University of Victoria

RESPONSIBLE INVESTMENT REPORT 2020–2021

UNIVERSITY OF VICTORIA

MARCH 31, 2021

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MESSAGE FROM THE ACTING VPFO

I am very pleased to present the University of Victoria's first Responsible Investment Report for our Working Capital Investments. This report, which provide a summary of the responsible investment activities of the University's Working Capital Investments (the fund), is one of the commitments the University made when our Responsible Investment and Working Capital Investment policies were updated in 2020.

UVic's campus community has demonstrated through actions and commitments a long-standing passion for the environment and to respond to the climate crisis through its operations, research, and educational activities. Our operations include the investment of our assets and we therefore have a responsibility to manage our investments in ways that acknowledges and responds to climate risks and opportunities.

Over the past several years the university has engaged with students, staff, faculty and other stakeholders on responsible investing. Community feedback was robust and reflected our collective desire to be a global leader in environmental and societal sustainability.

As part of our commitment to responsible investing we are among 15 Canadian universities that signed a charter that commits the university to address the global crisis of climate change through pledging to follow responsible investment practices. The important work undertaken this year has highlighted that responsible investing is a journey and while we have made good progress since the adoption on the revised policies, we are still in the early stages of our journey.

The advances made this year were only possible due to the hard work, support and expert advice we received from our passionate colleagues on the Impact and Decarbonisation working groups for which we are tremendously grateful. I would also like to thank all the members of University of Victoria community who are supporting us through this journey. I look forward to future reports in the coming years as we continue to make progress on this key institutional work.

Kristi Simpson
Acting Vice-President Finance & Operations

OUR **RESPONSIBLE** INVESTMENT APPROACH

OUR RESPONSIBLE INVESTMENT APPROACH

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

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

Responsible Investment Policy

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

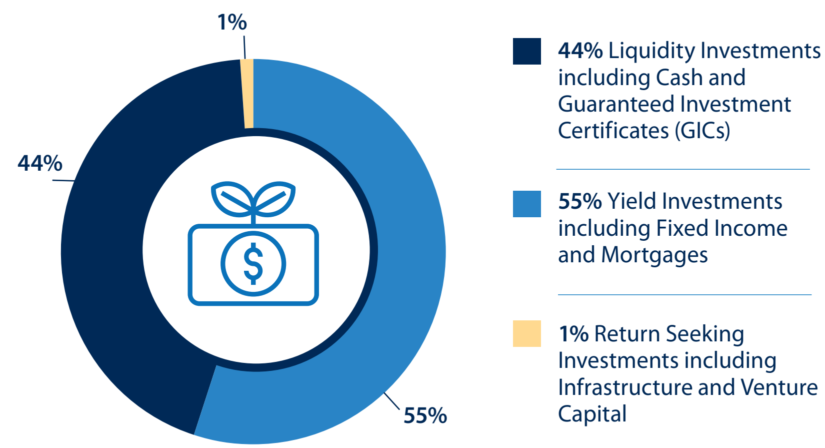
The policy also outlines tools we will use to achieve our goals, including becoming a signatory to the Principles of Responsible Investment (PRI), aligning the disclosure practices of our investment managers with recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), exercising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

Working Capital Investment Policy

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

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

Working Capital Pool Investments – $331.5 million



Working Capital Investment Pool by Asset Category, as at March 31, 2021

Following the adoption of the new policies, significant investment changes have been made to realize the above noted goals.

Working Capital Responsible Investment Milestones

JANUARY 2020

- Adopted new Responsible Investment Policy
  - Address the physical and transitional risks and opportunities of climate change
  - Use positive and negative screening to reduce the carbon intensity of investments by at least 45% by 2030
  - Become an UNPRI Signatory
  - Aligning the disclosure practices of our investment managers with the TCFD recommendations

JUNE 2020

- Adopted new Working Capital Investment Policy
  - Committed to investing at least 25% of the Working Capital Investments in thematic impact investments
- Adopted climate charter to address climate change with 15 universities

DECEMBER 2020

- Announced $500,000 impact investment in Raven Indigenous Capital Partners Fund I
- Funded the Vancouver Island Impact Investing Hub (VI3Hub)

