University of Victoria

RESPONSIBLE INVESTMENT REPORT 2023–2024

UNIVERSITY OF VICTORIA

MARCH 31, 2024

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MESSAGE FROM THE VPFO

We are pleased to present the University of Victoria's Responsible Investment Report for the year 2023-24. This report provides a comprehensive update on our ongoing efforts to integrate environmental, social, and governance (ESG) considerations into our investment strategies and highlights the substantial progress we have made in advancing our responsible investment commitments.

Our Working Capital Investments consist of cash that fund our operations throughout the fiscal year and are distinct from our endowments. The income generated from these investments forms a key part of our annual operating budget, which is essential for supporting our students and our institutional priorities. As stewards of these resources, we have effectively integrated responsible investment principles into our strategy, which is a vital component of achieving our financial goals.

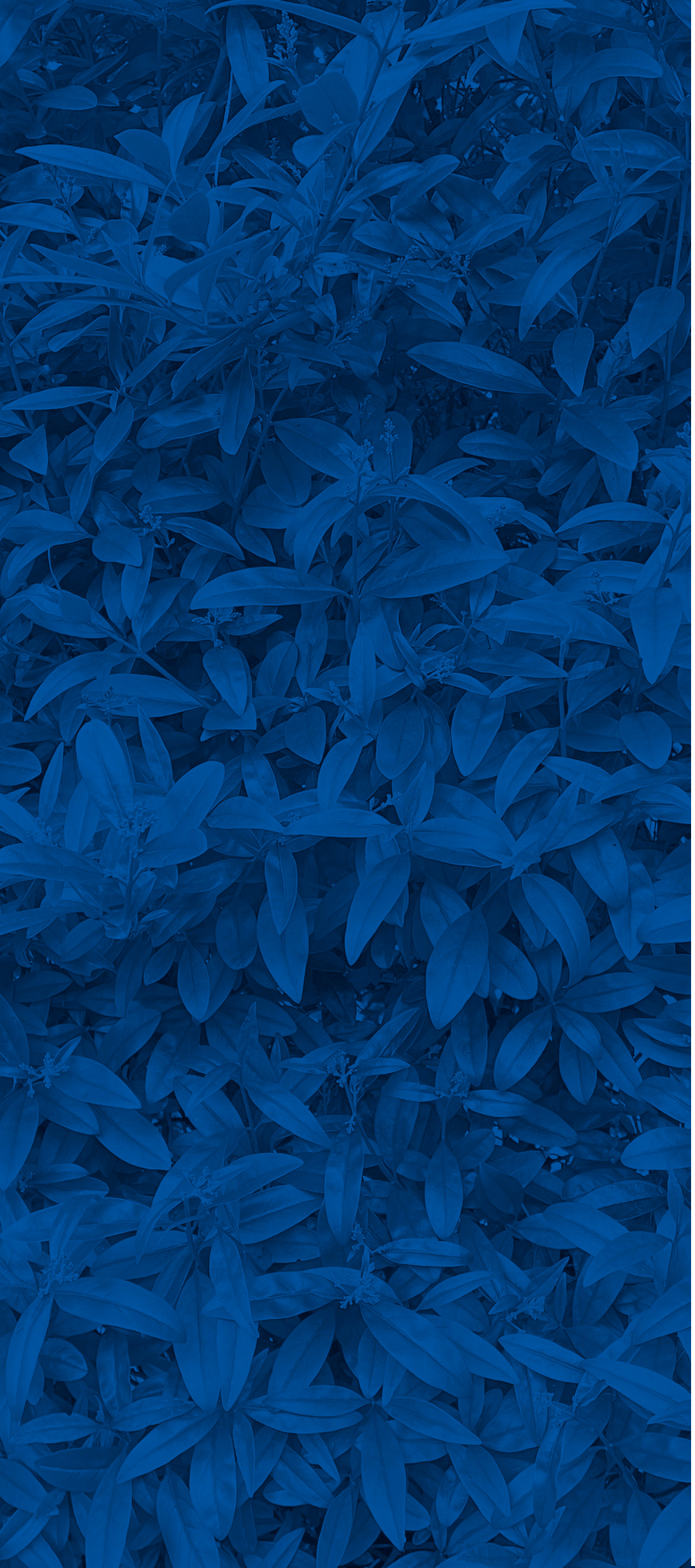
This year, we have taken significant steps forward in our journey toward responsible investing. A notable achievement is our $1.5 million commitment in Active Impact Fund III, a fund dedicated to investing in companies that support the global transition to a carbon neutral economy. We aim to continue to make impact investments that align with our values, supporting innovation and sustainability in ways that benefit both our community and the wider world.

In line with our commitment to decarbonise, we had an 18% year-over-year reduction in the carbon intensity of our working capital portfolio, bringing our total reduction to 80% from the 2019 baseline. This substantial achievement demonstrates our commitment to mitigating climate risks and advancing toward a more sustainable future.

These accomplishments would not be possible without the continued support and engagement of our campus community. While we are proud of the progress we have made, we recognize that much work remains to be done. As part of the plan set when we adopted the Responsible Investment Policy in 2020, we are currently reviewing it to ensure our investments continue to align with our values. We remain committed to transparently sharing our progress with the campus community.

