



University
of Victoria

SUBMISSION TO THE UVIC BOARD OF GOVERNORS

September 19, 2022

FOR INFORMATION

To: Finance Committee

From: Kristi Simpson
Vice-President Finance and Operations

cc: President and Vice-Chancellor

Meeting Date: October 4, 2022

Subject: University of Victoria Responsible Investment Report – March 31st, 2022

A handwritten signature in black ink, appearing to read 'Kristi Simpson'.

Basis for Jurisdiction: Responsible Investment Policy, FM5215
Working Capital Investments Policy, FM5200

Strategic Relevance:

Strategy 5.2 - Review and renew our approach to sustainability in every domain (research, education, community engagement and campus operations) to move toward a comprehensive and integrated approach.

Strategy 5.5 - Ensure the financial sustainability of the university and our ability to pursue excellence by optimizing existing resources through careful planning, earning public support, attracting partnerships, and pursuing a revitalized program to grow and diversify resources through philanthropic and other means.

Previous Consultation:

Board of Governors, including: #BOG-Apr01/14-05; #BOG-May27/14-16; #BOG-Sept30/14-24; #BOG-Jan26/16-28; #BOG-Mar26/19; #BOG-May28/19-06, #BOG-Jun24/19-16; #BOG-Sep24/19-, #BOG-Nov26/19; #BOG-Jan17/20-01; #BOG-Jun29/21-07.

Background:

The university has a [working capital investment policy](#) which provides guidance to management and UVic's external investment manager with respect to the investment of university cash (excluding pensions, Long-Term Disability (LTD) Trust, University Student Investment Fund and endowment fund). Semi-annually, a report is provided to the Board which outlines available cash for investment, current investments as compared to policy, performance of the investments and market commentary.

In January of 2020, the responsible investment policy was updated to set out responsible investment goals with respect to the investment of the university's working capital investments. The new policy outlines a requirement to report on responsible investment activities and their related goals to be submitted annually to the Board of Governors and the university community.

This report is the second reporting out under this policy and it reflects investments and activity for the period ended March 31st, 2022.

Planned Further Action:

We will continue to make investments that further our working capital and responsible investment policies through the upcoming year. These investments will be reported in the semi-annual reporting to the Board of Governors in September and March respectively. We will also work with UC&M to regularly update the university community as we make progress towards achieving our goals.

Appendix:

- Appendix 1: 2021 - 2022 Board of Governors Responsible Investment Report



RESPONSIBLE INVESTMENT REPORT 2021–2022

UNIVERSITY OF VICTORIA

MARCH 31, 2022

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MESSAGE FROM THE VPFO

It is my pleasure to provide the University of Victoria community with a 2021-22 Responsible Investment Report summarizing responsible investing actions undertaken through the university's Working Capital assets. This report reflects the university's commitment to transparency and disclosure with respect to the investment of our working capital funds.

The Working Capital Investments are institutional operating cash (excluding endowments) available throughout the year due to the timing of cash receipts and payments. The earnings from these funds form part of our annual operating budget and as such are used to support institutional priorities. As stewards of the fund, we incorporate responsible investing principles as part of the process of achieving the university's financial goals.

Over the past year we made progress towards the commitments made within UVic's Responsible Investment Policy. The Working Capital assets continued to finance impact commitments already in place and made new, additional investment commitments to Active Impact, a fund investing in companies supporting the global transition to a net-zero economy. Existing investments continue on their path to carbon emissions reduction with a 29% year-over-year drop in the three-year rolling

average carbon intensity and a 48% decline in carbon intensity compared to the 2019 baseline.

Our collective engagement efforts are carried out through the University Network for Investor Engagement (UNIE) where UVic alongside 14 other Canadian universities engages with companies to advance responsible investing and implement climate risk mitigation steps. In the last year, the program has shown meaningful progress, engaging with 48 companies on 52 climate change related matters.

The achievements we made with respect to responsible investment were only possible due to the support and feedback we received from the campus community, and we recognize that we are only laying the first steps in our responsible investment journey. The Working Capital Investments will continue updating our activities throughout this report annually and on our website.

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.

