

Western University

Responsible Investing Annual Report 2023



Western's ongoing sustainability efforts continue to be positively received. The University ranked as a top ten institution globally for both the 2023 Times Higher Education Impact Rankings and 2024 QS World University Rankings: Sustainability. The campus community has conviction to act sustainably, and our strategies, including the responsible investing strategy, are contributing to Western's sustainability journey.

—Alan Shepard, President & Vice-Chancellor of Western University



Letter from the Chair

Western University continues to make serious commitments to continuously improving the sustainability of campus and its operations. Key among these efforts is our Responsible Investing Strategy and Pathway, released in 2022. Developed by Western's Investment Committee, the strategy improves upon a history of responsible investment practices – and has formalized Western's commitments, particularly in the area of decarbonization and sustainable investments.

Western's Responsible Investing Strategy and Pathway committed the University to invest 10% of the Operating & Endowment Fund (the Fund) in sustainable investments by 2025; reduce carbon intensity by 45% by 2030, using 2020 as a base year; and achieve net-zero absolute carbon emissions by 2050 or sooner.

This 2023 Annual Report highlights the significant work we've done to deepen the implementation of our Responsible Investing Strategy. This year we also reflect on Western's commitment to Investing to Address Climate Change: A charter for Canadian Universities, comparing our significant progress to its principles.

Overall, we are encouraged by the early results of the Responsible Investing Strategy and Pathway. In 2023, we made two significant allocations to Impact Funds, raising our cumulative sustainable investments to 7.6% – over three-quarters of the way to our 10% commitment. Once again, we have shown progress towards our 2030 reduction in carbon intensity, with a cumulative 8.6% reduction from our 2020 baseline measurements. Carbon emissions in the public equity

portfolio are down 20.5% from our 2020 baseline measurements. We did have an increase to carbon emissions in 2022 – largely attributable to market conditions and the relative performance of Canadian equity to other public equity classes. In monitoring our strategy, we expect volatility from period to period; we'll use long-term trends to evaluate our success and make course corrections. The early results of our cumulative progress are promising; with several years of data we'll be ever better equipped to measure progress.

This year we became a signatory to the Principles for Responsible Investment (PRI). In making this commitment, Western joins a global network of investors and managers that share best practices, and report on progress annually in a standardized format. Our first reporting with this framework will come in 2025.

Our journey to create the necessary conditions for the long-term success of Western's Responsible Investing Strategy relies on deepening the framework and making data-informed decisions backed by a track record. Having started the Pathway in 2022, we are still near its beginning; however, we have set a strong foundation for Western to achieve our commitments, and ensure the long-term viability of the Fund.

Lynn Logan

Lynn Logan, FCPA, FCA, MBA, ICD.D
Vice-President (Operations & Finance); Chair, Investment Committee

Welcome

Western University remains committed to proactively addressing sustainability challenges, both on campus and through our investments. The Western Investment Committee is pleased to present our third Responsible Investing Annual Report.

Our progress in 2023

Advanced efforts to reduce carbon intensity of our investment portfolios

Enhanced and deployed the second iteration of our ESG Manager Survey

Completed our third annual Total Portfolio carbon footprint measurement to track progress against our 2020 baseline measurements

Joined the University Network for Investor Engagement (UNIE) Advisory Group, contributing to the overall network engagement plan

Made our third and fourth Sustainable Investment allocations, after the successful completion of our first Impact Fund search

Became a signatory to the PRI, a global network of investors, deepening our commitment to responsible investing and transparency

Advancing our Efforts

Canadian Universities' Charter: Western's Progress

In 2020, we became a signatory to *Investing to Address Climate Change: A charter for Canadian Universities* as part of our commitment to an environmentally sustainable future. As a signatory to this charter, we pledge to abide by the following principles, and our work to date demonstrates significant progress in meeting our commitments:

Charter Principle

- 1 Adopt a responsible investing framework to guide investment decision-making, in line with recognized standards such as the Principles for Responsible Investment (PRI). Such a framework should:
 - a. Incorporate environmental, social and governance (ESG) factors into investment management practices
 - b. Encourage active engagement with companies to foster disclosure of ESG (including climate) related risks, and adoption of operational practices that reduce carbon emissions and foster ESG-positive behaviour more broadly
- 2 Regularly measure the carbon intensity of our investment portfolios, and set meaningful targets for their reduction over time
- 3 Evaluate progress towards these objectives on a regular basis, and share the results of such assessments publicly
- 4 Ensure that the performance evaluation of our investment managers takes into account their success in achieving such objectives, alongside the other criteria for assessing their performance

Western's Progress to Date

- Developed our multi-year Responsible Investing Strategy in 2020 and implemented in 2022
 - Updated our Statement of Investment Objectives, Policies and Governance language in 2022 to be explicit about ESG integration and climate change beliefs
 - Fully integrated ESG factors into manager selection and evaluation
 - Joined UNIE in 2022 to supplement engagement efforts and allow us to engage with individual companies directly
 - Became a PRI Signatory in 2023, further advancing our commitment to responsible investing and knowledge sharing with a global network
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- In 2020, committed to an IPCC-aligned pathway to net-zero emissions by 2050, with a 45% reduction in carbon intensity by 2030
 - Completed the third iteration of our annual total portfolio carbon footprint analysis, started in 2020
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- The Responsible Investment Report is prepared annually, highlighting progress made and providing guidance on where the strategy and pathway is headed
 - Reporting will begin with the PRI, with results being public in 2025
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- A redeveloped ESG Manager Survey has been deployed, with the findings used to support our performance and engagement discussions with managers

Our Responsible Investing Strategy and Pathway was informed by these charter principles such that the principles are integrated into our investment policies and processes. This enables us to meet our ongoing charter commitments through our investment management activities. While we have taken significant steps since the implementation of our strategy in 2022 to help meet these charter principles, we recognize this is a long-term strategy, which will continuously develop over time.

Measuring our Carbon Footprint: 2022 Summary

Western is committed to assessing the total portfolio carbon footprint of our Operating & Endowment Fund (the Fund) and holding ourselves accountable for reducing that footprint over time. In our 2021 report, we released our baseline 2020 carbon footprint. Our third and most recent carbon measurements show our cumulative progress in reducing our carbon footprint, compared to the 2020 baseline measurements. While we need several more years of data to provide a full picture, these early results are promising.

Carbon Measurements

Emission measures provide Western with an understanding of the carbon footprint of our investment activities. We can use these measures to attribute emissions to different sectors within the economy and evaluate whether emissions are declining within our portfolio when compared to other investment approaches. Western monitors two carbon emission metrics: Carbon Emissions Per \$M Invested (carbon emissions) and Weighted Average Carbon Intensity (WACI). We have disclosed carbon emissions for our public equity portfolio as we have more confidence in the availability and reliability of data. As data reliability improves for the remaining asset classes, we will update our reporting as well. While Carbon Emissions are provided for public equities only, the WACI is available for all asset classes in the Fund.

As carbon footprint reporting has not yet been regulated and the data and methodology is still evolving, we continue to align with best practice as outlined by the Task Force for Climate Related Financial Disclosures (TCFD). In 2021, we shifted our methodology to normalize by enterprise value, including cash (EVIC) instead of market capitalization in the calculation of carbon emissions. The carbon measurements take considerable time to compile, and as a result, data is backwards looking by one-year. This 2023 report presents carbon measurements as at December 31, 2022.

This is in line with best practice as outlined by the TCFD, driven by the Partnership for Carbon Accounting Financials (PCAF) and EU regulations

for Climate Transition and Paris aligned benchmarks. Enterprise value is more reflective of the operations of an underlying company from both an equity and debt perspective in comparison to market value. We will continue to evolve our reporting methodology with these metrics to ensure we remain aligned with industry best practices over time.

During our assessment of the WACI and carbon emissions of our portfolios, we observed large fluctuations in these two metrics between 2021 and 2022. While WACI for the total portfolio decreased by 8.4% for the Operating & Endowment Fund, carbon emissions for the public equity portfolio increased by 30%.

