University of Victoria

RESPONSIBLE INVESTMENT REPORT 2021–2022

UNIVERSITY OF VICTORIA FOUNDATION

MARCH 31, 2022

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MESSAGE FROM THE CHAIR

I am very pleased to present the 2021-22 edition of the University of Victoria Foundation's Responsible Investment Report. The purpose of this Responsible Investment Report is to provide an overview of the Foundation's Responsible Investment activities for its many stakeholders. This includes information on how we are addressing risks and opportunities associated with environmental, social & governance (ESG) and climate change in our portfolio design and management.

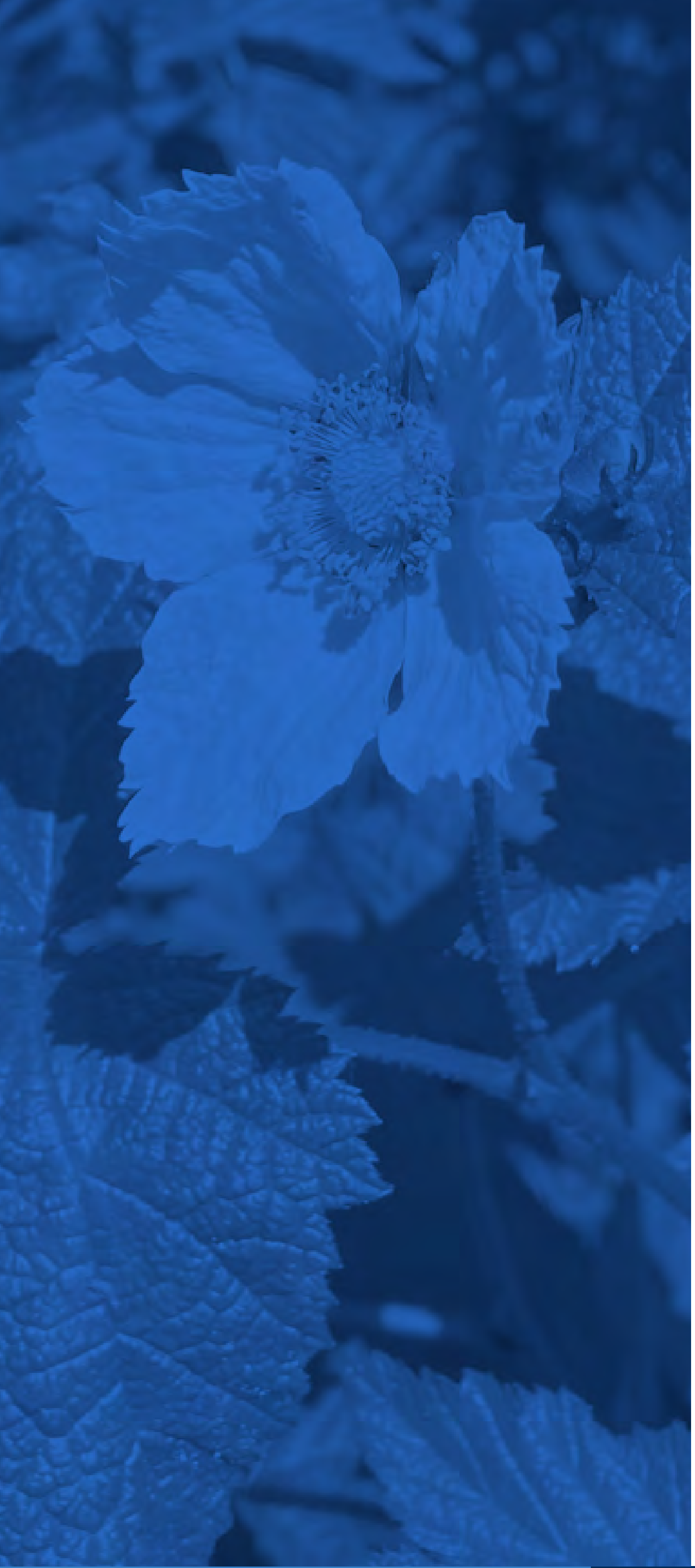
As stewards of endowments which are invested in perpetuity, the Foundation Board believes Responsible Investing is an important factor that must be considered to achieve our long-term financial goals. The Foundation initially adopted its Responsible Investment Beliefs in 2012 and updated its beliefs to recognize climate change as a key global issue of our time in 2020. Over the past year the Foundation acted on its commitment by adopting a Responsible Investment (RI) Policy which served as a framework to consolidate our ongoing Responsible Investment initiatives and outlined our RI commitments including action to address the risks and opportunities of climate change.

In the RI Policy, the Foundation created a goal to reduce the carbon intensity of our investment portfolio by 45% by 2030 and to report on progress towards that goal annually. In addition, the Foundation committed to identifying new impact investments that are aligned with the Foundation's RI policy. In March 2022, we announced the investment in Brookfield's Global Transition Fund, the Foundation's first external impact investment, to support companies transitioning to a greener economy. The fund will report annually on GHG emissions avoided and renewable power generated as a result of its investments.

In 2021, recognizing that the Foundation is a relatively small investor, we partnered with 14 like-minded Canadian post-secondary Institutions through the University Network for Investor Engagement (UNIE) program to engage companies on climate-related discourse, leading to tangible changes and progress in corporate sustainability practices.