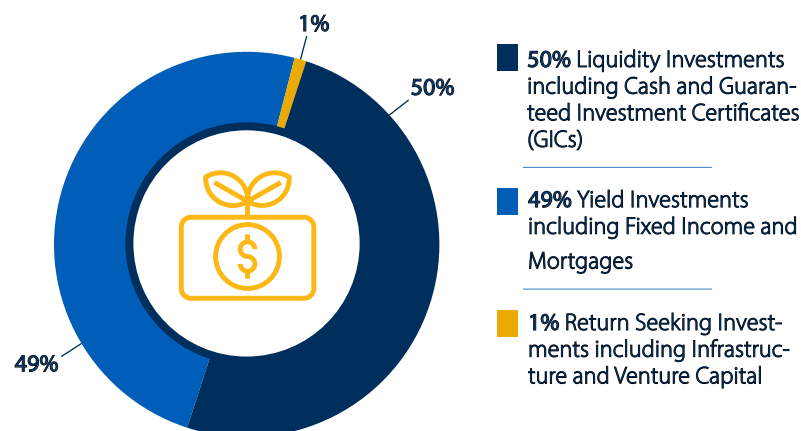
The policy also outlines tools we will use to achieve our goals, including becoming a signatory to the Principles of Responsible Investment (PRI), aligning the disclosure practices of our investment managers with recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), exercising 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 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 in 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 - \$324 million



Working Capital Investment Pool by Asset Category, as at March 31, 2022



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 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.

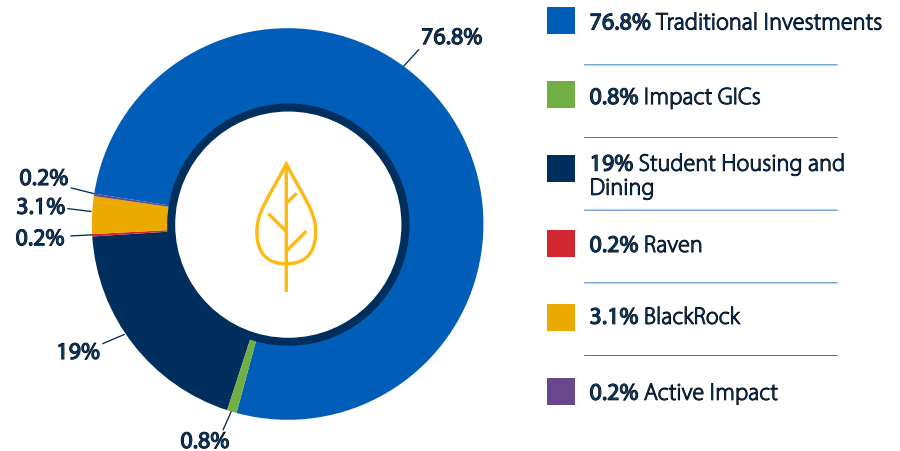


Impact Results

As at March 31, 2022, the Working Capital Investments has committed to invest 23.2% of its portfolio in impact investments as outlined in the figure below. The commitment has lowered from last year's 24.7%, mainly driven by impact GICs reaching the end of their term and a lack of opportunities to replace them.

Recognizing the challenge, we are actively searching for other thematic impact investment opportunities and the 25% target set in our Working Capital Investment Policy is only intended as a minimum threshold. The university will continue to seek suitable impact opportunities beyond our commitment once our target is achieved.

Working Capital Pool - Impact Investments and Commitments*





Working Capital Impact Investments and Commitments, as at March 31, 2022. 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
13 CLIMATE ACTION 	Greenhouse gas emissions avoided	17,481 tons of CO ₂ emissions avoided	145 tons of CO ₂
13 CLIMATE ACTION 	MWh electricity saved	23,652 MWh electricity saved	196 MWh electricity saved

AIF II Impact Outcomes, as at March 31, 2022



EnPowered Case Study

EnPowered is a cost-saving solution for industrial customers based in Kitchener, Ontario that dramatically reduces emissions and accelerates the adoption of commercial clean retrofits. Through two products, Programs and Payments, EnPowered creates significant savings on their customers' energy bills and then enables them to finance efficiency and clean energy projects with those savings — at no upfront cost.

Programs predicts when electricity prices will peak (meaning that prices will surge and dirtier fuels will be engaged) and alerts customers to reduce usage, which creates huge savings. Their new Payments product is an on-bill payment bundle that allows customers to finance energy efficiency upgrades as operational expenses with the savings the platform creates. In short, EnPowered removes the barriers for large industrial customers to make critical upgrades that dramatically reduce emissions.