These fluctuations were primarily driven by inflation's impact on sales, which is used to calculate WACI, and market value changes in the portfolio equity holdings, which is used to calculate carbon emissions. In general, decreased WACI implies improved company carbon efficiency, while carbon emissions per \$M invested increased due to a decline in total market value without a proportional decrease in total carbon emissions. We expect these short-term fluctuations due to the sensitivity of the metrics' inputs to financial markets. Therefore, we use these metrics along with the information gathered from our ongoing engagements with managers to conduct a more comprehensive assessment of the total portfolio carbon footprint.

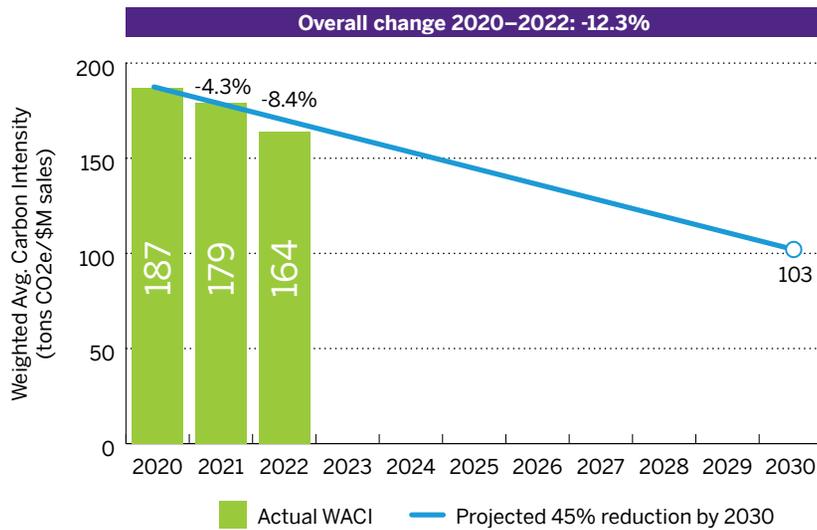
Carbon footprint analysis:

- Since the 2020 baseline, total portfolio WACI has decreased 12.3%. Year-over-year WACI decreased 8.4%.
- Since the 2020 baseline, public equity carbon emissions are down 20.5%. Year-over-year, public equity carbon emissions rose 29.6%. Although, carbon emissions are lower than the benchmark by 32.0%.

Weighted Average Carbon Intensity – Total Portfolio¹

This chart shows the 2020 baseline total portfolio WACI, with a trendline to the 2030 decarbonization commitment. Annual measurements of the total portfolio WACI show the year over year and cumulative progress, which is currently on pace with the trendline.

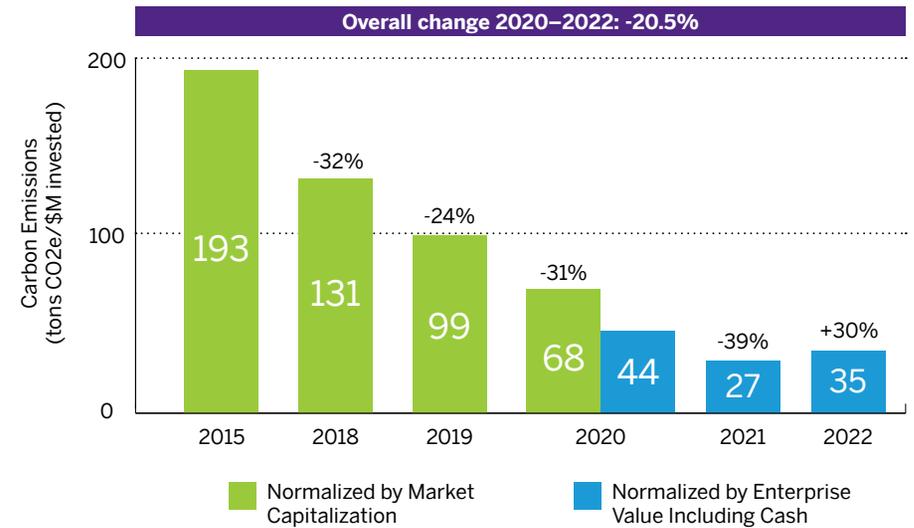
Weighted Average Carbon Intensity



Carbon Emissions – Public Equity Portfolio

The chart below shows the public equity carbon emissions normalized by EVIC and by market capitalization (the measurement used prior to 2021). The current methodology is in alignment with latest best practice.

