University of Victoria

RESPONSIBLE INVESTMENT REPORT 2023–2024

UNIVERSITY OF VICTORIA FOUNDATION

MARCH 31, 2024

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MESSAGE FROM THE CHAIR

I am pleased to share with you the University of Victoria Foundation's Responsible Investment Report for the year 2023-24. This report provides a detailed account of our ongoing efforts and progress in fulfilling our responsible investment commitments and their impact on our endowment portfolio. We remain deeply committed to integrating environmental, social, and governance (ESG) factors, including addressing the profound challenges posed by climate change, into our investment strategies.

As custodians of endowments designed to support the university in perpetuity, the Foundation Board places a strong emphasis on Responsible Investing as a fundamental component of our long-term financial objectives. We recognize that our decisions today will shape the world for future generations, and we reaffirm our commitment to responsible stewardship.

This past year has seen us make further achievements in reducing the carbon intensity of our investment portfolio. I am proud to report that we have achieved a 14.0% reduction in carbon intensity compared to last year, and an outstanding 72.3% reduction since our baseline year of 2020.

Beyond our efforts to reduce carbon emissions, we successfully completed the first of two $22.5 million investments in the University of Victoria's recently completed student housing and dining facilities, Čeqʷəŋín ʔéʔləŋ (Cheko'nien House) and Sŋéqə ʔéʔləŋ (Sngequ House). These buildings adhere to LEED V4 standards, a globally recognized, third-party rating system that emphasizes energy efficiency and environmental principles, blending well-established practices with innovative concepts. These facilities also incorporate Passive House design principles, which are focused on reducing energy consumption, greenhouse gas (GHG) emissions, and long-term maintenance costs through a superior building envelope. These initiatives are expected to significantly lower GHG emissions, campus electrical intensity, and gas consumption, while fostering a culture of energy conservation on campus.

Our partnership with the University Network for Investor Engagement (UNIE) has also expanded, now including 17 like-minded Canadian post-secondary institutions. This collaboration has proven instrumental in advancing meaningful dialogues with companies on climate-related matters. The outcomes of this engagement are shared in more detail later in the report, highlighting the important dialogue post-secondary institutions are having with companies we own.

On behalf of the University of Victoria Foundation, I extend our deepest gratitude to all who support our responsible investment initiatives. Your dedication to sustainability and responsible investing empowers us to continue driving positive change within the financial landscape. We value your feedback, which plays a crucial role in helping us refine our strategies and enhance our approach to responsible investing.

Mary Garden
Chair, University of Victoria Foundation

OUR **RESPONSIBLE** INVESTMENT APPROACH

OUR RESPONSIBLE INVESTMENT APPROACH

We, the Board Members of the University of Victoria Foundation (Foundation Board), are committed to the integration of environmental, social, and governance (ESG) factors into our 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). Our goal is to be a leader in ESG, including responding to climate change.

As long-term investors, we believe 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 the Foundation's investments, we updated our investment beliefs in 2020 to recognize climate change as a key issue of our time and adopted a Responsible Investment Policy in November 2021 and adopted a Responsible Investment Policy in November 2021.

Responsible Investment Policy

As a signatory to the Principles for Responsible Investment (PRI), we view the PRI Principles as a key responsible investment framework and, where consistent with our 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 Responsible Investment Policy also outlines tools we will use to achieve our goals, including aligning the disclosure practices of our investment managers with recommendations by the IFRS Foundation (formerly the Task Force on Climate-Related Financial Disclosures), exercising active ownership and setting carbon intensity reduction targets.

We recognize that responsible investing, including climate change initiatives and carbon emission disclosures, is a rapidly evolving area. We have committed to updating our plans to ensure material responsible investment risk and opportunity considerations, including climate change, are integrated into the investment process across all asset classes.

Our plans include:

1. Monitoring our investment managers' responsible investment practices on an ongoing basis,
2. Committing to collective engagement through the PRI and the University Network for Investor Engagement,
3. Reducing the carbon intensity of our portfolio by 45% by 2030, and
4. Investing in impact 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

2023

- Completed the first of two investments of $22.5 million each to University of Victoria's new student housing and dining facility

OUR **IMPACT** PORTFOLIO

OUR IMPACT PORTFOLIO

What is Impact Investing?

The PRI defines impact investing as investing with the intention to generate a positive, measurable social and/or environmental impact alongside a financial return.