"The insane part of the energy markets is that on average a large industrial user can save 30-70% of their total electricity bill. Our customers average about 48% and collectively they're saving about \$100M per year using our services ... in addition to driving massive savings by reducing usage during peak hours, we're also driving down emissions"

Tomas van Stee, Founder & CEO

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 will generate a lifetime impact of avoiding 4,205,342 tons of CO₂ and power 77,628,798 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	292,579,208 m ³ of water reduced	1,901,765 m ³ of water reduced
7 AFFORDABLE AND CLEAN ENERGY 	Homes powered with clean energy (Lifetime)	77,628,798 homes	504,587 homes powered with clean energy
7 AFFORDABLE AND CLEAN ENERGY 	Homes powered with clean energy (Annual)	3,024,425 homes	19,659 homes powered with clean energy
13 CLIMATE ACTION 	Greenhouse gas emissions avoided (Lifetime)	102,798,351 tons of CO ₂ emissions avoided	668,189 tons of CO ₂ emissions avoided
13 CLIMATE ACTION 	Greenhouse gas emissions avoided (Annual)	4,205,342 tons of CO ₂ emissions avoided	27,335 tons of CO ₂ emissions avoided

GRP III Impact Outcomes, as at March 31, 2022





Raven Indigenous Capital Partners Fund I (RICP I)

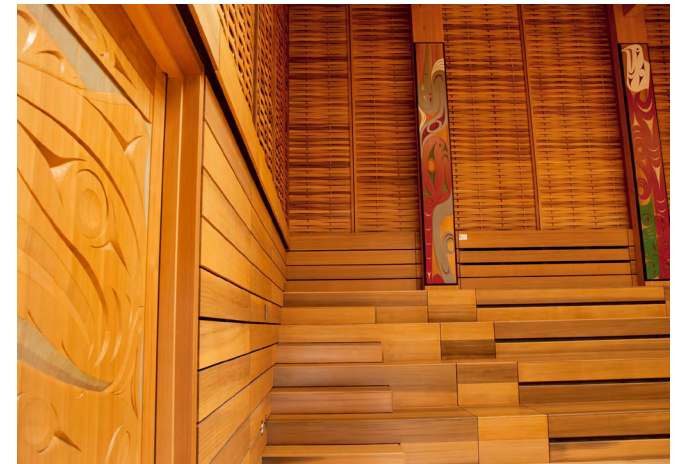
Main Impact Area: Supporting Indigenous Economic Development | **Investment Year:** 2020 | **Geographic Location of Impact:** Canada

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, 2021, RICP I has created 51 Indigenous jobs and retained 138 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 Impact Report](#) for a full report of the fund's impact metrics.

IMPACT OUTCOMES			
SDG	METRIC	IMPACT FROM FUND	IMPACT ATTRIBUTABLE TO UVIC
	New Indigenous jobs created	51 Indigenous jobs created	1 Indigenous job created
	Indigenous jobs retained	138 Indigenous jobs retained	3 Indigenous jobs re-tained

RICP I Impact Outcomes, as at March 31, 2022



Student Housing and Dining Project

Main Impact Area: Promoting Sustainable Futures

Investment Year: 2022

Geographic Location of Impact: Victoria, BC

In 2018, the university committed to provide financing to the new [Student Housing and Dining Project](#), which demonstrates 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.

LEED V4 is an internationally recognized, third-party rating system based on energy and environmental principles, which balance knowledge from established practices and emerging concepts. Passive House design principles aim to reduce energy consumption, GHG emissions, maintenance costs, and replacement costs by investing in a higher performing building envelope.

Energy reduction goals will help foster a culture of energy conservation on campus using innovative technologies including:

- Reduction in GHG emissions;
- Reduction in campus electrical intensity; and
- Reduction in campus gas consumption.

This investment supports both the decarbonization and impact investment goals as the project will reduce GHG emissions of campus and of the portfolio. The new student housing will come online in 2022 and the impacts of the reduced GHG emissions relative to the impact and decarbonization goals will be measured and reported at that time.



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 allow 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. The following is an example of an impact GIC investment.



OUR **DECARBONISATION** PROGRESS

OUR DECARBONISATION PROGRESS

What is Carbon Footprinting?