The Foundation will continue updating its responsible investment activities through this report annually and more frequently throughout the year on the Foundation website. To all those who support the University of Victoria Foundation, I thank you and welcome your feedback.

Mary Garden
Chair



OUR **RESPONSIBLE** INVESTMENT APPROACH

OUR RESPONSIBLE INVESTMENT APPROACH

The Foundation is committed to the integration of environmental, social, and governance factors (ESG) into its investment decision making and the critical need to address climate change impacts on society and in every university domain (research, education, community engagement, and campus operations). Its goal is to be a leader in ESG, including responding to climate change.

As long-term investors, the Foundation Board believes responsible investing can have a positive effect on long-term financial performance and investment returns. To support our commitment to sustainability and to articulate our goals with respect to foundation investments, the University of Victoria Foundation updated its investment beliefs in 2020 to recognize climate change as a key issue of our time and adopted a Responsible Investment Policy in November 2021.

Responsible Investment Policy

As a signatory to the Principles for Responsible Investment (the "PRI"), the Foundation Board views these PRI Principles as a key RI framework and, where consistent with its fiduciary responsibilities, aligns the Responsible Investment Policy to the following commitments:

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

The policy also outlines tools we will use to achieve our goals, including aligning the disclosure practices of our investment managers with recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), exercising active ownership and setting carbon intensity reduction targets.

The Foundation recognizes that Responsible Investing, including climate change initiatives and carbon emission disclosures, is a rapidly evolving area. The Foundation has committed to updating plans to ensure material Responsible Investment risk and opportunity considerations, including climate change, are integrated into the investment process across all asset classes.

This plan includes:

1. The ongoing monitoring of our investment managers and their due diligence practices,
2. Opportunities for portfolio company engagements,
3. Reducing the carbon intensity of our portfolio by 45% by 2030, and
4. Impact investing opportunities to promote sustainable futures.

Please see our Responsible Investment Policy for more details about our commitments.

Responsible Investment Milestones

2012 – 2016

- Adopted Responsible Investing Beliefs
- Became a signatory to the UN Principles for Responsible Investing
- Signed letter to G7 Ministers urging climate action
- Introduced the Fossil Fuel Free Investment Fund for donors

2018

- Committed to finance the university's new residence construction, which meets Energy and Environmental Design (LEED) and Passive House standards

2019

- Improved awareness of the Fossil Fuel Free Fund
- Improved disclosure by providing examples of our investment managers' ESG integration on our website

2020

- Updated investment beliefs to recognize climate change as a key issue of our time
- Committed to review UVic's decarbonisation approach and target

2021

- Adopted new Responsible Investment Policy to reflect the Foundation's commitment to be a leader in Responsible Investing, including responding to climate change
- Committed to collective engagement on climate issues through the University Network for Investor Engagement (UNIE)

2022

- Announced a $25 million impact investment in Brookfield's Global Transition Fund
- 2022 Responsible Investment Report with progress updates on decarbonisation target and impact investments

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.

Impact Measurement

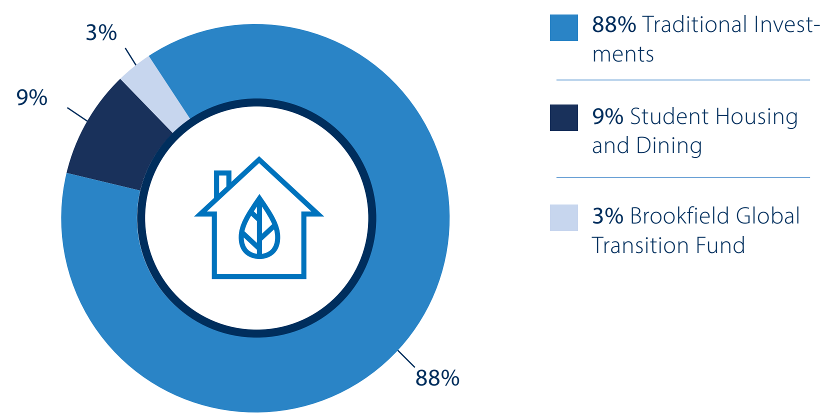
The UN Sustainable Development Goals (SDGs) are a collection of 17 goals set by the UN General Assembly in 2015 to achieve a better and more sustainable future for all. The Foundation is committed to considering impact investments in all asset classes that align with its prudent investment strategy outlined in the Statement of Investment Objectives and Goals (SIOG) and responsible investment policy.

The Foundation referenced the university's work in 2020, where an Impact Investment Working Group provided advice and guidance on the methodology to measure and evaluate the impact achieved by our investments. The Foundation will use IRIS+ metrics developed by GIIN to report impact investment results.

Impact Results

To date, the Foundation has committed to invest 12% of its portfolio in impact investments as outlined in the figure below.

Foundation Impact Commitments*



** Foundation Impact Commitments, as at March 31, 2022. Commitments are funded over time. As funds are called the commitments will be reported as investments.*

Detailed information about each impact investment is provided in the following pages.

Student Housing and Dining Project

Main Impact Area: Promoting Sustainable Futures
Investment Year: 2022
Geographic Location of Impact: Victoria, BC

In 2018, the Foundation 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 the carbon reduction goals of the Foundation. The new student housing will come online in 2022 and the impacts of the reduced GHG emissions will be measured and reported at that time.