Thank you.

Kristi Simpson
Vice-President Finance & Operations



OUR **RESPONSIBLE** INVESTMENT APPROACH

OUR RESPONSIBLE INVESTMENT APPROACH

We, at the University of Victoria, are 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, we adopted a Responsible Investment (RI) Policy in January 2020 and updated the Working Capital Investment Policy in June 2020. The Responsible Investment Policy is currently under review. An updated Responsible Investment Policy will be submitted for approval by the Board of Governors in 2024-2025.

Responsible Investment Policy

1. Use the strategic framework to guide our working capital investment decisions in promoting sustainable futures and supporting Indigenous economic development;
2. Use 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.

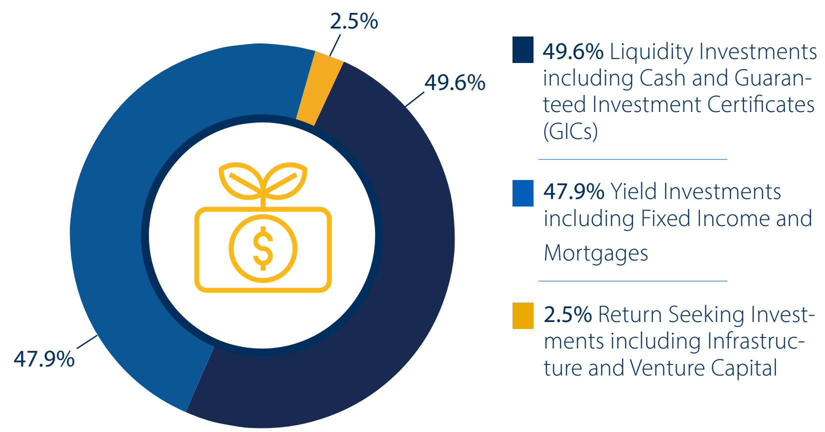
The policy also outlines tools we will use to achieve our goals, including becoming a signatory to the Principles of Responsible Investment (PRI), aligning the disclosure practices of our investment managers with recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), exercising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

Working Capital Investment Policy

The Working Capital Investment Policy was developed to ensure alignment with the RI policy goals. The policy commits to achieve at least a 25% commitment 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, we joined 14 other universities to sign the Climate Charter, where we pledged to follow RI practices within our investments.

Our 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 - $360.6 million



Working Capital Investment Pool by Asset Category, as at March 31, 2024

OUR **IMPACT** PORTFOLIO

OUR IMPACT PORTFOLIO

What is Impact Investing?

The Principles for Responsible Investment (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 Working Capital Investment Policy and Responsible Investment Policy.

We will use IRIS+ metrics developed by the Global Impact Investing Network (GIIN) to report the impact achieved by our investments.

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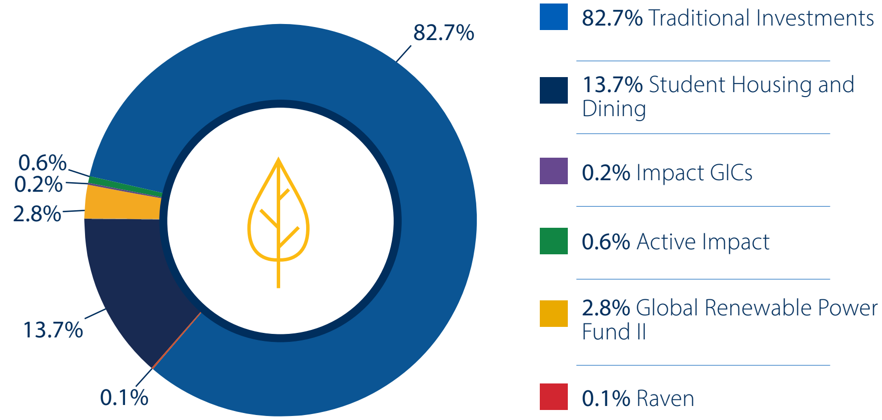
Impact Results

As at March 31, 2024, we have committed to invest 17.3% of our portfolio in impact investments as outlined in the figure below.

Working Capital Pool - Impact Investments and Commitments*



**Working Capital Impact Investments and Commitments, as at March 31, 2024. Commitments are funded over time as funds are called and then will be reported as investments.*

We are continuing to seek suitable impact investment opportunities to achieve the 25% target.

Active Impact Fund II (AIF II)

Main Impact Area: Promoting Sustainable Futures | **Investment Year:** 2021 | **Geographic Location of Impact:** North America

Active Impact's AIF II invests in companies that support the global transition to a carbon neutral economy, focusing on themes including clean energy & transportation, smart infrastructure, sustainable food & water, and circular economy. The fund's investments have avoided 88,186 tons of CO_2 equivalent emissions and saved 271.1 million litres of water in the past year.

IMPACT OUTCOMES			
SDG	**METRIC**	**IMPACT FROM FUND**	**IMPACT ATTRIBUTABLE TO UVIC**
6 CLEAN WATER AND SANITATION	Litres water saved (Year)	**271.1** million litres	**2.3** million litres
13 CLIMATE ACTION	Greenhouse gas emissions avoided (Year)	**88,186** tons of CO_2 emissions avoided	**732** tons of CO_2
13 CLIMATE ACTION	Greenhouse gas emissions avoided (Cumulative)	**164,878** tons of CO_2 emissions avoided	**1,368** tons of CO_2

AIF II Impact Outcomes, as at March 31, 2024

Case Study: Optiwatt

Optiwatt's app for smart home electricity management optimizes electricity usage to reduce costs and minimize emissions.

