University of Victoria

RESPONSIBLE INVESTMENT REPORT 2022–2023

UNIVERSITY OF VICTORIA FOUNDATION

MARCH 31, 2023

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MESSAGE FROM THE CHAIR

I am delighted to present the University of Victoria Foundation'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 endowment portfolio. We remain committed to addressing the risks and opportunities associated with environmental, social, and governance (ESG) factors and climate change in our investment strategies.

As the stewards of endowments invested in perpetuity, the Foundation Board continues to emphasize responsible investing as a crucial aspect in achieving our long-term financial goals. We recognize that our actions today can shape the future for generations to come, and we reaffirm our commitment to sustainability and responsible practices.

Following our Responsible Investment Beliefs established in 2012, we made a significant update in 2020, acknowledging climate change as one of the most critical global challenges of our time. Building on this commitment, we adopted a Responsible Investment (RI) Policy in 2021, providing a framework to consolidate our ongoing responsible investment initiatives. The RI Policy outlines our commitments and actions in addressing climate change-related risks and opportunities within our portfolio.

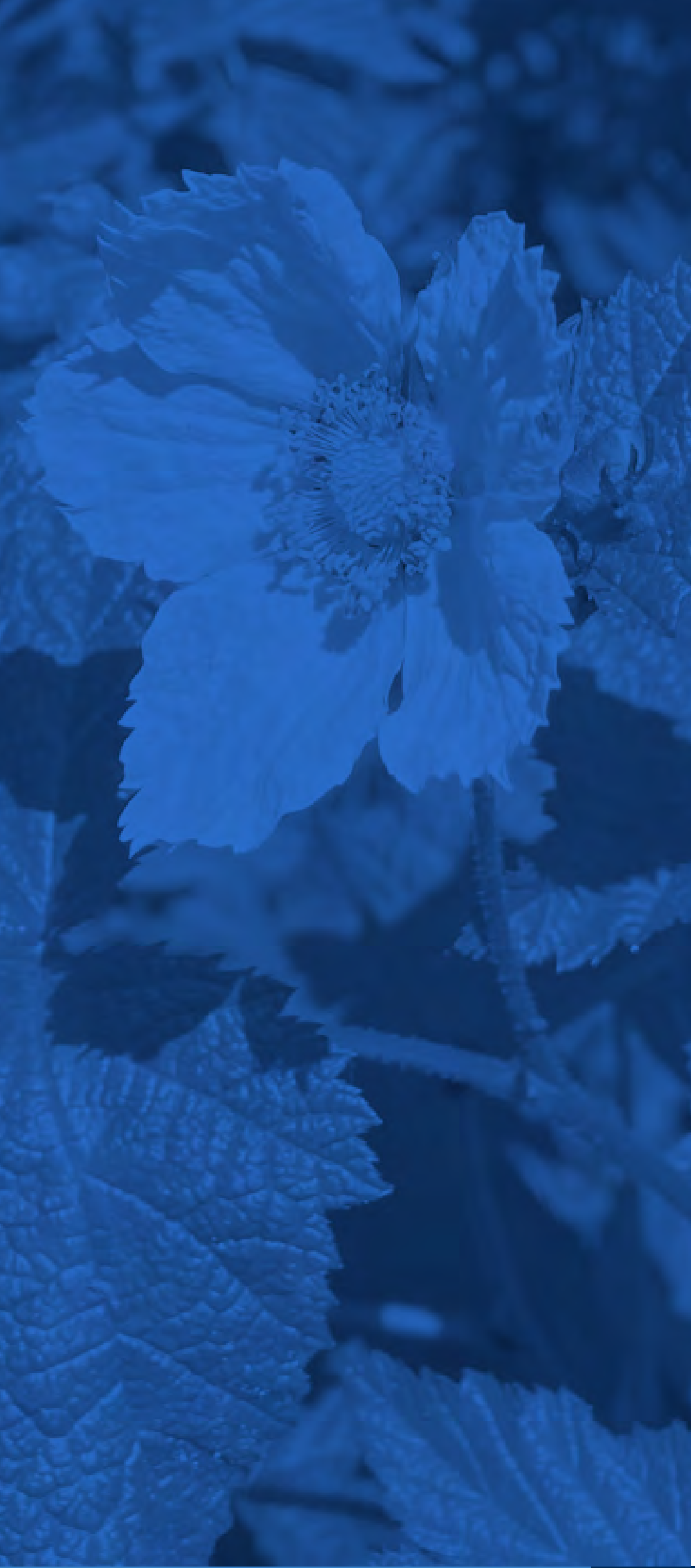
Over the past year, we have made substantial strides in our efforts to reduce the carbon intensity of our investment portfolio. We are pleased to report that we have successfully reduced our carbon intensity by an impressive 13.6% compared to last year and achieved a reduction of 67.8% in carbon intensity compared to our baseline in 2020.