Brookfield Global Transition Fund (BGTF)

Main Impact Area: Promoting Sustainable Futures
Investment Year: 2022
Geographic Location of Impact: Global

In 2022, the Foundation committed to invest $25 million in Brookfield's Global Transition Fund (BGTF). The fund focuses on investing in opportunities that advance and facilitate the global transition to a net-zero carbon economy by supporting three primary investment themes: Business transformation, clean energy generation and sustainable solutions.

This new commitment is an infrastructure investment within the Foundation's statement of investment policy and goals and is consistent with the target to reduce the carbon intensity of all investments by 45 per cent by 2030 as stated in the new Responsible Investment Policy.

The commitment in BGTF will begin to be realized in 2022 and impact metrics related to SDG 7-Affordable and Clean Energy and SDG 13-Climate Action will be reported at that time.

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 (CO_{2e}) and are reported in three emissions scopes.

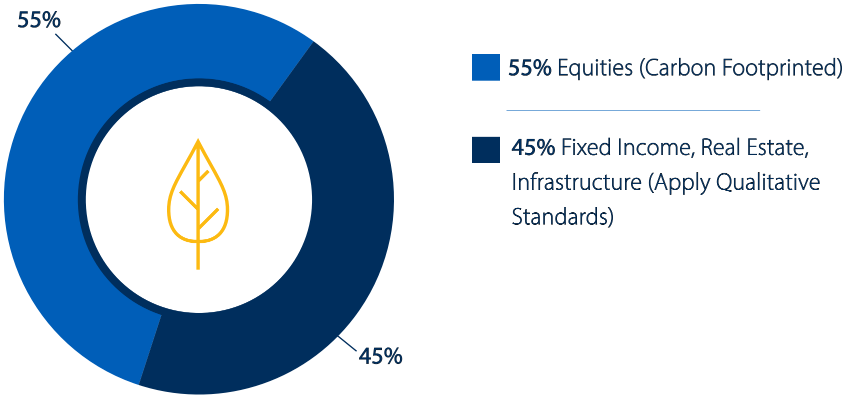
- **Scope 1:** GHG emissions are direct emissions from sources that are owned or controlled by the entity
  - Ex. On site fossil fuel combustion from company facilities
  - Ex. Fleet fuel consumption from company vehicles
- **Scope 2:** GHG emissions are indirect emissions generated in the production 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 Foundation's decarbonisation goal to reduce the carbon intensity of its portfolio by 45% by 2030 was determined by referencing the Intergovernmental Panel on Climate Change's urge to reduce CO_2 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 Foundation. 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 historic emissions and to include scope 3 emissions. The Foundation referenced University of Victoria's work where a 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 equities, review new carbon intensity measures and to consider incorporating scope 3 emissions.

Carbon Footprint Approach



Foundation Carbon Footprint Approach, as at March 31, 2022

Recognizing the current portfolio carbon intensity is calculated on 54.9% of the Foundation 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.

Please see Appendix 1 for the Foundation's carbon footprinting methodology.

Qualitative Standards for Investments

By referencing Oxford Martin's Principles for Climate-Conscious Investment, the Foundation commits to the following qualitative standards for its remaining portfolio.

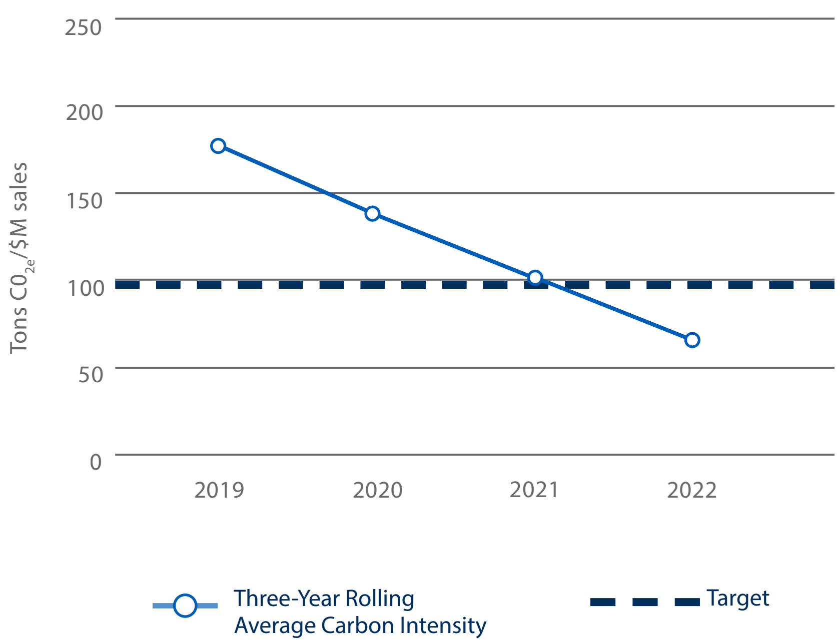
Assuming risk adjusted returns are not compromised and recognizing restrictions within our SIOG and Responsible Investment Policy, the Foundation will prioritize making investments that:

- 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 2021-22 the Foundation reduced its three-year rolling average carbon intensity by 35% from last year and by 63% since 2019-20. The reduction in portfolio carbon intensity is driven by the adjustments to the external investment manager lineup and investment managers investing in less carbon intensive industries.