JANUARY 2021

- Committed to collective engagement on climate issues through the University Network for Investor Engagement (UNIE)
- Committed $10 million impact investment in BlackRock's Global Renewable Power Fund III

FEBRUARY 2021

- Transitioned from PH&N's Short Term Bond & Mortgage Fund to RBC's low carbon Vision Fossil Fuel Free Short Term Bond Fund

MID 2021+

- Working Capital Investments Reporting
  - 2020 Holdings Report
  - 2020 UNPRI Report
  - 2020 Responsible Investment Report with progress updates on decarbonisation and impact investment targets

Working Capital Responsible Investment Milestones

December 2020

- **Impact investment supporting Indigenous economic development:** The university's first venture capital investment, a $500,000 commitment, was made in Raven Indigenous Capital Partners Fund I (RICP I). Raven is an Indigenous-led and owned financial intermediary that invests in Indigenous enterprises as catalysts for social change and prosperity.
- **Responsible investment:** In order to measure and report how RI is implemented on the working capital investments, the University of Victoria joined the University of Victoria Foundation as a signatory to the Principles for Responsible Investment (PRI). PRI is the leading global initiative for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision-making and ownership practices.
- **Funding to support impact investment research:** Funding was provided to the Vancouver Island Impact Investment Hub (VI3Hub) to accelerate private investments into climate solutions and climate-focused innovation on Vancouver Island.

January 2021

- **Impact investment promoting sustainable futures:** A $10 million commitment was made in BlackRock's Global Renewable Power III Fund (GRP III) as an impact investment that will support renewable power projects across the globe.
- **Engagement:** In order to further our goal using our investments to address the physical and transitional risks of climate change, the university committed to collective engagement on climate issues through the University Network for Investment Engagement (UNIE). The work includes engaging companies to reduce emissions in line with Paris commitments and incorporate climate risk in business strategy and board oversight.

February 2021

- **Decarbonisation:** In order to decrease the carbon intensity of the working capital pool and support the transition to a low carbon economy, we transitioned $80 million in fixed income investments to a fund with a lower carbon intensity (Fossil Fuel Free Short Term Bond Fund). Largely driven by this transition, the university reduced the carbon intensity on the working capital pool by 32.6%.

Details about each of these changes are outlined in further detail below on the goals related to impact investment, decarbonisation and responsible investment.

> "We are acting on our commitment to address climate change in every domain at UVic including through our investments. The opportunity to invest in renewable power is clear and it aligns with UVic's responsible investment strategy allowing for support of future technologies while also ensuring a strong financial return. Investing in the fossil fuel free fund allows us to lower the carbon footprint of our investments which helps to mitigate the investment risk associated with climate change as society transitions to a greener economy that is focused on reducing greenhouse gas emissions."
>
> —Andrew Coward, UVic Treasurer

OUR **IMPACT** PORTFOLIO

OUR IMPACT PORTFOLIO

What is impact investing?

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

Impact Measurement

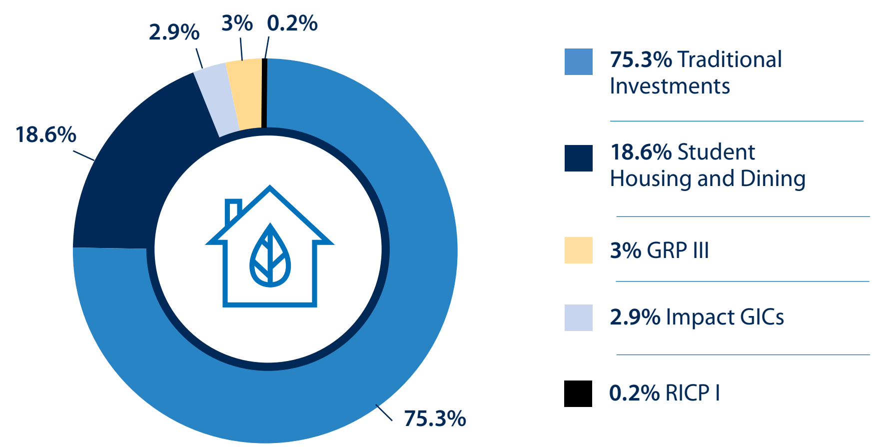
The UN Sustainable Development Goals (SDGs) are a collection of 17 goals set by the UN General Assembly in 2015 to achieve a better and more sustainable future for all. The university aligns its two impact investment themes guided by our Strategic Framework, promoting sustainable futures and supporting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

Over the last year, an Impact Investment Working Group of experts on campus provided advice and guidance on the methodology to be used to measure and evaluate the impact achieved by our investments. It was agreed that the IRIS+ metrics developed by GIIN would be used and we would report the metrics aligned to the UN SDGs.