Optiwatt works with utilities in the US and Canada to manage how residents use their growing number of electric appliances—primarily electric vehicles and heat pumps. The shift to "electrify everything" has created strain on electrical utility grids that can lead to transmission issues and add significantly to peak demand usage. Peak demand is often fulfilled by non-renewable power sources that are dirtier and more expensive. With Optiwatt, municipal power utilities create incentives that change user behaviour without sacrificing any convenience or experience.

Optiwatt helps EV users save an average of 70% on their charging costs, and in 2023 they released the home app that saves ~$300 per year on heating/cooling costs.

> "If we can solve the issues with these energy consuming resources for customers, we could control load, and by controlling load we could help the grid, the energy, and climate. For the end consumer, we bridge the gap between the cost of electricity and the electricity consuming device."
>
> Casey Donahue, Founder & CEO, Optiwatt

Active Impact Fund III (AIF III)

Main Impact Area: Promoting Sustainable Futures | **Investment Year:** 2024 | **Geographic Location of Impact:** North America

Active Impact's AIF III invests in companies that support the global transition to a carbon neutral economy, focusing on themes including clean energy & transportation, smart infrastructure, sustainable food & water, and circular economy. The fund is currently in the early stages of investment. Impact metrics will be reported as investments are made.

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 seek to generate a lifetime impact of avoiding 92,715,343 tons of CO_2 and power 77,906,052 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 (Lifetime)	**216,201,672** cubic meters of water reduced	**1,405,311** cubic meters of water reduced
7 AFFORDABLE AND CLEAN ENERGY	Homes powered with clean energy (Lifetime)	**77,906,052** homes	**506,389** homes powered with clean energy
13 CLIMATE ACTION	Greenhouse gas emissions avoided (Lifetime)	**92,715,343** tons of CO_2 emissions avoided	**602,650** tons of CO_2 emissions avoided

GRP III Impact Outcomes, as at March 31, 2024

Raven Indigenous Capital Partners Fund I (RICP I)

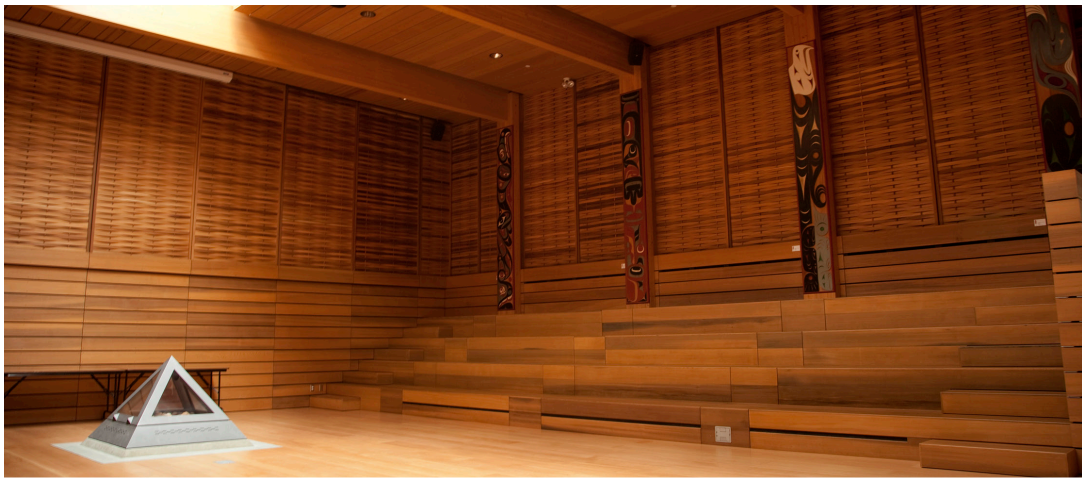
Main Impact Area: Supporting Indigenous Economic Development | **Investment Year:** 2020 | **Geographic Location of Impact:** Canada

Raven Indigenous Capital Partners is an Indigenous-led and owned financial intermediary that invests in Indigenous enterprises as catalysts for social change and prosperity. RICP I has retained 138 Indigenous employees across its portfolio companies in the past year.