Three-Year Rolling Average Carbon Intensity



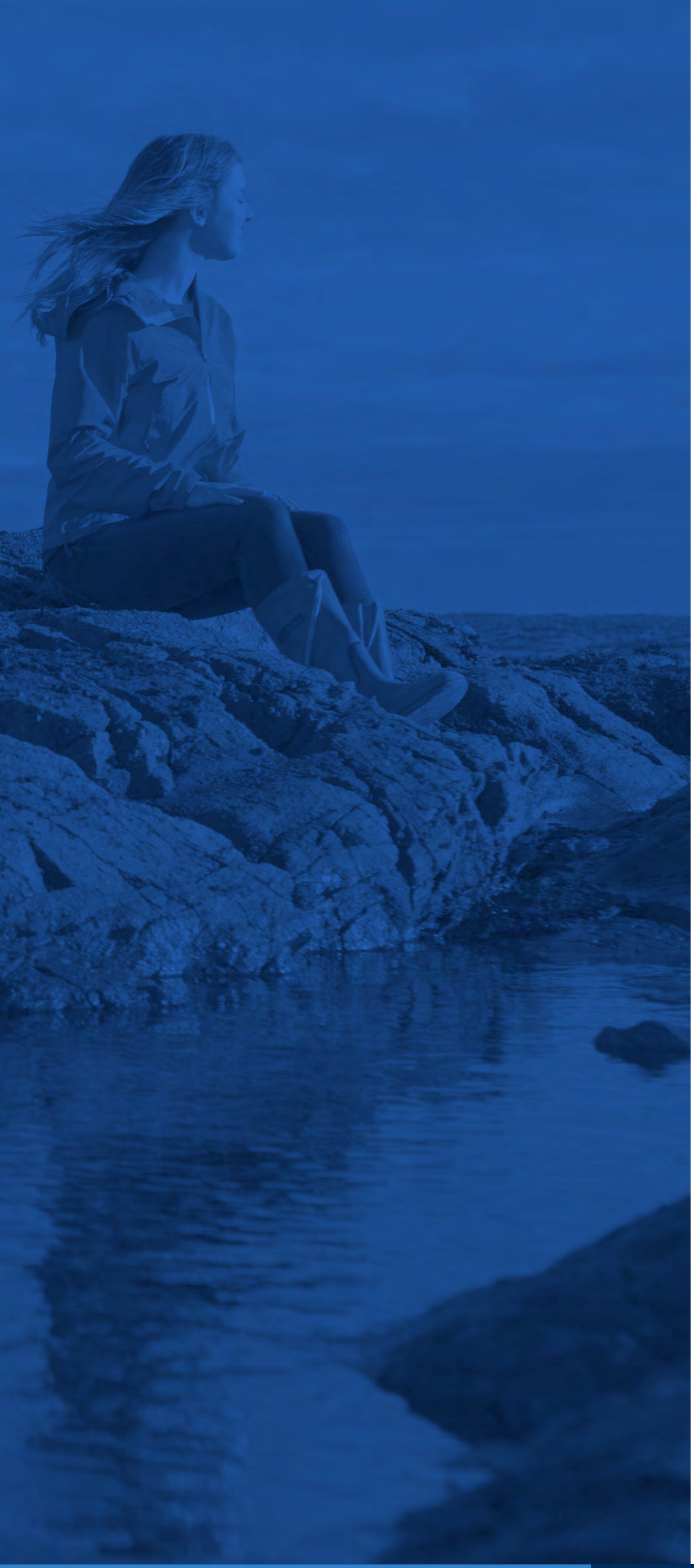
Foundation Three-Year Rolling Average Carbon Intensity, as at March 31, 2022

Annual Portfolio Carbon Intensity

The figure below outlines the annual carbon intensity used to calculate the three-year rolling average carbon intensity.

NORMALIZED CARBON FOOTPRINT DATA 2017-2022 EQUITY PORTFOLIO		
YEAR	WEIGHTED AVERAGE CARBON INTENSITY	THREE-YEAR ROLLING WEIGHTED AVERAGE CARBON INTENSITY
2017	205 Tons CO_{2e}/$M sales	N/A
2018	179 Tons CO_{2e}/$M sales	N/A
2019	148 Tons CO_{2e}/$M sales	177 Tons CO_{2e}/$M sales
2020	86 Tons CO_{2e}/$M sales	138 Tons CO_{2e}/$M sales
2021	70 Tons CO_{2e}/$M sales	102 Tons CO_{2e}/$M sales
2022	41 Tons CO_{2e}/$M sales	66 Tons CO_{2e}/$M sales

Normalized Carbon Footprint Data from 2017 to 2022
(Carbon footprint is calculated as at March 31 of each year)