Impact Results

To date, Working Capital Investments has committed to invest 24.7% of its portfolio in impact investments as outlined in the figure below. The 25% thematic impact investment target set in our Working Capital Investment Policy is intended as a minimum threshold and the university will continue to seek impact opportunities beyond our commitment.

Working Capital Pool - Impact Investments and Commitments*



Working Capital Impact Investments and Commitments, as at March 31, 2021. Commitments are funded over time as funds are called and then will be reported as investments.

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

Impact GICs

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

Myers Organic Farms Case Study

Myers Organic Farms is a family-run certified organic produce farm in the heart of the Fraser Valley in British Columbia. When Bob and Marlene Myers started their organic farm 25 years ago, in 1995 with just two acres, they never imagined that it would blossom to a successful, full-time operation.

Today, their 120-acre agriculture farm offers over 30 varieties of vegetables, blueberries, and employs over 25 families, along with their own children, Brock and Nicole, and granddaughter Mila. Bob and Marlene's philosophy is simple: Give the consumer, healthy, fresh, quality organic produce while preserving the soil for future generations.

Myers Organic Farms supplies wholesale and retail outlets across Canada and the United States with healthy, organic and sustainable produce. Their operations contribute to the Sustainable Development Goals of Zero Hunger and Responsible Consumption and Production.

BlackRock Global Renewable Power Fund III (GRP III)

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

BlackRock's GRP III focuses on investing in solar and wind renewable power generation projects globally. The fund's investments as at March 31 will generate a lifetime impact of avoiding 49,164,673 tons of CO_2 and power 21,819,312 homes with clean energy.

IMPACT OUTCOMES			
SDG	METRIC	IMPACT FROM FUND	IMPACT ATTRIBUTABLE TO UVIC
6 CLEAN WATER AND SANITATION	Water savings from renewable power generation	**164,716,437** m^3 of water reduced	**263,546**3 m^3 water reduced
7 AFFORDABLE AND CLEAN ENERGY	Homes powered with clean energy	**21,819,312** homes powered with clean energy	**34,911** homes powered with clean energy
8 DECENT WORK AND ECONOMIC GROWTH	New jobs created	**5,179** jobs created	**8** jobs created
13 CLIMATE ACTION	Greenhouse gas emissions	**49,164,673** tons of CO_2 emissions avoided	**78,663** tons of CO_2 emissions avoided

GRP III Impact Outcomes, as at March 31, 2021

Raven Indigenous Capital Partners Fund I (RICP I)

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

Raven Indigenous Capital Partners is an Indigenous-led and owned financial intermediary that invests in Indigenous enterprises as catalysts for social change and prosperity. As at March 31, 2021, RICP I has created 33 Indigenous jobs and retained 94 Indigenous employees across its portfolio companies.

For additional impact metrics please visit Raven's impact report.

IMPACT OUTCOMES			
SDG	**METRIC**	**IMPACT FROM FUND**	**IMPACT ATTRIBUTABLE TO UVIC**
8 DECENT WORK AND ECONOMIC GROWTH	New Indigenous jobs created	**33** Indigenous jobs created	**1** Indigenous job created
8 DECENT WORK AND ECONOMIC GROWTH	Indigenous jobs retained	**94** Indigenous jobs retained	**2** Indigenous jobs retained

RICP I Impact Outcomes, as at March 31, 2021

> "It is an honour for the Raven Fund to be UVic's first impact investment under its new responsible investment policy. By pairing this investment with a robust case study and ongoing student engagement, we are role modelling the way that reciprocity can show up as a key feature of real economic reconciliation."
>
> – Managing Partner Paul Lacerte, one of Raven's three founders

Student Housing and Dining Project

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

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

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

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

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

Experiential Learning: Impact Investment Research

The university Treasury department has been active in supporting the university's strategic priorities not only by aligning its own operations and investment activities to promote sustainable futures, but also by contributing to strategic framework priority # 3: Intensify dynamic leaning. In the area of thematic impact investing, the department collaborated with the Gustavson School of Business to offer experiential learning opportunities to students in both the MGB and MBA in Sustainable Innovation programs.