A carbon footprint 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



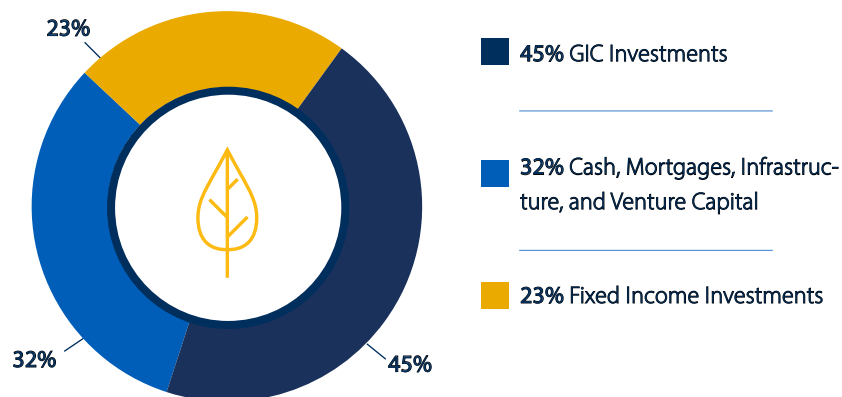
Decarbonisation Goal

The university's decarbonisation goal to reduce the carbon intensity of our working capital portfolio by 45% by 2030 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 23% of our portfolio as follows:

Carbon Footprint Approach



Working Capital Investments Carbon Footprint Approach, as at March 31, 2022



Recognizing the current portfolio carbon intensity is calculated on 23% 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.

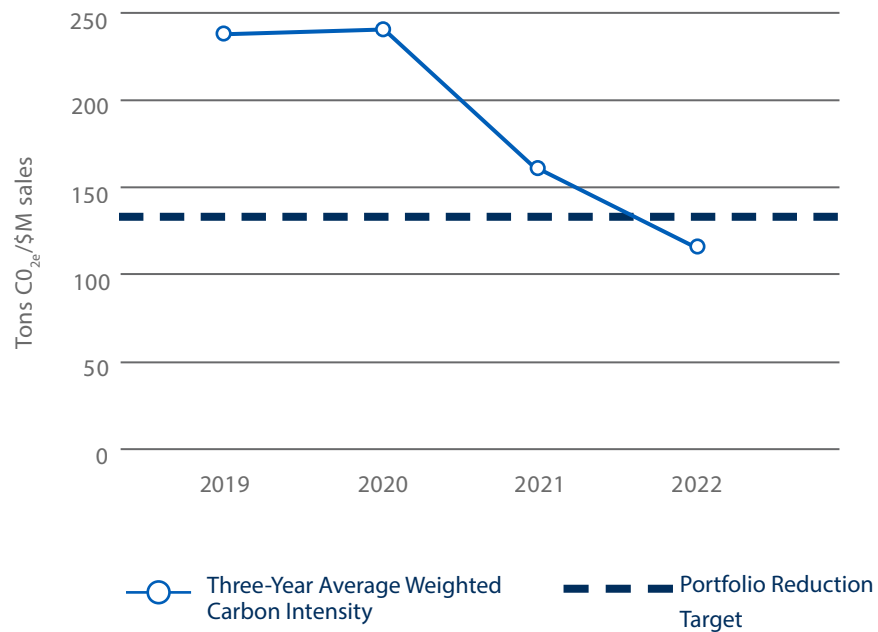
Assuming risk adjusted returns are not compromised and recognizing restrictions within our Working Capital Investment Policy and Responsible Investment Policy, the Working Capital pool will prioritize making GIC investments with financial institutions that:

- 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 Footprint

As outlined in the figure below, in 2021 the university reduced the Working Capital's three-year rolling average carbon intensity by 29% compared to its previous year and by 48% 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, 2022



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 2017-2022 ¹					
YEAR	ASSET CLASS	DATA COVERAGE	WEIGHTED AVERAGE CARBON INTENSITY	THREE-YEAR ROLLING WEIGHTED AVERAGE CARBON INTENSITY	TOTAL EMISSIONS
2017	Fixed income	7%	233	N/A	N/A
2018	Fixed income	8%	300	N/A	N/A
2019	Fixed income	13%	185	239	N/A
2020	Fixed income	25%	235	240	39.049
2021	Fixed income	27%	64	161	297
2022	Fixed income	30%	46	115	252

Normalized Carbon Footprint Data from 2017 to 2022 (Carbon footprint 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.