RESPONSIBLE INVESTMENT INITIATIVES

RESPONSIBLE INVESTMENT INITIATIVES

Proxy Voting

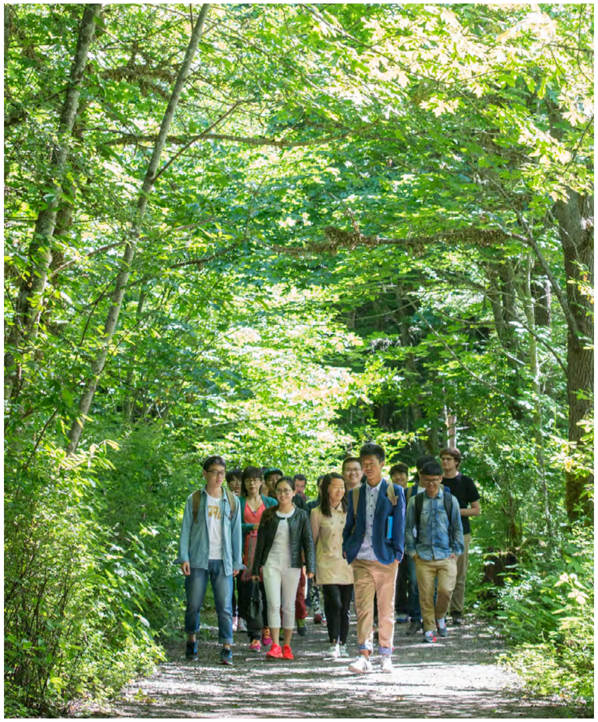
Proxy voting is an essential engagement tool in our commitment to responsible investing. The Board has delegated voting rights acquired through listed equity investments to the investment managers. Investment managers are expected to vote all proxies in the best interests of the beneficiaries of the Foundation, and to take ESG factors into account when they vote proxies for companies held in any fund in which the Foundation is invested. To this end, the proxy voting policies and practices of listed equity investment managers are reviewed as part of the manager selection and monitoring process.

Investment managers are required to disclose their proxy voting policies. The Board encourages investment managers to adopt proxy voting policies incorporating ESG factors, where this is not already the case.

Investment managers are required to report quarterly to the Foundation on how proxies were voted on the Foundation's behalf, if proxy voting policies were followed, and any material deviations.

The most common types of proxy votes are:

- Board Opposition,
- Say on Pay Opposition, and
- Shareholder Proposal Support.



Collective Engagement

The Foundation 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.

University Network for Investor Engagement
Réseau universitaire pour l'engagement actionnarial

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.

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 provides 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, 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 and 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.

Baillie Gifford (Global Equity)

ESG Philosophy

Whether one calls it corporate governance, corporate social responsibility, ESG, responsible business conduct, or sustainability, the underlying concept is the same: a company's character matters. In our experience, the odds of a company achieving a successful combination of growth and longevity cannot be separated from its corporate character. Good corporate behaviour can increase the probability of exceptional returns.

Being long-term investors with an investment horizon of 5-10 years and beyond, Baillie Gifford seeks to ask the right questions and get to know companies deeply. Business fundamentals – such as a company's market opportunity, returns, capital deployment and sustainability of competitive advantage – are considered together with the intangible notions of business culture, adaptability, and role in society. In other words, an analysis of corporate character is intrinsically built-in to our investment approach.

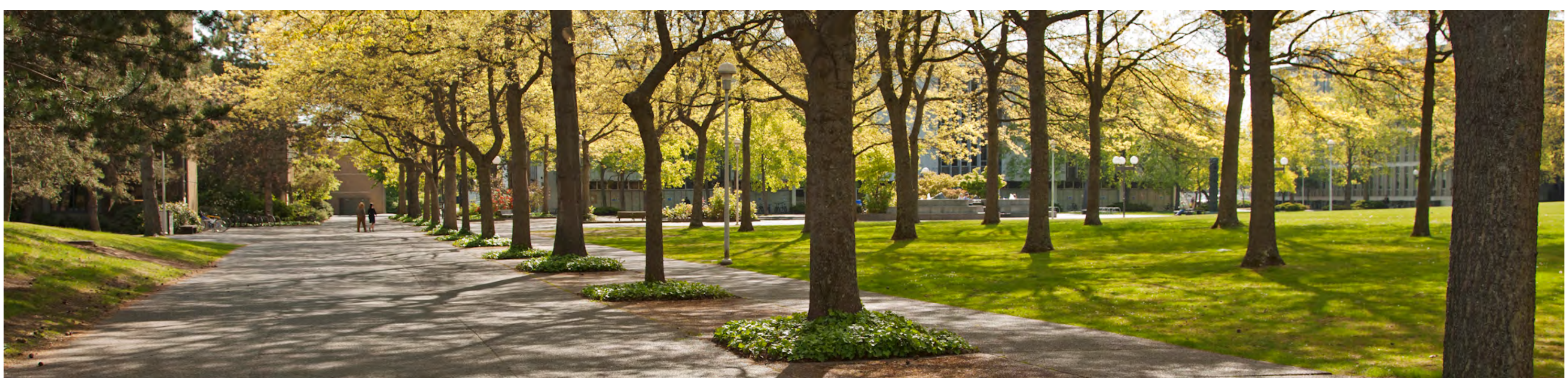
Integration in the Investment Process

Baillie Gifford integrates potentially material ESG issues affecting holdings through its 10 Question Stock Research Framework. Specific questions target a company's sense of wider responsibility and ESG considerations are embedded into several questions.

Kering Case Study

Luxury brand conglomerate Kering has historically been something of a contradiction in terms of ESG. Its disclosure on environmental and social issues is second to none, but Baillie Gifford has previously been dissatisfied with its remuneration practices. Indeed, in recent years the firm voiced concerns to Kering about shortcomings in its long-term incentive plan (LTIP) and voted against management on its remuneration proposals at certain AGMs.