In January 2020, upon the release of the new Responsible Investment (RI) policy, we worked closely with Dr. Basma Majerbi to design a live case on impact investing for MGB 512-*International Finance* course. The two cohorts, which include students from UVic, Austria, Glasgow, Thailand and Peru, were asked to research and pitch impact investment funds that provide the best alignment with UVic Strategic Framework and the RI policy. The assignment resulted in an initial list of 17 investment opportunities submitted to the Treasury department for further research and due diligence. Among them, the Raven Indigenous Impact Fund, which later received the inaugural investment of the Working Capital Investment Pool as an impact investment. In January 2021, we designed a new live case in collaboration with Dr. Majerbi for the *MBA 530-Finance for Impact* class. The Treasury presented each team with a list of three investment opportunities under consideration. Students were asked to thoroughly analyze each one based on the latest innovations in the space of impact measurement and management, including the IMP five dimensions of Impact, and make recommendation in a video pitch to the Treasury. The assignment also asked students to conduct their own due diligence by interviewing fund managers to gain direct experience in an important step of the investment process.

In both assignments, students gained extensive knowledge about impact investing, analyzed funds' contribution and alignment with the U.N. Sustainable Development Goals, thought about how such investments can advance UVic's strategic priorities, and applied their critical thinking to spot greenwashing and other challenges faced by investors in the real world.

By supporting student learning through these collaboration opportunities with the Gustavson School of Business, UVic's Treasury department contributes to talent development and skills building in a critical sustainable finance knowledge area that is currently lacking in most business programs.

OUR **DECARBONISATION** PROGRESS

OUR DECARBONISATION PROGRESS

What is carbon footprinting?

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

The GHGs are measured in equivalent tons of carbon dioxide (CO_{2e}) and are reported in three emissions scopes.

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

Methodology

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

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

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

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

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

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

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

Total Emissions (tons CO_{2e})

Current Measurement Approach

Data Coverage

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

Calculations in this report were completed by the University of Victoria using carbon emissions data from MSCI provided by PH&N.

Emission Scopes Included

The university is reporting the scope 1 and scope 2 emissions in our fixed income investments as a result of data quality challenges (i.e., double counting emissions and data availability), which prevent the industry from effectively reporting scope 3 emissions at this time. Carbon footprinting is a rapidly developing field and we are committed to reviewing our approach annually to ensure we continue to report on a best practice basis.

Baseline and Target

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

Currency

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

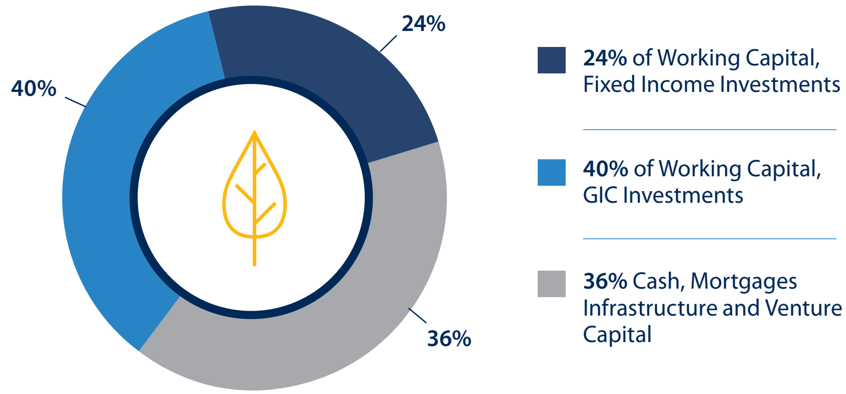
Decarbonisation Goal

The university's decarbonisation goal to reduce the weighted average carbon intensity of our working capital portfolio by 45% by 2030 was determined by referencing the Intergovernmental Panel on Climate Change's urge to reduce CO_2 emissions by 45% from 2010 levels in order to limit global warming below 1.5°C, while considering methodology and data constraints faced by the university. Investing in companies with a lower carbon intensity will help the portfolio mitigate physical and transitional risks associated with climate change as society transitions to a greener economy that is focused on reducing greenhouse gas emissions.