In addition to reporting IRIS+ aligned impact metrics, Raven also aligns its impact reporting with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

IMPACT OUTCOMES			
SDG	**METRIC**	**IMPACT FROM FUND**	**IMPACT ATTRIBUTABLE TO UVIC**
8 DECENT WORK AND ECONOMIC GROWTH	Indigenous jobs retained	**138** Indigenous jobs retained	**3** Indigenous jobs retained

RICP I Impact Outcomes, as at March 31, 2024



Case Study: Animikii

Animikii | Placemat

Change Thesis	Animikii believes that investing in technology is the path forward for economic justice, self-sufficiency, and equitable outcomes for Indigenous Peoples. They advocate for economic development initiatives transitioning away from resource extraction to knowledge-based economies. Animikii achieves this impact every day through its work in supporting the Indigenous Innovation and Reconciliation movements with their skills and resources. By being an example of an Indigenous-focused tech company, Animikii hopes to inspire the next generation of Indigenous youth to choose technology and entrepreneurship as a career path.		
What	**Truth and Reconciliation through Data Sovereignty.**	**The Next generation of Indigenous youth chooses technology and entrepreneurship.**	**UNDRIP Article 31(1)** Indigenous peoples have the right to maintain, control, protect and develop their cultural heritage, traditional knowledge and traditional cultural expressions, as well as the manifestations of their sciences, technologies and cultures, including human and genetic resources, seeds, medicines, knowledge of the properties of fauna and flora, oral traditions, literatures, designs, sports and traditional games and visual and performing arts. They also have the right to maintain, control, protect and develop their intellectual property over such cultural heritage, traditional knowledge, and traditional cultural expressions. **UN SDGs**
Outcome Level	Empowerment tool to create equity for Indigenous Peoples.	Indigenous youth experiences of support toward a career.	
Who	Indigenous Peoples and Organizations	Indigenous Youth	
How Much Scale	100% of 94 projects are Indigenous 43 Indigenous organizations 15 First Nations community projects $50,000 of product donated	$8,000 added to the scholarship fund, increased by 2,000, with 250K in scholarships and donations since start of business	
Depth	See projects and related stories.	Stories from Indigenous youth at https://animikii.com/impact/animikii-scholarship	

Source: Raven Indigenous Capital Partners 2023 Impact Report.

Student Housing and Dining Facilities

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, conference and catering facilities, and an Indigenous student lounge.

The design and construction of the new buildings meets 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:

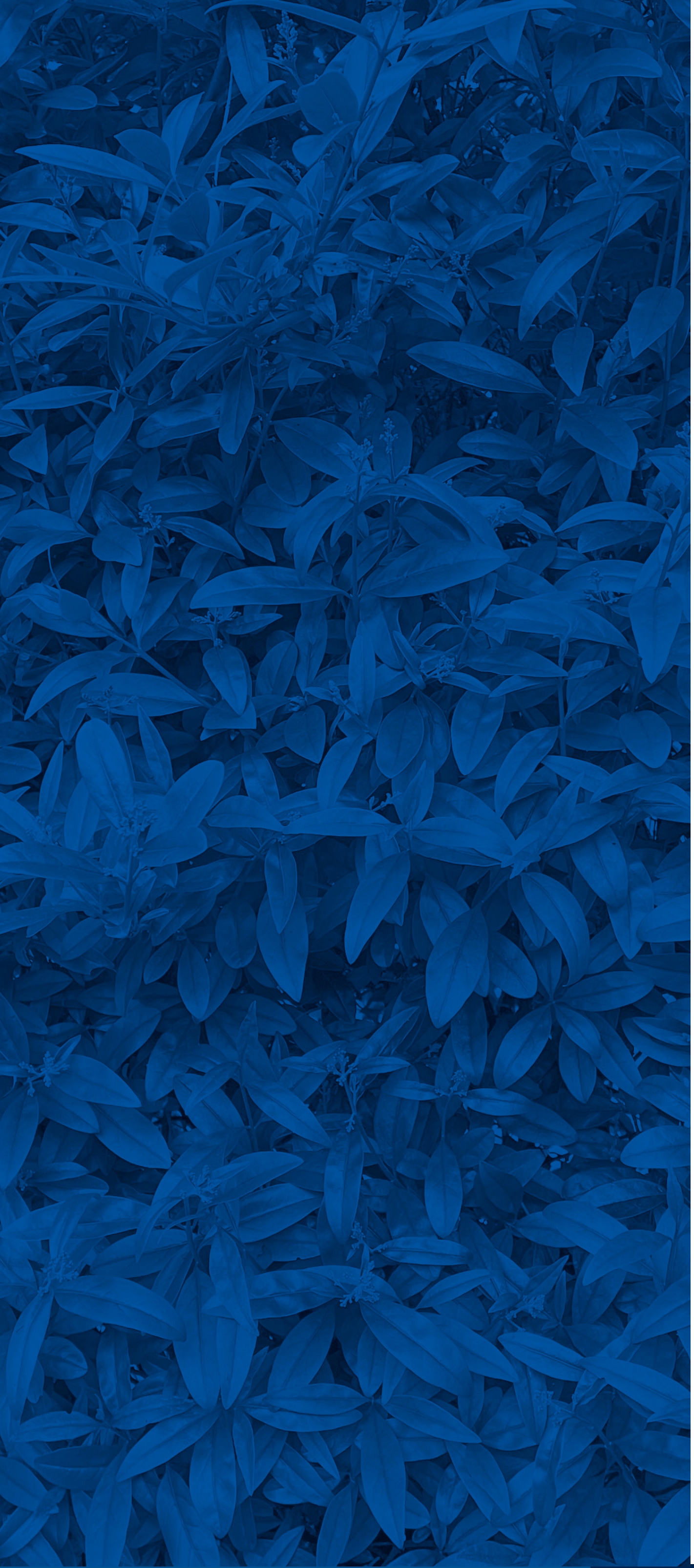
- Reduction in GHG emissions,
- Reduction in campus electrical intensity, and
- Reduction in campus gas consumption.