Impact Measurement

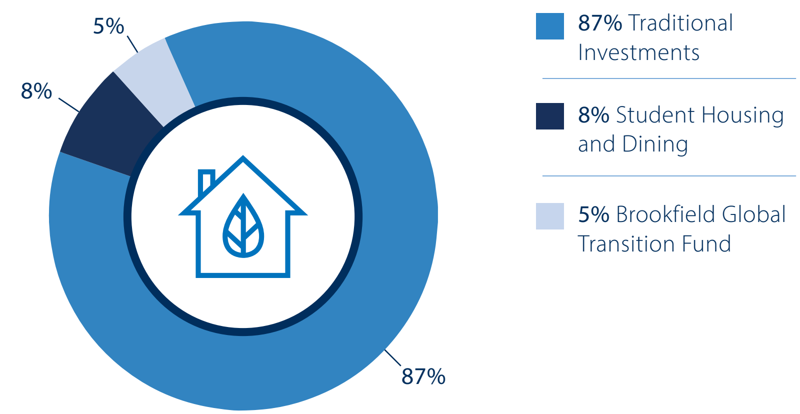
The UN Sustainable Development Goals (SDGs) are a collection of 17 goals set by the UN General Assembly in 2015 to achieve a better and more sustainable future for all. We are committed to considering impact investments in all asset classes that align with the investment strategies outlined in the University of Victoria Foundation's Statement of Investment Objectives & Guidelines (SIOG) and the Responsible Investment Policy.

We will use IRIS+ metrics developed by the Global Impact Investing Network to report impact investment results.

Impact Results

As at March 31, 2024, we have committed to invest 13% of our portfolio in impact investments as outlined in the figure below.

Foundation Impact Investments and Commitments*



** Foundation Impact Commitments, as at March 31, 2024. 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.

University of Victoria
Student Housing and Dining Project

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Main Impact Area: Promoting Sustainable Futures
Investment Year: 2023
Geographic Location of Impact: Victoria, BC

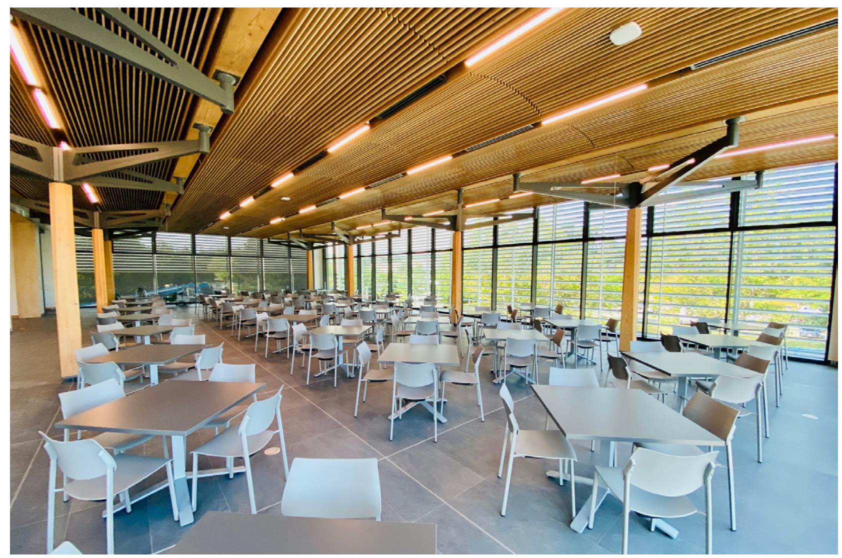
In 2018, we committed to provide financing to a new Student Housing and Dining Project at the University of Victoria. The Project encompasses two new buildings on campus and is the largest capital project (over 32,000 m^2 of gross floor area) in the university's history. The new buildings provide 783 total student spaces, with 398 beds for students at Čeqʷəŋín ʔéʔləŋ (Cheko'nien House) and 385 student beds at Sŋéqə ʔéʔləŋ (Sngequ House). In addition to student housing, Čeqʷəŋín ʔéʔləŋ (Cheko'nien House) features the Cove dining hall that is open to the entire campus community and Sŋéqə ʔéʔləŋ (Sngequ House) provides two 225-seat classrooms, confer-ence and catering facilities, and an Indigenous student lounge.

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 demonstrates our commitment to sustainability and supports the carbon reduction goals of the university. Čeqʷəŋín ʔéʔləŋ (Cheko'nien House) was completed in 2022 and Sŋéqə ʔéʔləŋ (Sngequ House) was completed in 2023.