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

With the above limitations we are currently measuring the carbon intensity of 24% of our portfolio as follows:

Carbon Footprint Approach



Working Capital Investments Carbon Footprint Approach

Recognizing the current portfolio carbon intensity is calculated on 24% of the working capital investment pool, we look to continue expanding the carbon footprint coverage and develop qualitative measures for assets that cannot be carbon footprinted at this time.

Qualitative Standards for GIC Investments

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

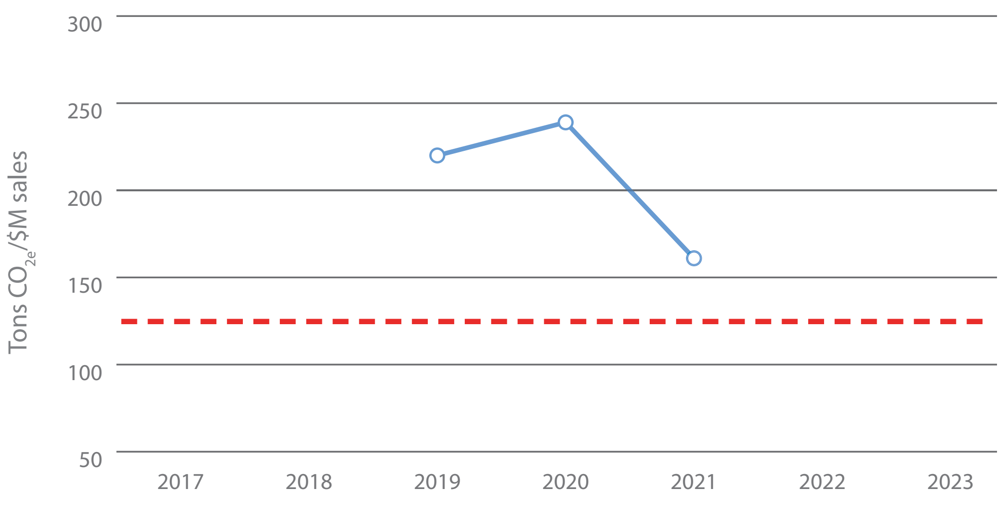
Assuming risk adjusted returns are not compromised and recognizing restrictions within our Working Capital Investment Policy and Responsible Investment Policy, the Working Capital pool will prioritize making GIC investments with financial institutions that:

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

Portfolio Carbon Intensity

As outlined in the figure below, in 2020 the university reduced the Working Capital's three-year rolling weighted average carbon intensity by 32.6% of the total pool measured, mainly driven by transitioning from the short-term bond and mortgage fund to the less carbon intensive fossil fuel free short term bond fund.

Three-Year Rolling Weighted Average Carbon intensity



Working Capital Investments Three-Year Rolling Average Carbon Intensity, as at March 31, 2021

Annual Portfolio Carbon Intensity

The figure below outlines the annual carbon intensity used to calculate the three-year rolling weighted average carbon intensity. Total emissions are reported and we have emissions data from 2020 and 2021.