Carbon Emissions



Fossil Fuel and Renewables Exposure

As of December 31, 2022, investments in fossil fuel companies make up 4.9% of the Operating & Endowment Fund. At the same time, our exposure to renewable energy was 4.4%². Western's exposure to renewables has increased over six times since 2020.

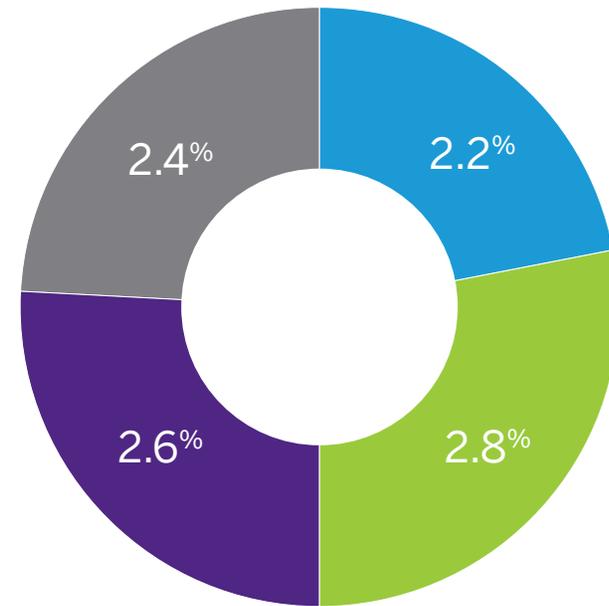
Sustainable Investing Strategy

Western has committed to invest 10% of the Operating & Endowment Fund in sustainable investing strategies by 2025. These investment opportunities will be in support of the UN Sustainable Development Goals (UN SDGs) and can be made across asset classes. To date, Western has made four allocations totaling \$110 M USD. The allocations to sustainable investment strategies, cover both environmental and social factors within the infrastructure and private equity asset classes. As at December 31, 2023, these investment allocations amount to 7.6% of the Fund, with the remaining allocation of 2.4% to be fulfilled by 2025.

In 2023, two investments were made in impact private equity funds which support UN SDGs. The first mandate focuses on climate action, lifelong learning, sustainable living and inclusive growth, while the second mandate focuses on education, healthcare, financial services, climate, conservation, food and agriculture.

We also made additional investments to an energy transition fund which we first invested in during 2022. This fund expects each investment to be aligned with a global net-zero pathway consistent with the Paris Agreement's temperature targets, which is consistent with Western's own climate strategy and supports the broader energy transition. Our first allocation to a renewable-energy infrastructure fund was made in 2020.

Selecting quality sustainable investing opportunities is critical for achieving the Fund's long-term objectives. It's important that within this strategy, we are combining the expectations of the sustainable investing strategy with solid performance fundamentals. As such, not all investment opportunities will be appropriate, and we are disciplined in pursuing new opportunities to meet all our financial and non-financial performance expectations.



- 2024–2025 Remaining Allocation
- 2023 Private Equity Impact Funds
- 2022 Energy Transition Fund
- 2020 Renewable Energy Infrastructure

\$110 M USD has been committed to sustainable investing strategies to date

Deepening our Commitment to Responsible Investing

In 2023, Western became a signatory to the PRI and will participate in our first 'public' reporting cycle in 2025.

In becoming a signatory, Western will join a global initiative to advance responsible investing practices. The principles align with the goals of our Responsible Investing Strategy and Pathway, and becoming a signatory is a natural step forward in advancing our commitment to responsible investing. As a signatory, Western will contribute and learn from best practices shared by a global network committed to incorporating the principles into their investment practices.

A reminder of the [PRI](#) is provided below:

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.