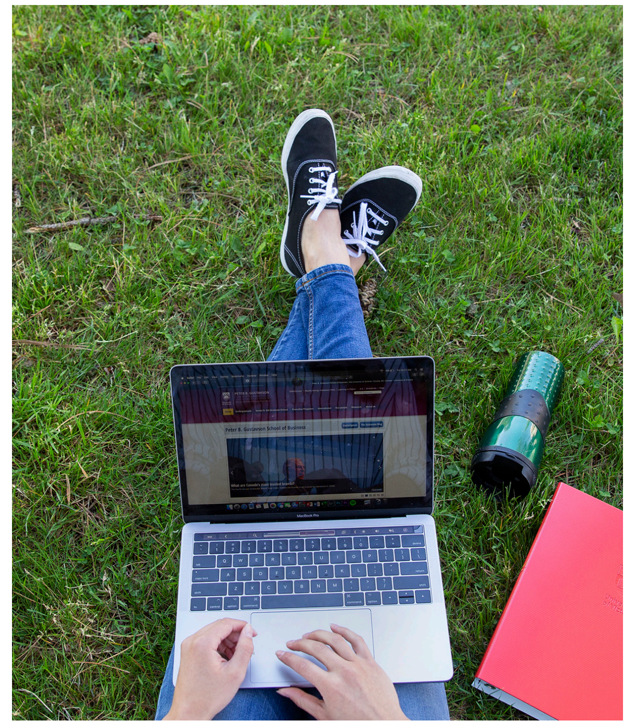


Brookfield Global Transition Fund (BGTF)