As always, Baillie Gifford's approach is to engage with companies. In late 2019, their investment managers and members of our Governance and Sustainability team met with Kering's lead independent director and remuneration committee chair during an ESG-themed visit to its Edinburgh offices, as the company was keen to hear the firm's assessment of its remuneration practices. This was followed with further engagement in 2020. Baillie Gifford also discussed principles and best practice in the context of adopting robust ESG metrics in the LTIP, which included: materiality, alignment to sustainability strategy, measurability, and target stretch. In April 2021, Baillie Gifford was encouraged to learn that the company has directly addressed all our concerns.



C WorldWide (Global Equity)

Responsible Investment Philosophy

Since 1986, C WorldWide has been investing in sustainable companies which is the essence of its active and long-term focused investment philosophy and process. Anchored in their long-term investment horizon, proactively focusing on good business practices has been core to their approach – not just to do less harm or to avoid risk, but to fully understand the long-term merits and viability of the investee company.

As active stock investors, C WorldWide favors a proactive engagement approach rather than an approach based on extensive exclusion lists. Its objective is to have an ongoing dialogue with invested companies. Integrating environmental, social, and governance (ESG) factors in its investment decisions is an essential part of our fundamental analysis process as they evaluate what is material to all stakeholders of the investee company over the long-term, not just the next few quarters or years. Addressing stewardship with investee companies results in a dialogue which will assist the investee companies' adaptability to changing markets. There is no doubt that after 30 plus years' experience, shareholders are the first to benefit from a longer-term approach.

Integration in the Investment Process

- ESG equals sustainability. Although the focus on the term ESG has increased significantly over the past years, ESG has always equaled sustainability and been aligned with active, long-term portfolio management.
- C WorldWide believes that a strong ESG company profile starts with the G – i.e. governance. Good corporate governance is typically anchored with good company managements. A good corporate governance foundation is a key steppingstone to a good ESG profile. For companies to improve their social and environmental agenda they require, first and foremost, a robust governance framework.
- ESG factors make a difference to long-term active portfolio management and the firm believes there is no conflict between stock returns and sustainability. It believes that investments in sustainable companies are drivers for higher, longer term risk-adjusted shareholder returns. This mitigation of risk is a key contributing factor when ESG considerations are taken into account.
- C WorldWide's active, high conviction equity portfolios reinforce its commitment to ESG. This is because the firm's focus on concentrated stock-picking lifts company specific ESG awareness. Its experience is that sustainable companies often make a good stock resulting in higher returns at a lower risk and therefore outperforming over the longer term.

S&P Global Case Study

S&P Global is one of the new additions to C WorldWide's portfolio and is a leading provider of financial information services. The company has relatively low risk when it comes to ESG. Through a call the firm discussed a broad range of issues including the integration of ESG across the organisation and how this has evolved over the past 10 years, recent initiatives including increased stakeholder engagement, and the process of reviewing key materiality issues. The firm also discussed lessons learned from the financial crisis and reputational risk from the inherent conflict of interest in its credit ratings business. Human capital is among the key materiality issues for S&P Global, which has only grown in importance during the pandemic and is furthermore a key focus point in the upcoming merger with IHS Markit. C WorldWide also discussed the arguments and rationale for bonuses paid in relation to the IHS Markit merger.

Walter Scott (Global Equity)

Responsible Investment Philosophy

Responsible Investing is central to what Walter Scott does and what it believes. The firm understands that environmental, social, and governance (ESG) factors, as much as financial metrics, determine the long-term success of an investment. It believes integrity, sustainability and governance factors are important in assessing a company's ability to prosper over the long term. Because of this, Walter Scott fully integrates its assessment of these factors into the firm's investment process. Walter Scott is member or signatory to a number of select groups that it believes best represent the industry in pushing for meaningful change or where it feels the educational element will complement its own research in a material way.

- Principles of Responsible Investment (PRI) Walter Scott has been a signatory since 2017. Our 2020 rating is A+, A, A.
- Carbon Disclosure Project (CDP) member
- UK Investment Association member
- Climate Action 100+ member
- International Corporate Governance Network member

Integration in the Investment Process

- Responsible: The firm is entrusted to invest on behalf of our clients over a long-term investment horizon. As such, it has a duty to understand each company in which it invests, including its approach to ESG matters. Water Scott's experience has taught them that only companies that strive towards appropriate ESG standards are likely to prosper over the long term. Companies that do not meet the firm's rigorous standards will not be considered potential investment candidates.
- Integrated: The research team assess the ESG factors that may affect the operating and financial performance of each company. ESG considerations could include air and water pollution, human rights, labour standards, safe development of medicines, board leadership, remuneration, and conflicts of interest. The list is not exhaustive and not every factor considered will apply to every company. The firm's assessment is a key part of our engagement discussions with company management. Given the importance of these factors in determining the long-term sustainability of a business, we do not delegate ESG analysis to a separate team. We believe it is essential that each member of the firm's Research team has responsibility for understanding a company's ESG profile.
- Engaged: Engagement with companies is pivotal to good stewardship. Walter Scott expects every company it invests in to engage on issues of sustainability. By actively engaging with a company, the firm gains a better understanding of its business, including its ESG credentials. It also means Walter Scott can use its influence as investors to effect meaningful change. Through its long-term investment horizon, and very often long-term tenure through the firm's clients as significant shareholders, Walter Scott has built excellent relationships with corporate management teams. The firm's direct engagement with companies allows better assessment and understanding on how they approach ESG issues. The firm expects management teams to assess the materiality of ESG factors, to target, disclose, monitor and provide progress reports accordingly.