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.

Impact GICs

Main Impact Area: Promoting Sustainable Futures
Investment Year: Recurring
Geographic Location of Impact: Canada with a focus in BC

Impact GICs were created in collaboration with credit unions across Canada. Unlike traditional GICs, Impact GICs allow us to make a positive impact on our environment and community while generating competitive returns. All loans from the Impact GIC program support local businesses pursuing at least one of the UN SDGs.



OUR **DECARBONISATION** PROGRESS

OUR DECARBONISATION PROGRESS

What is Carbon Intensity?

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 ($C0_2e$) 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

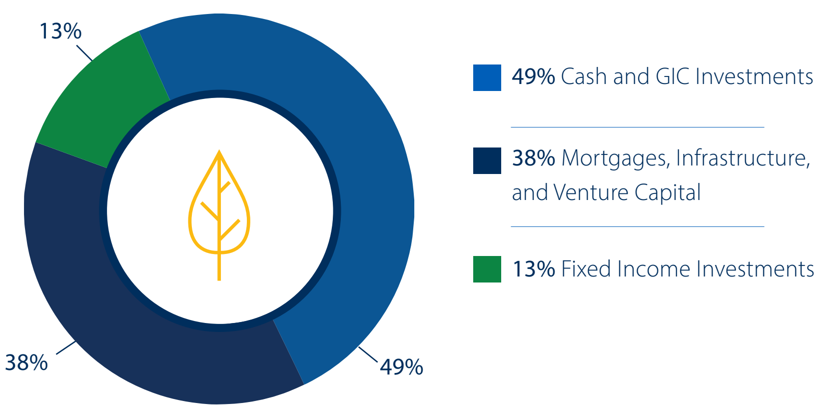
Decarbonisation Goal

Our decarbonisation goal to reduce the carbon intensity of the Working Capital Investments by 45% by 2030 was determined by referencing the Intergovernmental Panel on Climate Change's urge to reduce CO2 emissions by 45% from 2010 levels in order to limit global warming below 1.5°C, while considering methodology and data constraints. 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. Currently, these constraints limit our ability to measure corporate data before 2017 and to include scope 3 emissions. The decarbonisation working group provided advice and guidance on how to approach measurement within current limitation. We are committed to reviewing methodologies annually to consider opportunities to include more of our assets beyond corporate fixed income, review new carbon intensity measures, and consider incorporating scope 3 emissions.

With the above limitations we are currently measuring the carbon intensity of 13% of our portfolio as follows:

Carbon Footprint Approach



Working Capital Investments Carbon Footprint Approach, as at March 31, 2024

Recognizing the current portfolio carbon intensity is calculated on 13% 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, we developed the following Qualitative Standards for GIC Investments.

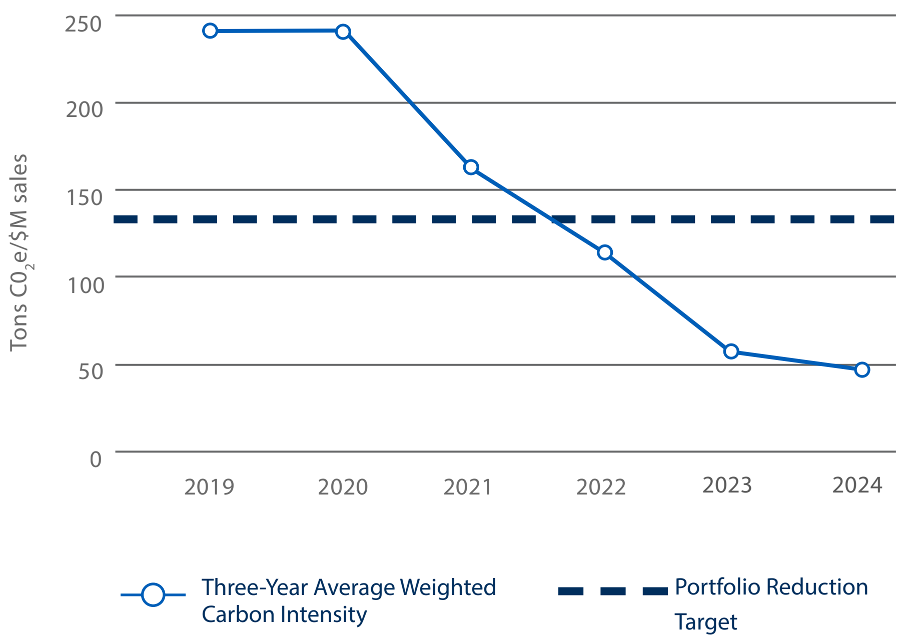
Assuming risk adjusted returns are not compromised and recognizing restrictions within the Working Capital Investment Policy and Responsible Investment Policy, we will prioritize making GIC investments with financial institutions that:

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

Portfolio Carbon Intensity

The carbon intensity of the portfolio is 80% compared to the 2019 baseline year. The reduction in carbon intensity over the past year is mainly driven by a new investment in the RP Broad Corporate Bond (Fossil Fuel Exclusion) Fund, which reduced the overall fixed income carbon intensity.