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

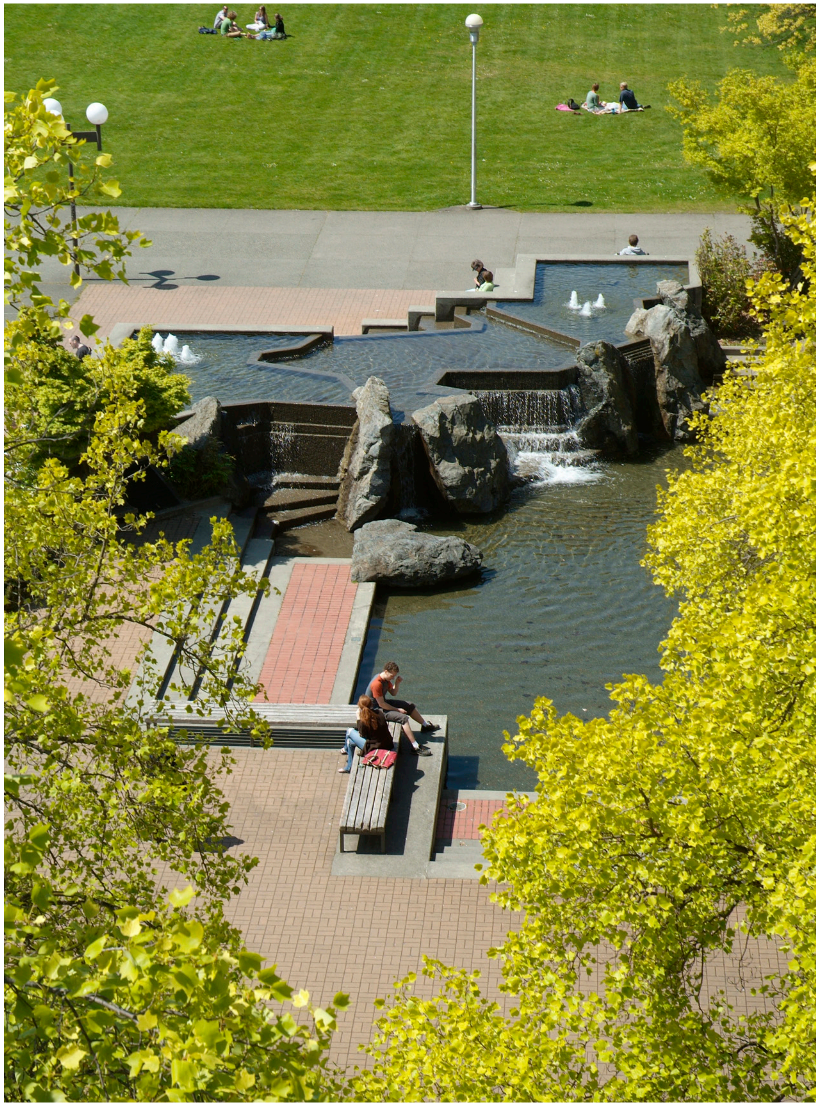
OUR DECARBONISATION PROGRESS

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



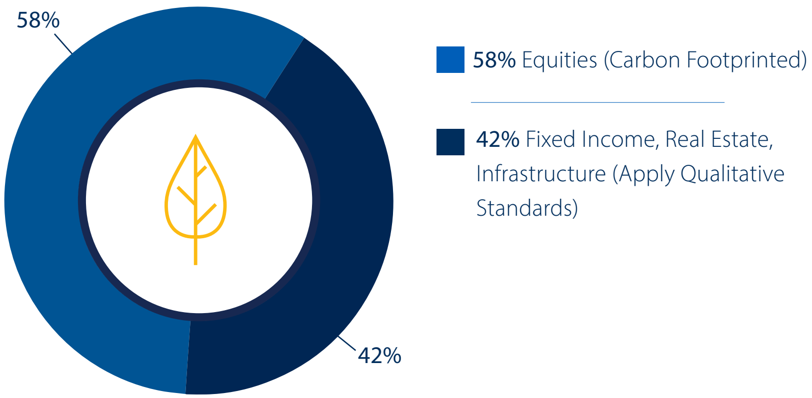
Decarbonisation Goal

Our decarbonisation goal to reduce the carbon intensity of the Foundation's investments 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. 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 limit our ability to measure historic emissions and to include scope 3 emissions. 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, we are measuring the carbon intensity of our public equities representing 58% of the Foundation's investment portfolio as follows:

Carbon Footprint Approach



Foundation Carbon Footprint Approach, as at March 31, 2024

Recognizing the current portfolio carbon intensity is calculated on 58% 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 the Oxford Martin Principles for Climate-Conscious Investment, assuming risk-adjusted returns are not compromised and recognizing restrictions within our SIOG and Responsible Investment Policy, we will prioritize making investments that:

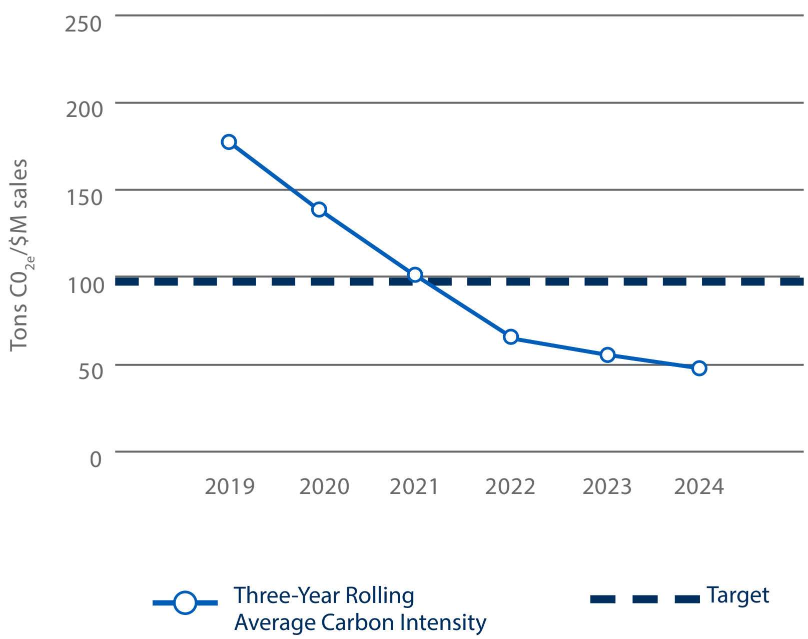
- Have a commitment to net-zero emissions,
- Have a profitable net-zero business model, and
- Have quantitative medium-term carbon reduction targets.

Portfolio Carbon Intensity

As outlined in the figure below, in 2023-24 we reduced our three-year rolling average carbon intensity by 14.0% year-over-year and by 72.3% since 2019-20.