While in its early stages of capital deployment, our impact investment in Brookfield's Global Transition Fund has started to yield results with the fund committing to add 19,025 megawatts (MW) in clean energy capacity by the end of the fund's life. We are excited about the potential positive outcomes of this investment and look forward to sharing the fund's further developments and impacts in future updates.

Our collaboration with the University Network for Investor Engagement (UNIE) program has also proven to be impactful in driving meaningful engagement with companies on climate-related discourse. This collective effort, in partnership with 14 like-minded Canadian post-secondary institutions, has yielded tangible changes and progress in corporate sustainability practices. As a case example of the UNIE program's effectiveness, we will provide detailed highlights in a later section of this report.

On behalf of the University of Victoria Foundation, I extend our sincere gratitude to all those who support our responsible investment endeavors. Your unwavering commitment to sustainability and responsible practices empowers us to drive positive change in the financial landscape. We encourage and welcome your valuable feedback, as it helps us further enhance our strategies and approach to responsible investing.

Mary Garden
Chair, University of Victoria Foundation



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. Commitment to collective engagement through the University Network for Investor Engagement (UNIE),
3. Reducing the carbon intensity of our portfolio by 45% by 2030, and
4. Impact investing opportunities to promote sustainable futures.

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

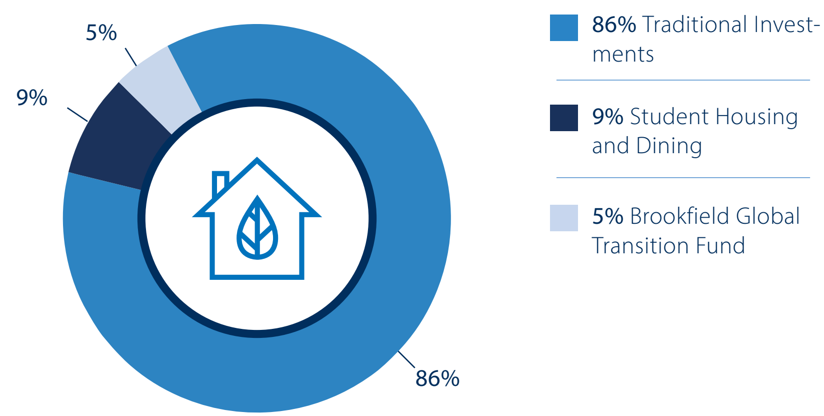
The UN Sustainable Development Goals (SDGs) are a collection of 17 goals set by the UN General Assembly in 2015 to achieve a better and more sustainable future for all. The Foundation is committed to considering impact investments in all asset classes that align with its prudent investment strategy outlined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

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

As at March 31, 2023, the Foundation has committed to invest 14% of its portfolio in impact investments as outlined in the figure below.

Foundation Impact Commitments*



** Foundation Impact Commitments, as at March 31, 2023. 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: 2023
Geographic Location of Impact: Victoria, BC