Three-Year Rolling Weighted Carbon Intensity



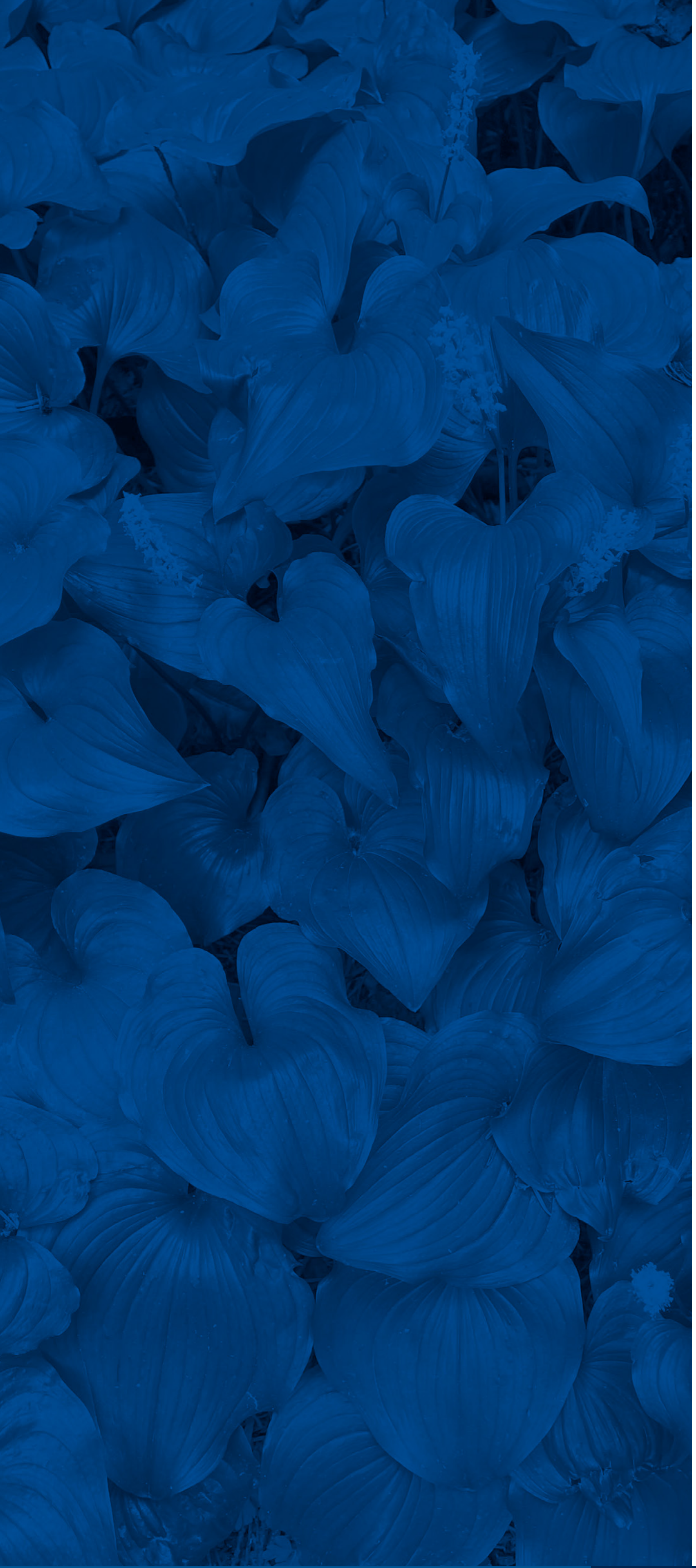
Working Capital Investments Three-Year Rolling Average Carbon Intensity, as at March 31, 2024

Annual Portfolio Carbon Intensity

The figure below outlines the annual carbon intensity used to calculate the three-year rolling average carbon intensity. Total emissions are reported starting from 2020 when data became available. The investment in the RP Broad Corporate Bond (Fossil Fuel Exclusion) Fund increased the data coverage significantly and as a result increased total emissions with more holdings now reporting emissions data.

CARBON FOOTPRINTING DATA 2017-2024					
YEAR	**ASSET CLASS**	**DATA COVERAGE**	**WEIGHTED AVERAGE CARBON INTENSITY**	**THREE-YEAR ROLLING WEIGHTED AVERAGE CARBON INTENSITY**	**TOTAL EMISSIONS**
2017	Fixed income	7%	233 Tons CO_2e/$M sales	N/A	N/A
2018	Fixed income	8%	300 Tons CO_2e/$M sales	N/A	N/A
2019	Fixed income	13%	185 Tons CO_2e/$M sales	239 Tons CO_2e/$M sales	N/A
2020	Fixed income	25%	235 Tons CO_2e/$M sales	240 Tons CO_2e/$M sales	125 Tons CO_2e
2021	Fixed income	27%	64 Tons CO_2e/$M sales	161 Tons CO_2e/$M sales	97 Tons CO_2e
2022	Fixed income	30%	46 Tons CO_2e/$M sales	115 Tons CO_2e/$M sales	67 Tons CO_2e
2023	Fixed income	31%	62 Tons CO_2e/$M sales	57 Tons CO_2e/$M sales	25 Tons CO_2e
2024	Fixed income	78%	32 Tons CO_2e/$M sales	47 Tons CO_2e/$M sales	77 Tons CO_2e

