responsible Investment Philosophy

Raven Indigenous Capital Partners considers ESG important for the following reasons:

- ESG factors are key in determining risk and return, as well as impact risks;
- Helps improve its investees' financial and operational performance. More efficient and cost-effective operations can, for instance, be achieved by reducing waste, emissions, and effluents;
- Helps prepare its portfolio companies to become strong ESG performers by the time of exit and with a preference for exits to ESG-aligned buyers;
- Helps identify appropriate risk mitigation strategies for risks identified and/or anticipated;
- Helps avoid ESG-related reputational risk, while at the same time enhances its brand value and reputation as an ESG-aligned investor; and
- Speeds up the disclosure process when closing legal transaction documents, avoiding last-minute disclosures regarding ESG risks.

Impact Integration in the Investment Process:

Raven has a binary impact screen where each investment opportunity must meet, or exceed, an Indigenous impact threshold comprised of factors including ownership, governance, management, supply chain, intended beneficiaries, cultural integrity, environmental footprint, and gender equality.



Appendix 1: Carbon Intensity Methodology

Methodology

To help with the university's goal to reduce the carbon intensity of our investments by 45% by 2030, a [Decarbonisation Working Group](#) was formed in 2020 to provide guidance and help support the carbon reduction goals. This group has been meeting regularly since June 1st, 2020 to provide information, expertise, and advice to help with the development of carbon tracking methodology, development of appropriate reporting to the Board and campus community, and suggest investment opportunities that move UVic towards achieving our carbon intensity reduction goal.

In reviewing its investments, the working group recommended measuring the Weighted Average Carbon Intensity and the Total Emissions of its investments, which were selected based on the recommended common carbon footprinting and exposure metrics from the [Task Force on Climate-related Financial Disclosures](#) (TCFD).

The weighted average carbon intensity measures a portfolio's exposure to carbon-intensive companies, measured in tons of carbon-dioxide equivalent emissions per million dollars in sales (tons CO_{2e}/\$M sales). It was chosen due to its simplicity and relative data reliability, as well as being the preferred methodology among a majority of institutional investors as it allows for comparison between portfolios.

$$\sum \left(\frac{\text{Current Value of Investment}}{\text{Current Value of Portfolio}} \times \frac{\text{Issuer's Scope 1 and Scope 2 GHG Emissions}}{\text{Issuer's Revenue (\$ Millions)}} \right)$$

Weighted Average Carbon Intensity (tons CO_{2e}/\$M sales)

The total emissions measures the absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO_{2e}. This metric is less adopted since it is not generally used to compare portfolios. However, the university believes in the importance of measuring this metric to track the absolute GHG emission reductions we achieve as absolute carbon reduction is ultimately our societal goal.

$$\sum \left(\frac{\text{Current Value of Investment}}{\text{Issuer's Enterprise Value}} \times \text{Issuer's Scope 1 and Scope 2 GHG Emissions} \right)$$

Total Emissions (tons CO_{2e})



Current Measurement Approach

Data Coverage

The quality and availability of carbon footprint data is inconsistent across asset classes at this time, with public equities having the most data availability, followed by fixed income. The working capital fund does not hold public equities, so this carbon footprint report measures the weighted average carbon intensity on the fixed income investments. The university is working with the Decarbonisation Working Group and investment managers to provide information on additional asset classes including GICs, mortgages, infrastructure, and venture capital investments as data and metrics become available. For holdings that we are not able to carbon footprint at this time, the university is committed to achieving the spirit of the Responsible Investment Policy and is working to create qualitative standards to evaluate its investments in other asset classes.

Emission Scopes Included

Due to data quality issues and the potential for double counting, the university is currently measuring and reporting out on scope 1 and scope 2 emissions in our fixed income investments. We are committed to reviewing this approach annually to ensure we continue to report on a best practice basis.

The university is reporting the scope 1 and scope 2 emissions in our fixed income investments. We recognize the importance of measuring scope 3 emissions, but data quality challenges (i.e., double counting emissions) prevent industry from effectively reporting scope 3 emissions at this time. Carbon footprinting is a rapidly developing field, and we are committed to reviewing methodologies annually, including reviewing incorporating scope 3 emissions.

Normalized Portfolio Carbon Intensity

The portfolio carbon intensity in this report only covers our fixed income investments and adjusts emissions data coverage to 100% as data coverage has been significantly improving since 2017. Calculations in this report were completed by the University of Victoria using carbon emissions data from MSCI provided by PH&N.

Baseline and Target

Due to annual fluctuations of our portfolio carbon intensity, our baseline was set by taking the three-year average carbon intensity from 2017 to 2019. 2017 – 2019 was selected as the baseline based on historic data availability from our service provider. The baseline was used to determine our 45% reduction target and data is presented on a three-year rolling average.

Currency

All carbon footprint metrics with a currency component are reported in Canadian Dollars.





This Working Capital Investments Responsible Investment Report is intended to reflect the university's commitment to responsible investment.

Please visit the [Working Capital Investments website](#) for additional information on our responsible investment practices

CONTACT

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