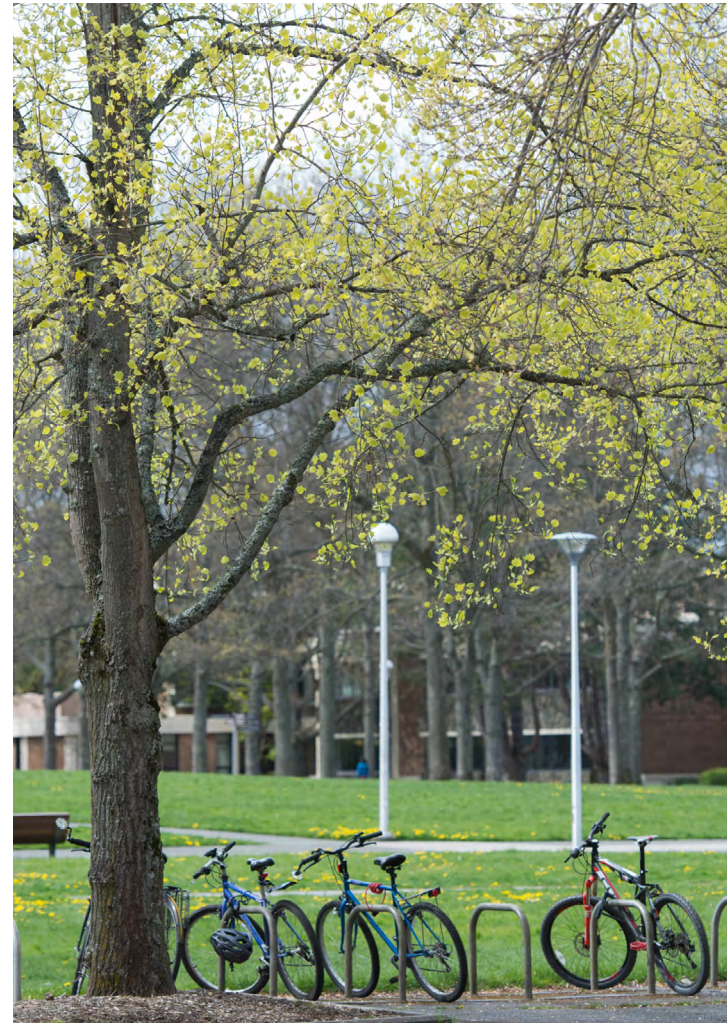
In implementing the RI policy, external investments managers due diligence will now include:

- 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



Over the past year UNIE conducted 19 climate-related engagements with companies in a diverse range of sectors, including:

- Oil and Gas,
- Banking,
- Materials,
- Consumer Staples,
- Utilities,
- Industrials, and
- Renewable Energy.

These engagements have involved collaboration between the UNIE network and SHARE’s larger network of engagement clients, including the Foundation’s investment portfolio. The Foundation 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 quarterly reports are made available on our [website](#).





INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION

INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION

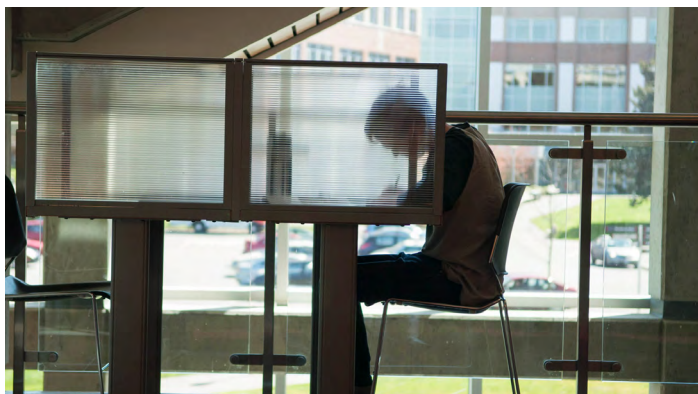
Phillips, Hager & North (Fixed Income)

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 into 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.

Our approach to RI is comprised of three pillars. We take specific actions under each of these pillars to deliver on our duty of maximizing our clients' investment returns without undue risk of loss.

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



Integration in the Investment Process

Rather than applying a top-down ESG investment screen, our team assesses the risks and opportunities associated with issuers' ESG practices throughout the due diligence process. The team's main goal is to understand the impact of such practices on the company's overall sustainability and credit quality. The team employs 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. The team does not force themselves to look for ESG factors in order to fulfill an arbitrary requirement but, instead, believes 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.