CARBON FOOTPRINTING DATA 2017-2021[1]					
YEAR	FIXED INCOME FUND	DATA COVERAGE	WEIGHTED AVERAGE CARBON INTENSITY	THREE-YEAR ROLLING WEIGHTED AVERAGE CARBON INTENSITY	TOTAL EMISSIONS
2017	Short Term Bond & Mortgage Fund	7%	233 Tons CO_{2e}/$M sales	N/A	N/A
2018	Short Term Bond & Mortgage Fund	8%	300 Tons CO_{2e}/$M sales	N/A	N/A
2019	Short Term Bond & Mortgage Fund	13%	185 Tons CO_{2e}/$M sales	239 Tons CO_{2e}/$M sales	N/A
2020	Short Term Bond & Mortgage Fund	25%	235 Tons CO_{2e}/$M sales	240 Tons CO_{2e}/$M sales	39,049 Tons CO_{2e}[2]
2021	Fossil Fuel Free Short Term Bond Fund	27%	64 Tons CO_{2e}/$M sales	161 Tons CO_{2e}/$M sales	297 Tons CO_{2e}[3]

Normalized Carbon Footprint Data from 2017 to 2021 (Carbon footprint is calculated as at March 31 of each year)

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

[2] 39,049 Tons CO_{2e} is the Total Emissions for the fund. Total Emissions attributable to UVic is 125 Tons CO_{2e}.

[3] 297 Tons CO_{2e} is the Total Emissions for the fund. Total Emissions attributable to UVic is 97 Tons CO_{2e}.

RESPONSIBLE INVESTMENT INITIATIVES

RESPONSIBLE INVESTMENT INITIATIVES

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

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

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

Principles for Responsible Investment

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

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

Collective Engagement

The university committed to participating in collective engagement through the University Network for Investor Engagement (UNIE). Through UNIE our engagement efforts will be focused on ensuring companies are reducing greenhouse gas emissions to contribute toward limiting global warming below 1.5°C. UNIE will engage with public companies to focus on key sectors where advocacy can make the biggest difference, including finance, transportation, energy and utilities and manufacturing. Activities will include meeting with company shareholders to discuss improvement strategies for their environmental, social and governance (ESG) policies.

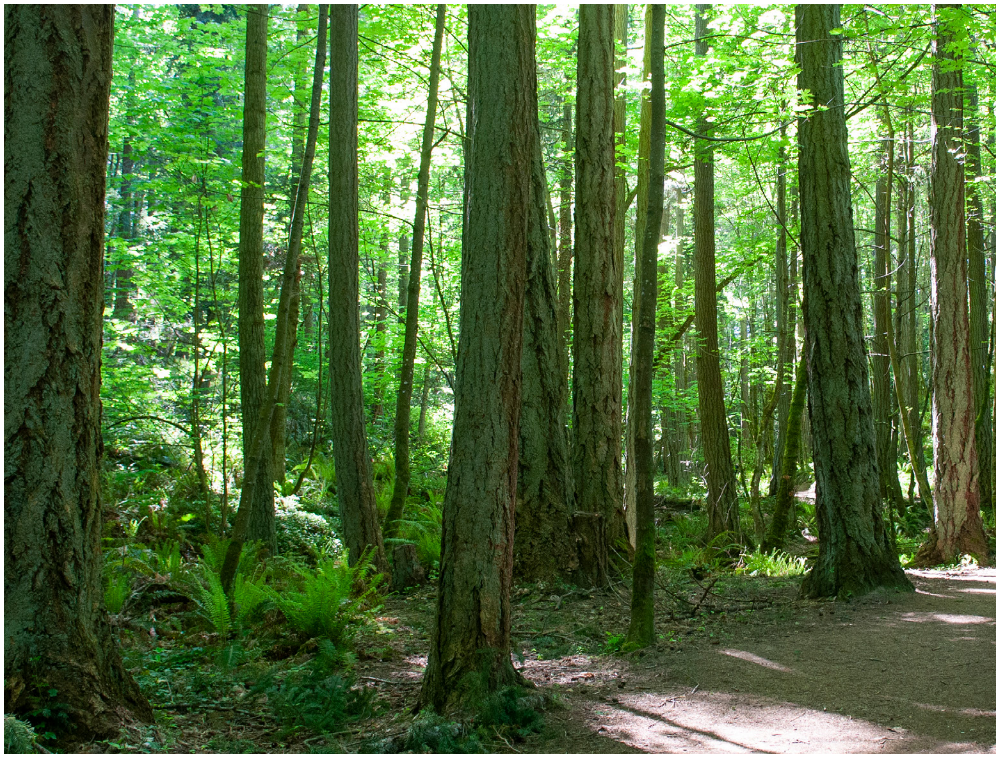
UNIE will focus on engaging on the following issues:

- 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; and
- Work towards a just transition that doesn't leave workers or communities behind.