Normalized Carbon Intensity Data from 2017 to 2024 (Carbon intensity is calculated as at March 31 of each year)



RESPONSIBLE INVESTMENT

RESPONSIBLE INVESTMENT

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

In implementing the RI Policy, the due diligence of external investment managers includes:

- 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 PRI signatory, we view PRI's principles as a framework for responsible investing and abide by its 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

We are a member of the University Network for Investor Engagement (UNIE), through the Shareholder Association for Research and Education (SHARE). Along-side 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 issues:

- Reduce emissions in line with Paris commitments
- Shift lending and capital expenditures to reduce financed emissions
- Implement responsible climate lobbying policies and practices
- Incorporate climate risk in business strategy and board oversight
- Work towards a just transition that doesn't leave workers or communities behind

These engagements have involved collaboration between the UNIE network and SHARE's larger network of engagement clients. We are committed to continuing these engagements and using our power as an institutional investor to advocate for climate-resilient decision-making across a variety of sectors.

Over the last year, we saw a wide range of engagements begin and continue, including, but not limited to, those addressing long-term climate action plans in oil and gas, company net-zero plans in banking, as well as the social and human rights impacts of coal facility closures.

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

Case Study: Dollarama

Issue: While Dollarama did have goals to reduce its scope 1 and 2 emissions intensity by 25% by 2030, they were not aligned with climate-science, nor with a 1.5°C pathway. There was no 2050 target nor any time-bound commitment to dis-close and reduce scope 3 emissions. Nor was it consistent with the commitments demonstrated by its largest competitor Dollar Tree, which announced it will be setting a science-based net zero target by June 2024 while growing at a significant-ly faster pace than Dollarama.

Action: As followup from the June 2023 shareholder proposal filed on 1.5 degree aligned targets and climate action plan, SHARE met with Dollarama to discuss prog-ress underway at the company. The company directly acknowledged the proposal's role in helping to facilitate action in developing a stronger approach to climate. Dollarama's recent actions include the hiring of a consultant to calculate their scope 3 emissions for the first time, the establishment of an ESG Steering Committee to oversee climate risk, and initial steps taken to begin decarbonizing the company's supply chains.

Outcome: At Dollarama's Annual General Meeting, the CEO announced a time-bound commitment for the release of scope 3 emissions for the first time, with partial scope 3 emissions estimates to be included in fiscal year 2025 reporting. The company has continued to work with SHARE on target setting and timelines and has directly acknowledged the proposal's role in helping to facilitate action in developing a stronger approach to climate. SHARE will work to determine next steps that could harness and encourage further executive buy-in of climate work and escalation of current timelines.

INVESTMENT MANAGER
RESPONSIBLE INVESTMENT INTEGRATION

INVESTMENT MANAGER RESPONSIBLE INVESTMENT INTEGRATION

Phillips, Hager & North (Fixed Income)

Responsible Investment Philosophy

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

PH&N's approach to RI is comprised of three pillars, and the firm seeks to take 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's fixed income teams assess the risks and opportunities associated with the 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 itself to look for ESG factors in order to fulfill an arbitrary requirement but, instead, believes it is prudent and vital to look at a corporate bond in its entirety. This research naturally includes ESG considerations to the extent that they reflect the quality and value proposition of an investment.

Case Study: Green Building Certifications

Objective: Understand green building certification and emissions reductions.

Engagement: PH&N's fixed income team engaged with a Canadian Real Estate Investment Trust (REIT) to discuss its green building certification and emissions reduction targets. Like other REITs, one of the company's ESG targets relates to the percentage of the company's portfolio that is "green certified." Its target was set at 30% green certified by 2030, as compared with 24% at the end of 2022 and 11% at the end of 2019. The team encouraged the company to re-evaluate its 2030 target based on the substantial progress it was able to make in a single year. In addition, the team discussed the company's emissions reduction target and expressed feedback on its related calculations. The company excludes emissions related to construction and building, which are estimated to account for approximately 50% of a building's overall carbon footprint during its life. This feedback regarding the calculation of a REIT's emissions is a recurring topic with other REITs of which the team also engages.

Outcome: PH&N's fixed income team will continue to monitor the company closely, but it believes it is too early to assess whether any change will occur as a result of the engagement.

RPIA (Fixed Income)

Responsible Investment Philosophy

RPIA's objective is to add value for investors through a focus on long-term capital preservation and growth. The firm believes that ESG factors can materially impact the risk and return profile of the corporate fixed income securities in which it invests and that understanding these issues enables RPIA to better manage downside risk and present new opportunities to create value for investors.

Integration in the Investment Process

RPIA's ESG integration framework includes analysis across all three ESG pillars and focused analysis on both climate change and diversity & inclusion. The ESG pillars encapsulate many of the long-term and large-scale trends which the firm believe will result in both risks and opportunities that all companies must address over time. These pillars have been designed to help the team aggregate ESG related information (both quantitative and qualitative) so that RPIA may incorporate ESG-related risks/opportunities into its overall view on an issuer's credit worthiness and relative value. RPIA believes the content within these pillars provide the necessary breadth to accurately assess ESG risks across the sectors within which the firm invests.