Stryker Case Study

Medical devices manufacturer Stryker published its first comprehensive annual corporate responsibility report not long before Walter Scott had a call with CEO Kevin Lobo in March, providing the firm with an opportunity to discuss some of the issues covered. Accessing this sort of data has been a challenge at Stryker given the decentralized structure of its operations, so it is a hugely encouraging development to see the company step up its efforts in this area. The firm was particularly struck by the efforts of Stryker's Sustainability Solutions (SSS) to lessen its environmental impact and they were asked whether there were plans to replicate this in other parts of the business.

SSS reprocesses and remanufactures single-use medical devices, and its 'Redesigned for Sustainability' initiative aims for environmental improvements throughout the entire reprocessing cycle. The CEO discussed that by the very nature of its business SSS has always been in the vanguard of corporate responsibility implementation at Stryker, but that there were plans for similar initiatives at other divisions of the business, including schemes to reduce packaging and improve product designs. They were also asked if they had any plans to follow the trend of incorporating sustainability targets into executive remuneration. Mr Lobo confirmed that the subject has been raised and that consideration was being given to which targets to include and how best to measure them. Not unreasonably, Mr Lobo is keen fur any goals to be stretching but achievable and he took note of Walter Scott's suggestion to use product recall-related data as a key performance indicator for this purpose given the obvious health implications as well as the company's broader social licence to operate. All in all, this was confirmation of real progress in matters of sustainability, and Walter Scott looks forward to engaging further with Stryker as it continues to develop its profile in this area.

Macquarie Infrastructure (Infrastructure)

Responsible Investment Philosophy

Macquarie believes the identification, assessment and responsible management of ESG risks and opportunities is essential to the sustainable long-term development of assets and the communities in which they operate.

ESG considerations are embedded within investment decision-making approach and the asset management frameworks that inform the way in which portfolio companies assess and improve their performance. Macquarie partners with its portfolio investments to share best practices and drive positive change. They seek to improve working conditions, minimize environmental impact, and preserve the cultural heritage of the communities in which they invest.

Integration in the Investment Process

To ensure the consistency and adequacy of these assessments, they have comprehensive due diligence scope checklists and engage external expert advisers as needed on specific ESG issues.

Results from ESG due diligence assessments include:

- Permit and license requirements and issues arising from investigations
- Key ESG risks and potential liabilities
- Recent regulatory actions taken, reviews, and/or third-party actions or claims against the company
- Ongoing obligations/regulatory standards to be met post-acquisition
- Assessment of the ESG risk management framework in place against accepted good practice
- Recommendations for any remediation actions

Green for Life Case Study

GFL Environmental is a provider of diversified environmental solutions across solid and liquid waste management in North America. During Macquarie's ownership period, regulatory and other stakeholder demands meant that sustainability considerations became increasingly relevant for GFL. For example, environmental regulations, such as British Columbia's Zero Waste Initiative and the US and Canada's carbon pricing strategies, drove change in the North American waste market.

The thrust of these regulatory changes was to require a reduction in waste and lower carbon emissions. GFL made significant investments in forward-looking 'circular economy' processes. These were aimed at minimizing waste and maximizing regeneration of resources. One clear example of this was GFL's acquisition of Biocan, a firm that turns food waste and reclaimed sulphur waste into fertilizer. GFL also invested in landfill gas to energy facilities that capture landfill gas and convert the captured gas into a renewable source of electricity for use by households and businesses.

Separately, in a bid to lower costs and be more environmentally friendly, GFL started using clean natural gas to power its solid waste collection vehicles. GFL also invested in soil remediation facilities that enable contaminated soils otherwise destined for landfill disposal to be reused in construction and development projects. The use of soil remediation facilities not only reduced construction costs but also reduced greenhouse gas emissions from trucking by supporting the beneficial reuse of soils.

BentallGreenOak (Real Estate)

Responsible Investment Philosophy

BentallGreenOak (BGO) is guided by its purpose as a fiduciary to create sustainable spaces that deliver long-term value for our clients, tenants, and the communities that we serve. Empowered by this responsible investment mindset, the firm is committed to realizing ESG goals that enhance asset value, ensure compliance, promote industry-leading management practices, and drive superior performance. This commitment to responsible investment and ESG integration is carried across BGO's global real estate debt and equity investment platform, at both the portfolio and property levels.

While BGO's decade of ESG leadership has achieved global recognition to date, the increased focus over the last several years on the climate crisis, social unrest, and the COVID-19 pandemic has brought ESG risk management to the fore. To successfully respond to these critical ESG issues and continue to be at the forefront of environmental and social change, the firm incorporates ESG considerations throughout an asset's entire lifecycle. Through this approach, BGO is building a portfolio of the future that recognizes the relationship that we all have to our buildings and our desire for safer, healthier, and more inclusive cities.