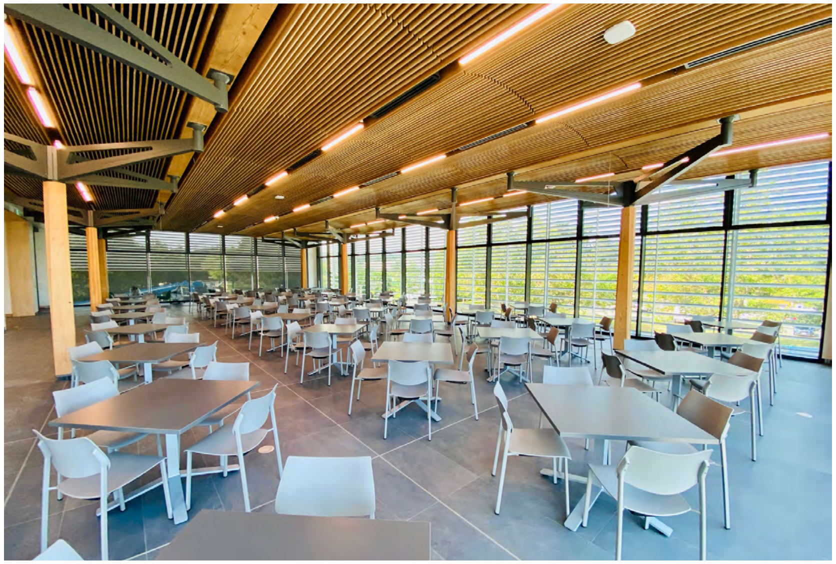
In 2018, the Foundation committed to provide financing to the new Student Housing and Dining Project, which demonstrates our commitment to sustainability. The design and construction of the new buildings will meet Leadership in Energy and Environmental Design (LEED) V4 Gold and Passive House standards, 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 balances 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 and 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 university. Phase one of the new student housing project went online in 2022. We expect the investment to occur in 2023 and 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

BGTF focuses on investing in opportunities that advance and facilitate the global transition to a net-zero carbon economy, including supporting business transformation and clean energy generation. As the fund is still in the early stages of its deployment period, it has reported impact targets and not outcomes.

IMPACT TARGETS		
SDG	**METRIC**	**TARGETS FROM FUND**
7 AFFORDABLE AND CLEAN ENERGY	Clean Energy Capacity	**19,025** MW
7 AFFORDABLE AND CLEAN ENERGY	Battery Energy Storage System (BESS) Capacity	**800** MW
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Materials Recycled	**4.1** million tonnes
13 CLIMATE ACTION	Carbon Capture & Storage	**7** million metric tons per annum ("MMTPA")

OUR **DECARBONISATION** PROGRESS

OUR DECARBONISATION PROGRESS

What is Carbon Intensity?

A 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 (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

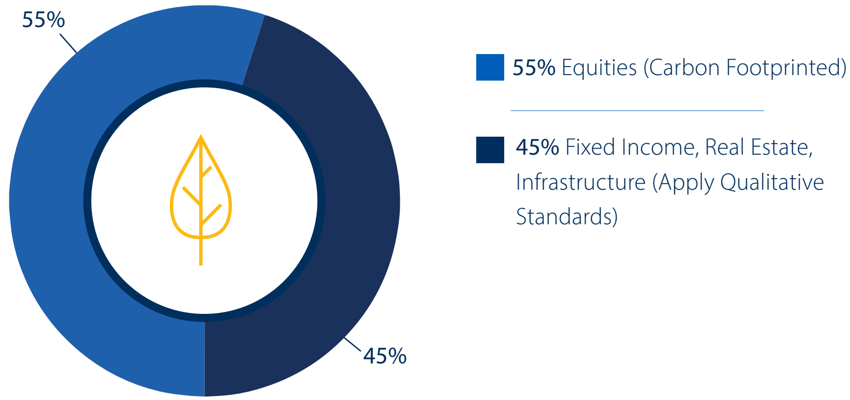
Decarbonisation Goal

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 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 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.

With the above limitations the Foundation is currently measuring the carbon intensity of our public equities representing 55% of the Foundation investment portfolio as follows:

Carbon Footprint Approach



Foundation Carbon Footprint Approach, as at March 31, 2023

Recognizing the current portfolio carbon intensity is calculated on 55% 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 intensity 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:

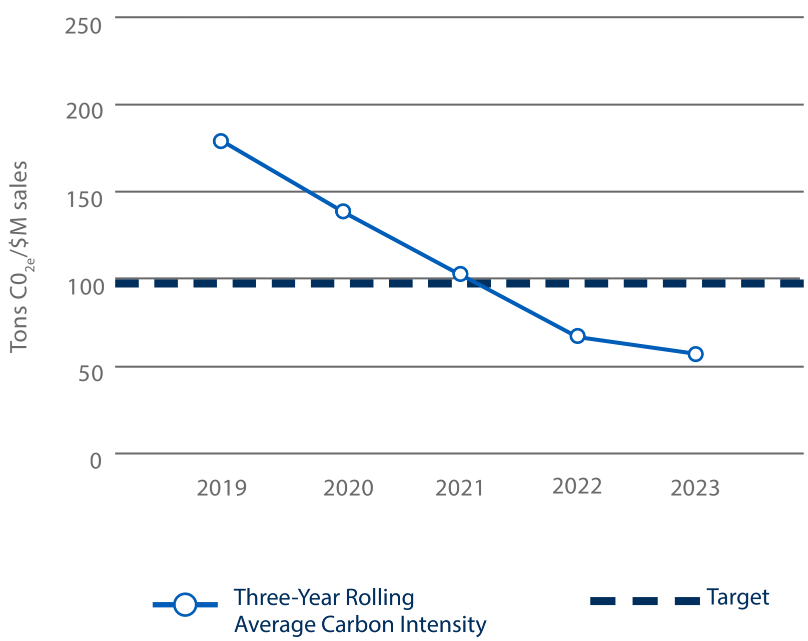
- Have a commitment to net-zero emissions through policy,
- Have a profitable net-zero business model by integrating climate considerations during lending, and
- Have quantitative medium-term carbon reduction targets.

Portfolio Carbon Intensity

As outlined in the figure below, in 2022-23 the Foundation reduced its three-year rolling average carbon intensity by 13.6% year over year and by 67.8% since 2019-20.

The reduction in portfolio carbon intensity is driven by the adjustments to the Foundation selecting managers that invest in less carbon intensive industries and the catching-up effect of our calculation methodology.

Three-Year Rolling Average Carbon Intensity



Foundation 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.

NORMALIZED CARBON INTENSITY DATA 2017-2023 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
2023	58 Tons CO_{2e}/$M sales	57 Tons CO_{2e}/$M sales

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

RESPONSIBLE INVESTMENT INITIATIVES

RESPONSIBLE INVESTMENT INITIATIVES

Proxy Voting

Proxy voting is another 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 interest 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 engaged with 109 companies on its five themes.

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.

Engagement Case Study: Tesla

Issue:

As a leading electric vehicle manufacturer, Tesla plays a critical role in accelerating the global transition to a low-carbon economy. However, environmental sustainability cannot come at the expense of fundamental labour rights. In order to contribute to a just transition, the company must address its social impact in the context of workers' rights.

Action:

Together, Shareholder Association for Research and Education (SHARE), Domini Impact Investments and SOC Investment Group co-filed a proposal at automotive and tech giant Tesla. The proposal calls for the adoption of a freedom of association and collective bargaining policy, giving employees the right to join or form a trade union without interference. Just prior to the vote the proposal received the recommendations of leading proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis.

Outcome:

The vote received an historic 47% of the independent vote at the company's AGM, via the support of pension fund heavyweights such as BCI, CalSTERS, CalPERS, CPPIB and IMCO, New York City Pension, Texas Teachers and many others.

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 and Equity)

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 assesses 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.

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.

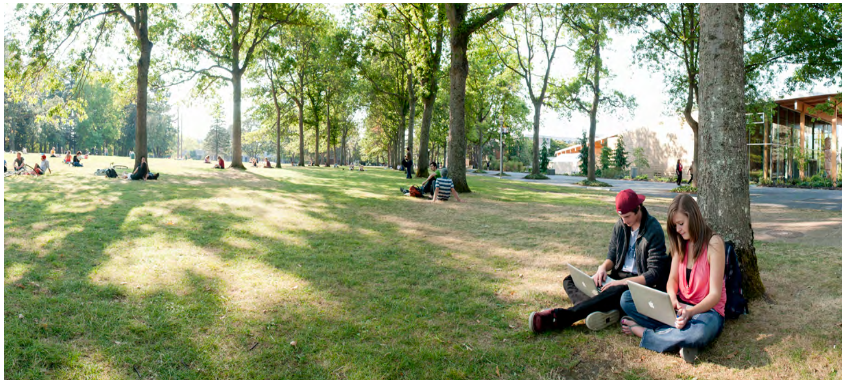
Moderna Case Study

A shareholder proposal was filed at the Moderna 2022 AGM requesting that the company commission a third-party report to analyse the feasibility of promptly transferring its intellectual property and know-how to facilitate the production of its Covid-19 vaccine in low and middle-income countries. Prominent proxy advisors recommended supporting the proposal. Baillie Gifford held nearly 10 per cent of voting shares at the time, meaning our decision would be important for the result.