The reduction in portfolio carbon intensity has been primarily driven by our selection of investment 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, 2024

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 2017-2024 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
2024	46 Tons CO_{2e}/$M sales	49 Tons CO_{2e}/$M sales

Normalized Carbon Intensity Data from 2017 to 2024
(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. We have delegated voting rights acquired through listed equity investments to our investment managers, who 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. We encourage 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 our 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

In addition to being a member of PRI, we are a member of the University Network for Investor Engagement (UNIE), through the Shareholder Association for Research and Education (SHARE). Alongside 16 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 themes:

- 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.

In addition to engaging with individual companies, our collaboration with the UNIE network and SHARE's larger network of engagement clients involves engaging with investment managers on various responsible investment issues, especially climate goals. We are committed to continuing these engagements and using our power as an institutional investor to advocate for climate-resilient decision-making.

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

Engagement Case Study: RBC Global Asset Management

We joined a group of asset owners, convened by SHARE, in corresponding with representatives from RBC Global Asset Management ("RBC GAM") to discuss how the investment manager is taking action on climate risks and opportunities, human rights, and racial equity in its investment stewardship activities. PH&N Institutional, the Canadian institutional business of RBC GAM, is our fixed income investment manager.

The discussions with RBC GAM were mainly related to gaining further insight on:

- The firm's existing net zero ambition and its active stewardship program.
- The integration of ESG concerns into its investment decisions and practice active ownership at both an individual asset level and a systemic or portfolio level.
- Its commitments, policies, and practices that prioritize ambitious action to accelerate the transition to a net-zero economy by 2050.
- The firm's intention of addressing Indigenous rights, interests, and racial equity issues in its policies, practices, and investment stewardship activities.
- The promotion of responsible business conduct, including decent work and respect for fundamental labour rights, in their investment stewardship activities.
- Reporting meaningfully on its responsible investment activities.

The discussions were positive with RBC GAM acknowledging that there was "more to come" in future annual Responsible Investment Reports and Climate Reports on all the above issues. We will continue to engage directly as well as look to collaborate with other institutional investors on the responsible investment activities of all our investment managers

INVESTMENT MANAGER
RESPONSIBLE INVESTMENT INTEGRATION

INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION

Phillips, Hager & North (Fixed Income and Equity)

Responsible Investment Philosophy

Phillips, Hager & North (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 responsible investment 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, 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.

Case Study – Canadian Energy Company

The PH&N Fixed Income team formally reached out to a Canadian energy company to discuss its positioning for the energy transition and capital allocation to renewable energy. As part of this engagement, the team expressed support for a recent strategic asset realignment.

The team also encouraged the company to consider further diversifying its operations through a greater capital allocation to clean energy infrastructure. On the back of this, the team spoke directly with management to provide more details on the rationale behind some of its suggestions. The team felt this was a productive discussion as it allowed for the company to directly address the team's concerns and provide a long-term view on the issuer's strategy to address transition-related risks.

Management reported that the team's feedback would be included as part of their board meeting. The team will continue its engagement efforts with the company and will monitor its progress over time.

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 Baillie Gifford's 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.

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.

Case Study – Illumina

Illumina is a U.S. biotechnology company specializing in gene sequencing equipment and consumables. Baillie Gifford started to develop concerns in recent years about leadership and decision-making at Illumina. In particular, it was concerned about two strategic decisions taken at the time by the CEO, Francis deSouza: firstly, to repurchase GRAIL, a company that develops non-invasive liquid biopsy tests that screen for multiple types of early-stage cancer, that had been initially spun out of Illumina in 2016. Baillie Gifford questioned this decision with Mr. deSouza in 2020 when this acquisition was announced and again in 2022, prior to the close of the deal before full regulatory approval.

Baillie Gifford's reviews of Illumina and other companies in the genome sequencing market led it to become increasingly concerned about the rising competition facing Illumina. Despite being the global leader in its field, growth in Illumina's core genome sequencing business appeared to have decelerated in recent years, in part due to a lack of internal innovation and because of poor strategic decisions. Given its concerns about the possible consequences for its long-term investment thesis, Baillie Gifford reduced the portfolio's holding in Illumina in late 2022.

Activist investor Carl Icahn then took a stake in the company in February 2023, proposing three nominees to the board and the rapid resolution of the GRAIL acquisition. Illumina reached out to Baillie Gifford to discuss the matter, and after conducting its own research, Baillie Gifford agreed to support management on that occasion, albeit using the occasion to discuss its various concerns about the company. In May 2023, Baillie Gifford met with various directors and executives, including the Chair of the Audit Committee, the Chair of the Nomination and Corporate Governance Committees, and the CEO and CFO. The discussion was broad, but Baillie Gifford again raised its key concerns around leadership and growth.