BlackRock (Infrastructure)

Responsible Investment Philosophy

BlackRock's real assets team recognizes the environmental, social, and economic impacts of our investments. It is committed to managing these impacts in a compliant and responsible manner and offering sustainable investing solutions to its clients. It believes that a robust, integrated approach to sustainable investing is essential in preserving and enhancing the value of its assets throughout their investment lifecycles. Given the long term and physical nature of its real assets investments, BlackRock considers effective environmental, social, and corporate governance (ESG) assessment and management to be a fundamental component of risk management.

BlackRock has been providing investors with pure-play renewable energy and climate infrastructure investment opportunities since 2011. Its investment thesis is built upon the transition to a zero-carbon economy, and it recognizes the increasing global aspirations to reach net zero emissions by 2050 will only further accelerate this transition.

Additionally, BlackRock is continuing to advance its approach to measuring, monitoring, and managing climate impacts at the individual project-level and across its portfolios. Over the past two years it has enhanced its impact measurement framework, specifically focusing on its approach to measuring and reporting greenhouse gas emissions across its investments. BlackRock incorporates an analysis of these impacts, in addition to broader social and environmental impacts, into each stage of its investment process across sourcing, due diligence, investment approval, and asset ownership & 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. BlackRock's real assets team works closely with its sustainable investing team as a standard procedure. While taking into account the varying nature of its investments, BlackRock's approach to integrating ESG within its 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.
- BlackRock aims to identify and quantify the financial impacts of material ESG risks and integrate these into its valuation models as appropriate.
- This may include the identification of the counterparty who it believes is best placed to manage the relevant ESG risk and due diligence on the lead sponsor when BlackRock is 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's real assets team will not invest if the relevant Investment Committee determines that any ESG risks cannot be sufficiently quantified or mitigated.

Active Impact Investments (Venture Capital)

Responsible Investment Philosophy

Active Impact invests in early-stage climate technology solutions that aim to solve the most urgent environmental solutions. The firm maintains that it can achieve venture scale profits by investing exclusively in companies that make a significant positive impact on greenhouse gas emissions or waste. As a Certified B Corporation, Active Impact looks beyond ESG or Responsible Investment risks/practices in an endeavour to only invest in operations that are as impactful as the product.

Impact Integration in the Investment Process:

The first screen Active Impact uses in its investment process is to analyze whether a company fits its impact mandate within one of the following four climate verticals: clean energy & transportation, smart infrastructure, sustainable food & water, and circular & sharing economy. During the diligence process it digs deeply into the product's impact today and future potential. Post investment, every portfolio company reports environmental impact key performance indicators quarterly. This data is used on aggregate to measure the impact of the fund and also at the portfolio company level to inform active support. Annually, diversity is measured internally and at the portfolio company level.

Raven Indigenous Capital Partners (Venture Capital)

Responsible Investment Philosophy

Raven Indigenous Capital Partners (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 its investees' financial and operational performance. More efficient and cost-effective operations can, for instance, be achieved by reducing waste, emissions and effluents;
- Helps prepare its portfolio companies to become strong ESG performers by the time of exit and with a preference for exits to ESG-aligned buyers;
- Helps Raven identify appropriate risk mitigation strategies for risks identified and/or anticipated;
- Helps Raven avoid ESG-related reputational risk, while at the same time enhances its 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.

Appendix 1: Carbon Intensity Methodology

Methodology

To help with our goal to reduce the carbon intensity of our investments by 45% by 2030, a Decarbonisation Working Group was formed in 2020 to provide guidance and help support the carbon reduction goals. This group met regularly to provide information, expertise, and advice to help with the development of carbon tracking methodology, development of appropriate reporting to UVic's Board of Governors and campus community, and suggest investment opportunities that move us towards achieving our carbon intensity reduction goal.

In reviewing our investments, the working group recommended measuring the weighted average carbon intensity and the total emissions, which were selected based on the recommended common carbon footprinting and exposure metrics from the Task Force on Climate-related Financial Disclosures (TCFD).

The weighted average carbon intensity measures a portfolio's exposure to carbon-intensive companies, measured in tons of carbon-dioxide equivalent emissions per million dollars in sales (tons CO_2e/\$M sales). It was chosen due to its simplicity and relative data reliability, as well as being the preferred methodology among a majority of institutional investors as it allows for comparison between portfolios.

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

Weighted Average Carbon Intensity (tons CO_2e/\$M sales)

The total emissions measures the absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO_2e. This metric is less adopted since it is not generally used to compare portfolios. However, we believe 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)

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 Investments do not hold public equities, so this carbon footprint report measures the weighted average carbon intensity on the fixed income investments. We are working with our 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, we are committed to achieving the spirit of the Responsible Investment Policy and are working to create qualitative standards to evaluate our 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 on scope 1 and scope 2 emissions in our fixed income investments.

We are committed to reviewing this approach annually to ensure we continue to report on a best practice basis. 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 to annually including reviewing incorporating scope 3 emissions.

Normalized Portfolio Carbon Intensity

The portfolio carbon intensity in this report only covers our fixed income investments and adjusts emissions data coverage to 100% as data coverage has been significantly improving since 2017. We completed the calculations in this report using carbon emissions data provided by our investment managers.

Baseline and Target

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

Currency

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

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

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

CONTACT

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