Grand Renewable Solar Case Study

The Grand Renewable Solar (GRS) project is the second largest operating solar facility in Canada with 100 megawatts of capacity. It is located on 1,000 acres of long-term leased land in Haldimand County, Ontario. The project reached commercial operations in March 2015. GRS issued over \$600M in senior secured bonds that mature in 2035. The issuer has proven solar technology with useful lives that extend beyond the maturity of the bonds.

The power generated by GRS is 100% contracted under a Power Purchase Agreement with Ontario's Independent Electricity System Operator (IESO). IESO is a not-for-profit entity created by the Electricity Act, 1998 (Ontario) to oversee the Ontario electricity market. It is rated A (high) and Aa2 by DBRS and Moody's, respectively.

The team likes the project's robust fundamentals, resilient debt service coverage metrics, and strong support from the Ontario government. The team also views the positive ESG feature of GRS as a renewable energy supplier as a credit enhancement. High credit worthiness of IESO as the payment counterparty is an important risk mitigant. This combination of factors led the team to invest in the GRS bond issue

BlackRock (Infrastructure)

Responsible Investment Philosophy:

BlackRock Real Assets recognizes the environmental, social, and economic impacts of our investments. We are committed to managing these impacts in a compliant and responsible manner and to offering sustainable investing solutions to our clients. We believe that a robust, integrated approach to sustainable investing is essential in preserving and enhancing the value of our assets throughout their investment lifecycle. Given the long term and physical nature of our real assets investments, we consider effective environmental, social, and corporate governance (ESG) assessment and management to be a fundamental component of risk management.

We have provided investors with pure-play renewable energy and climate infrastructure investment opportunities since 2011. Our investment thesis is built on the transition to a zero-carbon economy, and we recognize the increasing global aspirations to reach net-zero emissions by 2050 will only further accelerate this transition.

Additionally, we are continuing to advance our approach to measuring, monitoring, and managing climate impacts at the individual project-level and across our portfolios. Over the past two years we have significantly enhanced our impact measurement framework, specifically focusing on our approach to measuring and reporting greenhouse gas emissions across our investments. We incorporate an analysis of these impacts, in addition to broader social and environmental impacts, into each stage of our 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 our investments, our approach to integrating ESG within our 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 investment decision making.

- 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 may include the use of proprietary ESG Questionnaires, reviews from external consultants, and site visits.
- We aim to identify and quantify the financial impacts of material ESG risks and integrate these into our valuation models as appropriate.
- This may include the identification of the counterparty who we believe is best placed to manage the relevant ESG risk and due diligence on the lead sponsor when we are 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 solutions. 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 we 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.

Encycle Case Study:

Encycle is a software technology company that focuses on helping commercial and industrial customers dramatically improve the efficiency of their HVAC systems using artificial intelligence-based services. Encycle's impact potential is significant, with the ability to displace megatonnes of CO₂ by its operations at scale. Encycles technology enables commercial buildings to save 10-30% on their HVAC energy costs — a major savings of energy, emissions and costs.



Raven Indigenous Capital Partners (Venture Capital)

Responsible Investment Philosophy

At Raven, we consider ESG to be important for the following reasons:

- ESG factors are key in determining risk and return, as well as impact risks;
- Helps improve our investees' financial and operational performance. More efficient and cost-effective operations can, for instance, be achieved by reducing waste, emissions and effluents;
- Helps prepare our portfolio companies to become strong ESG performers by the time of exit, and with a preference for exits to ESG-aligned buyers;
- Helps us identify appropriate risk mitigation strategies for risks identified and/or anticipated;
- Helps us avoid ESG-related reputational risk, while at the same time enhances our 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.

One Feather Case Study:

Indigenous Peoples are still disenfranchised and challenged in proving their identity which is needed for everyday tasks like banking, voting, and updating status cards. Raven's investment supports OneFeather's growth and addresses the challenges above as the company is a national leader in Indigenous banking solutions, a truth center for digital Indigenous sovereign identity, community engagement, and voting services.

Through tradition, innovation, and technology, OneFeather has added 28,323 members in 2020 and 40,645 First Nations members voted in 2020 through OneFeather's platform.

The disclosure of OneFeather's case is aligned with [The First Nations Principles of OACP](#) (Ownership, control, access, and possession), which establish how First Nations' data and information will be collected, protected, used, or shared.



Appendix 1: Carbon Footprinting Methodology

Methodology

To help with the university's goal to reduce the carbon intensity of our investments 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 Disclosure](#) (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 CO₂e/\$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 CO₂e/\$M sales)

The total emissions measures the absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO₂e. 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 CO₂e)

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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