Not long after, the CEO and Chair stepped down and new directors joined the Board. With signs of intensifying competitive pressures and ongoing regulatory challenges relating to the GRAIL acquisition, Baillie Gifford further reduced the portfolio's holding in October 2023. It then engaged with various directors and executives, including the new Chair, the Co-Chair of the Nomination and Corporate Governance Committees and the Co-Chair of the Compensation Committee. The purpose of this engagement was to discuss the recent appointments, changes to executive compensation, and the latest regulatory deliberations concerning GRAIL.

In summary, Baillie Gifford engaged with the company over multiple years with the expectation that the core business, which remains important to the gene sequencing revolution, would prove its strength and that the situation with the poorly executed acquisition of GRAIL would ameliorate. While the subsequent change of management and Board shake-up were belated recognition of a poorly run business, Baillie Gifford remained concerned about the erosion of Illumina's competitive position in the sequencing market. It therefore decided to sell the holding from the portfolio in late 2023.

C WorldWide (Global Equity)

Responsible Investment Philosophy

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 its fundamental analysis process as it evaluates what is material to all stakeholders of the investee company over the long-term and not just the next few quarters or even years. C WorldWide believes that addressing stewardship with investee companies results in a dialogue that will assist the investee companies' adaptability to changing markets.

Integration in the Investment Process

C WorldWide believes that a strong ESG company profile starts with the G (i.e., governance). Its view is that good corporate governance is typically anchored with good company managements. The firm believes that 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.

C WorldWide feels that 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. C WorldWide believes that this mitigation of risk is a key contributing factor when ESG considerations are taken into account.

C WorldWide thinks that its 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.

Case Study – Amazon.com, Inc.

Amazon.com, Inc. (Amazon) is an American multinational technology company, engaged in e-commerce, cloud computing, online advertising, digital streaming, and artificial intelligence. In recent years, the company has faced significant scrutiny over recurring health and safety issues and workers' rights. These challenges have prompted extensive engagements to drive improvements across its global operations. Those issues included frequent health and safety incidents, including fatalities and serious injuries, reportedly surpassing the average for the US retail industry.

Despite limited initial engagement, C WorldWide believed that Amazon has taken substantial steps to address these issues. The company established a Safety Leadership Index in 2018 to measure employee perceptions of safety and, between 2019 and 2022, invested $1 billion in safety projects and initiatives (unrelated to COVID-19) across Amazon, and in 2023 alone, committed $550 million to safety efforts.

Amazon has also faced significant controversy over its labour practices, particularly regarding unionization efforts with workers seeking to address concerns about working conditions and fair treatment. The company has been involved in ongoing discussions about the role of unions and employee representation, highlighting the broader debate about workers' rights and corporate practices. During the last engagement call with Amazon's Head of ESG, C Worldwide addressed the issue of unionization. Amazon responded by emphasizing its commitment to caring for its employees and being responsive to their concerns. Amazon clarified that it does not actively promote or discourage union membership and have implemented manager training to ensure proper communication and understanding of employee rights. Amazon also highlighted the presence of a human rights due diligence team to uphold its practices and commitments in this regard.

Overall, C WorldWide believes that Amazon has demonstrated a commitment to improving corporate ethical behaviour and has made notable progress in addressing health and safety and workers' rights issues through substantial investments and strategic initiatives. Moving forward, C WorldWide believes that continuous engagement will focus on enhancing these efforts and ensuring long-term improvements through comprehensive strategies and effective implementation.

Walter Scott (Global Equity)

Responsible Investment Philosophy

Walter Scott understands that 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 belief, Walter Scott integrates its assessment of these factors into the firm's investment process.

Integration in the Investment Process

Responsible: Walter Scott is entrusted to invest on behalf of its clients over a long-term investment horizon. As such, it believes it has a duty to understand each company in which it invests, including its approach to ESG matters. Walter 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 its engagement discussions with company management. Given the importance of these factors in determining a business's long-term sustainability, it does not delegate ESG analysis to a separate team. Walter Scott believes 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 believes it has built excellent relationships with corporate management teams. The firm's direct engagement with companies allows better assessment and understanding of how it approaches ESG issues. The firm expects management teams to assess the materiality of ESG factors and to target, disclose, monitor, and provide progress reports accordingly.