We first discussed the resolution with its proponent, Oxfam, to ensure we fully understood the charity's concerns and to help guide our further engagement with Moderna management. We then met with the chair of Moderna's board in Edinburgh and engaged with the firm's senior management to thoroughly explore the nuances of the situation before coming to our decision. We gained sufficient comfort that Moderna's leadership had deeply explored the feasibility of safely licensing its technology and to whom, in consultation with stakeholders, including the World Health Organization. We trusted management's view that further technology transfer to companies in low- and middle-income countries is not the best use of its limited resources in the immediate future. However, the firm will continue to consider this where appropriate. Furthermore, the main bottlenecks to ending the pandemic are no longer in vaccine supply but in last mile distribution.

We also trusted management's decision to take a cautious approach to enabling the proliferation of the mRNA platform around the world due to legitimate safety concerns. Moreover, we felt that the steps Moderna had announced to expand access to mRNA technologies in the future and ensure the world is better prepared for future pandemics are commendable. These include a commitment to never enforce its Spikevax patents in 92 low- and middle-income countries, to establish a manufacturing capability in Kenya, and to open up its platform to scientists through its mRNA Access programme.

We consider each portfolio company's unique characteristics and circumstances when determining which issues to prioritise in our engagements and voting. We care deeply about equitable access to vaccines. While we could have voted in favour of this proposal, our research and engagement ultimately led us to oppose it. We did not come to this decision lightly. But we felt that the company should instead focus its efforts on its commitments described above, as well as its extensive product pipeline, to ensure it realises the enormous potential of the mRNA platform over the long term.



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 and not just the next few quarters or even years. Addressing stewardship with investee companies results in a dialogue that will assist the investee companies' adaptability to changing markets. There is no doubt, after 30 plus years' experience, that 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.

Novo Nordisk Case Study

In a dedicated ESG meeting with Novo Nordisk, C Worldwide received further details on the company's ESG developments, which they are also keen to highlight on quarterly briefings and investor days. Novo Nordisk is one of the more advanced companies integrating ESG throughout its business areas. In all Danish modesty, they started the meeting by saying they were in a good place but still had room for improvement. Novo Nordisk's focus is to increase transparency and reporting of ESG matters and address that solid growth also brings increased use of plastic and water, which are used to produce insulin and obesity drugs.

Additionally, C Worldwide discussed the recent use of its obesity drug, Wegovy, which has been seen used by influencers and models to prep for public events and promote the incorrect and unapproved use of the products on social media like TikTok. Novo Nordisk can only control its products and suppliers but is trying to combat the off-label use of products by taking back the dialogue stating that drugs are for chronic diseases and not a slimming agent to look fit. Important to note is, despite the media coverage of off-label use of products, most patients are still severely obese. Finally, the firm discussed Novo Nordisk's focus on recycling and educating consumers/patients to sort waste properly. Specifically, insulin pens can be recycled, and materials such as plastic can be reused. Ongoing work across the industry is currently taking place to find optimal solutions for producing and recycling product components.

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 represents 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 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 as potential investment candidates.
- **Integrated**: The research team assesses 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 among others. 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 a business's long-term sustainability, 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 of how they approach ESG issues. The firm expects management teams to assess the materiality of ESG factors and to target, disclose, monitor, and provide progress reports accordingly.

Johnson & Johnson Case Study

During October, Walter Scott met with senior representatives of Johnson & Johnson (J&J) to discuss several governance issues. One of these concerned the poor support the company's non-binding, say-on-pay proposal received at its 2021 AGM. Following from this, J&J engaged with shareholders to better understand their concerns, one of which was the exclusion of compliance and litigation costs from executive remuneration targets. In response, J&J's compensation committee revisited the compensation paid in 2020 and declared itself satisfied that the original decision was appropriate.