Integration in the Investment Process

BGO's approach to responsible investment is built on the following core pillars:

- Operational Efficiency:

  Data Analytics, Target Setting, and Green Building Certifications

  State-of-the-art sustainability data management system and comprehensive ESG programs to drive operational excellence and support data-driven decision-making.

- Climate Risk and Resilience:

  Climate Risk Analysis and Portfolio Planning

  Climate risk profiling and customized adaptation planning tools.

- Social Impact:

  Socially Impactful Investments, Equity, Diversity, and Inclusion, and Community Engagement

  Proprietary Social Impact Assessment Tool, sound supply chain policies and practices, community engagement activities, and an extensive suite of equity, diversity, and inclusion (EDI) initiatives to drive positive impact for our stakeholder partners and society.

- Tenant Experience:

  Tenant Engagement and Health and Well-Being

  Bespoke tenant engagement programs that further drive sustainability performance, enhance occupant health and well-being, and strengthen tenant loyalty and satisfaction.

- ESG Governance:

  ESG Policies and Disclosure

  Firm-wide policies that delineate our approach to sustainable investment, environmental stewardship, responsible procurement, and ethical conduct; robust disclosure practices that enable the firm to manage ESG risk, strengthen transparency and accountability, and create value for our clients and stakeholder partners.

The Tenor Case Study

BGO integrates ESG considerations into daily operations through its Sustainability Benchmarking Program. An example is The Tenor, a Canadian fund investment managing retail and office complex in Toronto that was awarded the 2021 Outstanding Building of the Year (TOBY) Award—BOMA International's most coveted prize—for industry leadership and excellence in building management. This 10-storey, 360,000-square-foot asset utilizes state-of-the-art Artificial Intelligence (AI) building analytics that have resulted in total energy savings of 5,421 MWh (equivalent to the annual energy usage of 442 North American homes) and reduced CO_{2e} emissions by 3,832,923 kg over the course of 2020.

Appendix 1: Carbon Footprinting Methodology

To help with the Foundation's goal to reduce the carbon intensity of our investments by 45% by 2030, we referenced University of Victoria Working Capital's Decarbonisation Working Group which 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.

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 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.

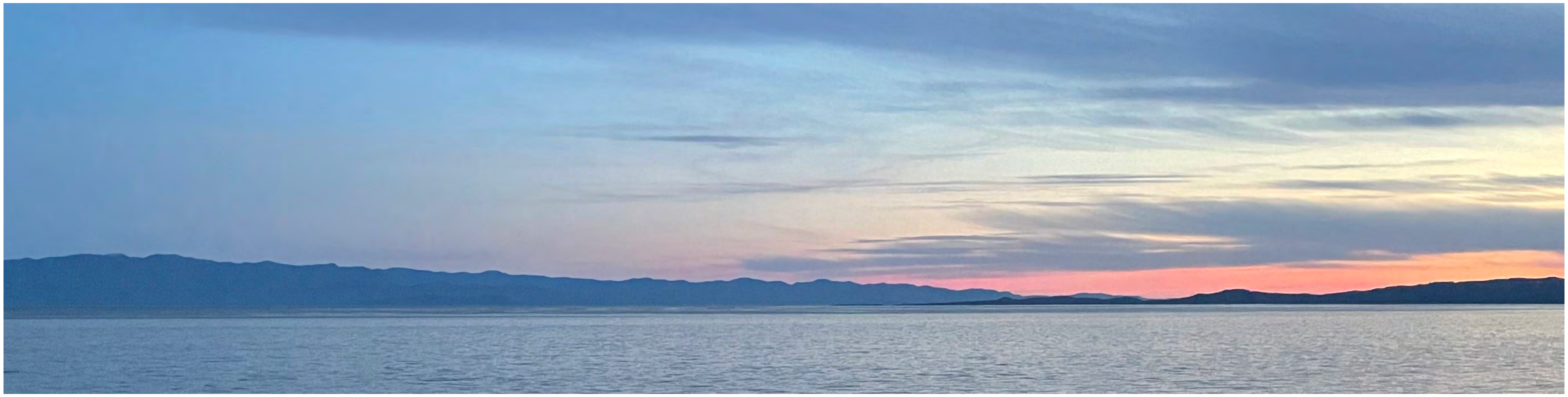
$$\sum\left(\frac{\textit{Current Value of Investment}}{\textit{Current Value of Portfolio}} \text{ X } \frac{\textit{Issuer's Scope 1 and Scope 2 GHG Emissions}}{\textit{Issuer's Revenue (\$ Millions)}}\right)$$

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.

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

Total Emissions (tons CO_{2e})



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 Foundation currently measures the weighted average carbon intensity of its equity investments. The Foundation is working with investment managers to provide information on additional asset classes including fixed-income, real estate and infrastructure as data and metrics become available. For holdings that we are not able to carbon footprint at this time, the Foundation is committed to achieving the spirit of its Responsible Investment Policy and will apply 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 Foundation 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 Foundation 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 equity 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 Foundation using carbon emissions data from Thomson Reuters Refinitiv. The Foundation compares its carbon emissions data with data provided by managers to ensure consistency and data accuracy.

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 U.S. Dollars.

The Foundation's Responsible Investment Report is intended to reflect the Foundation's commitment to responsible investment. Please visit the University of Victoria Foundation website for additional information on our responsible investment practices.

CONTACT

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