Case Study – Paychex

Paychex is a U.S. based provider of integrated human capital management solutions for payroll, benefits, human resources, and insurance services. In November 2023, Walter Scott initiated an engagement for change with Paychex to encourage greater independence at both the board and committee level.

Encouragingly, Paychex has taken some steps to address the issue of independence: an ongoing board refresh programme recently led to the appointment of three new non-executive directors, and they are focusing on equivalent skills between new appointments and existing members to facilitate board rotation. However, Walter Scott feels the company can do more to expedite this shift. In respect of overall board independence, Paychex sits below Walter Scott's expectation of majority independence due to the number of long-tenured directors (i.e., it presumes directors are not independent if they have served on the board for ten or more years). While it welcomes the recent addition of an independent non-executive board member, it would like to see further steps taken to refresh membership – with a particular focus on long-tenured independent non-executive directors - while retaining an appropriate balance of experience and skills.

Regarding the chair of the board, Walter Scott understands the reasons why Martin Mucci, who recently stepped down as CEO, currently holds that role. However, in such circumstances where there is not an independent chair, it is Walter Scott's strong preference for a lead independent director to provide independent challenge and oversight. Ideally, this individual should be a shorter-tenured independent non-executive director than is currently the case.

Under Walter Scott's definition of "long tenured," the Paychex compensation and leadership committee also falls below its threshold of a minimum level of 50% independence together with an independent chair. Walter Scott outlined to Paychex that it would like to see the membership of that committee evolve over time to increase the level of independence, preferably to 100%, including a shorter-tenured independent non-executive director in the role of chair. Similarly, Walter Scott prefers 100% independence on the audit committee and expect that committee to be chaired by an independent director. This is not currently the case at Paychex.

While the changes proposed appear significant, Walter Scott feels they could be addressed with relatively small changes to the current structure of the board, by adding more independent directors or replacing a small number of existing long-tenured independent non-executive directors, and Walter Scott expects this engagement for change with Paychex to be ongoing.

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, environmental, or social value for itself and its stakeholders. The elements on which it focuses may differ across certain industries, activities, geographic locations, and types of business (i.e., control, joint control, minority, public equity, or debt).

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 its investments.

Case Study – Data4

As part of its decarbonization journey, Brookfield Infrastructure's European Data Centers business, Data4, continually looks for innovative technical solutions to reduce emissions. In 2023, Data4 successfully implemented several emissions reductions initiatives, including utilizing:

- Concrete developed through low carbon methods, from 2023 onwards, which has 40% lower emissions than conventional concrete for new data center builds;
- Low carbon, hydrotreated vegetable oil for generators, from 2023 onwards, which has 70% lower emissions than conventional fuel oil;
- Refrigerant fluids with a low global warming potential for chillers and progressively replacing old fluids that have high global warming potentials; and
- Artificial intelligence to reduce refrigerant leaks by 25% between 2022 and 2023.

Macquarie Asset Management (Infrastructure)

Responsible Investment Philosophy

Macquarie Asset Management (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 its 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 its progress against this commitment as it continues to support its 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 Macquarie has 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, Macquarie became concerned that one of the companies that it 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: Macquarie 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, Macquarie 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, Macquarie 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 its clients, tenants, and the communities that it serves. 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 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 seeks to build a portfolio of the future that recognizes its 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 its 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 its 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 its clients and stakeholder partners.

CRREM Case Study

BGO recently piloted the CRREM tool to evaluate transition risk and stranding risk for the Prime Canadian fund. Carbon Risk Real Estate Monitor (CRREM) is a leading global initiative for establishing targets for operational carbon emissions for standing real estate investments consistent with the Paris agreement. BGO is a sponsor and participant in the CRREM North American Initiative to create more granular decarbonization pathways for CRE in Canada and the US. CRREM considers country-specific decarbonization pathways, including associated government policy.

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] that was formed in 2020 to provide guidance and help support the carbon reduction goals. This group was convened to provide information, expertise, and advice to help with the devel¬opment of carbon tracking methodology, development of appropriate reporting to the Board and campus community and suggest investment opportunities that move the University of Victoria 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. For holdings that we are not able to carbon footprint at this time, we are 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, we are currently measuring and reporting out on scope 1 and scope 2 emissions in our public equity 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 public equity 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 data coverage to 100%. Calculations in this report were completed by the University of Victoria using carbon emissions data from Refinitiv Eikon.

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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