UNIE quarterly reports will be made available on the Working Capital Investments site.

Experiential Learning: Applied Portfolio Management Program (APMP)

The Working Capital Investments contributed to the Applied Portfolio Management Program (APMP), a student-run investment program centered on education and responsible investing. APMP provides students with hands-on experience managing a $1.4 million portfolio of stocks and bonds, in close coordination with industry and academic experts. Recognizing the increasing risks and opportunities of climate change, APMP's 2020-21 cohort went beyond the program's responsible investment and ESG integration mandate and carbon footprinted the equity holdings as part of an exercise to understand climate risks of the portfolio.



"The Applied Portfolio Management Program was pivotal in my learnings of Responsible Investment. UVIC's and the Gustavson School of Business's heavy focus on sustainability provided a strong basis of knowledge into sustainability issues and sustainable business, while the APMP provided instruction and real-world experience into the integration of ESG factors into the investment process. APMP's strong Responsible Investment philosophy as well as the support from some of Canada's leading ESG experts sitting on the Investment Committee provided an unparalleled depth of knowledge and experience. Leveraging the knowledge, experience, and network gained through the APMP, I was hired on as a Research Analyst at Dixon Mitchell Investment Counsel where one of my primary roles is ESG research into both Canadian and international companies as well as continuously looking into ways in which we can improve our ESG process. I couldn't be happier with this start to my career and owe much of it to the skills gained and real-world application of Responsible Investment in the APMP."

—Keith Barr, APMP Graduate

INVESTMENT MANAGER
RESPONSIBLE INVESTMENT INTEGRATION

INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION

BlackRock (Infrastructure)

Responsible Investment Philosophy

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

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

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

Integration in the Investment Process

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

Sourcing and Screening

- Initial ESG assessments are performed to help identify any ESG "deal breakers" or any issues that require more extensive due diligence.
- Analysis helps inform decisions on whether to progress the investment opportunity or not.
- This may include activities such as desktop reviews of key project documentation, including planning permission conditions and Environmental Impact Assessments. For greenfield projects, ESG considerations are factored into the design process and project planning.

Due Diligence

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

Investment Committee Approval

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

Phillips, Hager & North (Fixed Income)

Responsible Investment Philosophy

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

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

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

Please visit our website for case studies on our external manager's investments.

Raven Indigenous Capital Partners (Venture Capital)

Responsible Investment Philosophy

Raven considers ESG to be important for the following reasons:

ESG factors are key in determining risk and return, as well as impact risks;

Helps improve our investees' financial and operational performance. More efficient and cost-effective operations can, for instance, be achieved by reducing waste, emissions and effluents;

- Helps prepare our portfolio companies to become strong ESG performers by the time of exit, and with a preference for exits to ESG-aligned buyers;
- Helps us identify appropriate risk mitigation strategies for risks identified and/or anticipated;
- Helps us avoid ESG-related reputational risk, while at the same time enhances our brand value and reputation as an ESG-aligned investor; and
- Speeds up the disclosure process when closing legal transaction documents, avoiding last-minute disclosures regarding ESG risks.

Impact Integration in the Investment Process

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

Please visit the Working Capital Investments site for case studies on our external manager's investments.

SUMMARY

Over the last year, the university made significant progress toward its commitment to sustainability and addressing climate change through its Working Capital by adopting the new Responsible Investment Policy and Working Capital Investment Policy. Guided by the updated polices, the university became a signatory to the PRI, committed to investing 24.7% of its portfolio in thematic impact investments, reduced the carbon intensity of the working capital pool by 32.6%, and committed to collective engagement through UNIE. The university will continue to build from the progress achieved to date, and to work towards its policy targets through impact, decarbonisation and engagement tools.

We thank the members of the Decarbonisation Working Group and Impact Investment Working Group for the time and effort they committed to support the carbon reduction and impact investment goals we outlined in the Responsible Investment Policy and Working Capital Investment Policy.

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

Please visit the Working Capital Investments website for additional information on our responsible investment practices.

CONTACT

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