After providing details around the rationale for the decision in advance of its 2022 AGM, the company received widespread support on executive pay from both proxy advisory firms and shareholders. While this represented positive progress, another proposal at the same AGM, requesting that the company cease excluding compliance and litigation costs from compensation performance measurement, received a surprisingly large 46% backing from shareholders and was supported by ISS, the proxy advisory firm.

While Walter Scott voted against this item (having considered and been in broad agreement with J&J's arguments for continuing use of discretion on exclusion), we suggested to management that the vote was an example of the power wielded by proxy advisory firms and highlighted the importance of forging good working relationships with them.

Brookfield Asset Management (Infrastructure)

Responsible Investment Philosophy

Brookfield's business philosophy is based on its conviction that acting responsibly toward its stakeholders is foundational to operating a productive, profitable and sustainable business, and that value creation and sustainable development are complementary goals.

Brookfield defines material ESG considerations as those that have the potential to have a direct, substantial impact on an organization's ability to create, preserve or mitigate erosion of economic value, environmental or social value for itself and its stakeholders. The elements on which we focus may differ across certain industries, activities, geographic locations and types of business (i.e., control, joint control, minority, public equity or debt). Its approach to ESG incorporates leading ESG frameworks and standards, including Sustainability Accounting Standards Board ("SASB") standards and the Taskforce for Climate-related Financial Disclosures ("TCFD").

Integration in the Investment Process

Brookfield embeds material ESG considerations and evaluate risks and value creation opportunities throughout its investment process. The firm actively looks to advance ESG initiatives and improve ESG performance in driving long-term value creation throughout the lifecycle of our investments. Its investment processes align with the PRI's six Principles.

Arteris Case Study

Brookfield invested in Arteris in 2012, a diversified portfolio of seven Brazilian toll roads with 3,200 km in operation. Throughout its operating history, Arteris has planted more than 2 million native seedlings, or the equivalent to 1,200 hectares of reforested areas.

Beginning in 2016, Arteris began work on the Restinga Viva (or Living Coast Forests) Project, a habitat restoration project covering 166 hectares where Arteris operates, to replant native species while removing harmful invasive species. The project focuses on conservation, the recovery of degraded environments and increasing biodiversity and education. Partnering on this project reflects Brookfield's focus on striving to protect biodiversity throughout the lifecycle of its investments.

Macquarie Asset Management (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 Macquarie's 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.

Macquarie is proud to commit to managing their investments in line with global net-zero emissions by 2040, ten years ahead of the deadline to achieve the goals of the Paris Agreement. Macquarie looks forward to reporting their progress against this commitment as they continue to support their portfolio businesses to develop and implement 2040 net-zero emissions targets and business plans.

Integration in the Investment Process

To ensure the consistency and adequacy of these assessments they have comprehensive due diligence scope checklists and external expert advisers are engaged 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

Engagement Case Study

Issue: Macquarie's Climate Solutions strategy focuses on investing in two "buckets" of companies: High-emitting companies actively working toward reducing, displacing, and/or sequestering their GHG emissions ("Reducers") and companies who are helping others to reduce emissions through development of products and services ("Facilitators"). In late 2022, we became concerned that one of the companies that we had identified as a facilitator was not advancing their efforts to further direct capital towards solutions to reduce carbon emissions.

Actions: Macquarie arranged a meeting with the company's Chief Financial Officer and Investor Relations and Sustainability staff to gauge the company's commitment towards developing products that will help drive reduction in GHG emissions.

Outcome: We discussed the main areas of the company's business and their impacts on emissions savings. Although the company does offer products, such as towers for wind turbines, that ultimately assist in the reduction of GHG emissions, we reached the conclusion that the company was not investing capital to substantially grow the business nor looking to develop new products and services to promote GHG emissions reduction. As a result, we exited from the position in early 2023.

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 have 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 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.

Net-Zero Ready Development Case Study

Project Overview:

Redevelopment project that involved the demolition and replacement of three 1960's industrial buildings with two new warehouse buildings.

Net-Zero Ready:

- 'Net-zero ready' designed building, meaning it has enhanced aspects that are able to easily transition to achieve net zero in the future
- Targeting LEED Certified
- Designed to host future solar panels
- Stormwater will be reused on site and for irrigation
- Around 94% of the demolition waste was recycled and diverted from landfill

Appendix 1: Carbon Intensity 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 C02e. 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 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 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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