Our Engagement Activities

Engaging with our Managers

Engagement with our investments managers (Managers) continues to be a crucial part of our Responsible Investing Strategy and Pathway. Since 2014, we've engaged and surveyed our investment managers on ESG. During 2022, to advance our responsible investing efforts, we redesigned and significantly improved our ESG Manager Survey. During 2023, we continued to iterate our process by refining the questions included in our survey, specifically around ESG integration, stewardship and proxy voting. The survey results are an opportunity for Western to engage in a dialogue with our managers on their sustainability activities and will help inform future allocation decisions as we monitor the results and progress, through time.

Western integrates the survey findings and carbon measurements into our manager reviews and discussions, and during the due diligence process for new Managers under consideration. Where there are opportunities for managers to improve practices in certain key ESG areas, we will use these discussions to encourage action in line with Western's broader sustainability goals.

We've prioritized the following areas for engagement with our managers:

- 1 Climate change targets, impacts and climate transition
- 2 Equity, diversity and inclusion in the investment decision making process
- 3 Stewardship and engagement practices
- 4 Continued data and disclosure improvements



Key findings

25 of our 27 Managers are signatories to the PRI

74% of our Managers have a process in place for integrating climate change risks and opportunities within their core decision making framework

68% of our Managers have either set climate transition targets, or plan to set targets within the next 1–2 years

74% of Managers consider diversity and Indigenous reconciliation within the investment process, and 96% track diversity metrics for the organization

85% of Managers engage with companies/issuers on material ESG issues as part of the investment process

44% of our Managers have undertaken physical climate risk assessments for their funds and 41% track climate transition targets made by listed companies in the fund



Collaborating for Change

Western engages directly with our managers annually through our engagement survey, as well as individual interactions. In addition, we partner with the UNIE by SHARE, a 19-member strong shareholder engagement program for Canadian university endowment and pension plans. Western's participation in UNIE gives us the opportunity to engage with individual companies directly, since the vast majority of our holdings are indirectly held through pooled funds. UNIE's members represent \$46 billion in Assets Under Management, giving a collective scale to our engagements, greater than any one individual university can achieve on its own.

Western is one of five members of the UNIE Advisory Group, which contributes to the development and overall engagement plan annually. The engagement plan is primarily focused on reducing greenhouse gas emissions, which is aligned with Western's decarbonization strategy. In the last year, Western participated in 66 engagements with 40 unique companies. Of the companies engaged, more than 1/3 were involved in fossil fuel activities.

Examples of collective engagement efforts through UNIE/SHARE

Engagement is a critical part of the Responsible Investing Strategy and Pathway. Our engagement processes and collaborations are thoughtful and ongoing, involving iterative discussions that can vary from foundational work to specific topics. Usually, success unfolds over time, requiring persistent effort. Given the iterative nature of engagement, incremental progress seldom makes headline news. Nevertheless, each advance is a valuable step towards desired outcomes. The following are three examples of engagements during the last year through collaboration with UNIE:

1 In collaboration with a group of UNIE members, Canadian pension funds, foundations and other institutional investors led by SHARE, Western met and engaged with an asset manager on climate action. This resulted in the asset manager becoming a participating institution of Climate Engagement Canada (CEC) and the manager has also agreed to join engagement teams focused on soliciting meaningful climate action from high-emitting Canadian companies.

2 SHARE is a joint secretariat for CEC, which developed and released their first ever [Net Zero Benchmark](#) in late 2023. The annual assessment evaluates which of Canada's top reporting/estimated emitters are progressing towards alignment with net-zero. The Benchmark is a guiding tool for Canadian companies and investors, that will inform UNIE's engagement plans with Canada's highest emitters. We are evaluating this benchmark to consider how it might assist our strategy and pathway.

3 SHARE filed a proposal with a major Canadian bank, on which 25% of shareholders voted in favour of, calling for the bank to account for its net-zero lending practices and to also report on the effectiveness of client net-zero plans. The result is the highest vote on a climate proposal at the bank to date, and indicates growing investor attention on the importance of consistent approaches to climate change. Engagement with financial institutions is an important strategy that has a multiplier effect given their importance in the value chain for lending.



University Network
for Investor Engagement



Réseau universitaire
pour l'engagement actionnarial

Our Commitments Going Forward

Western will continue to integrate responsible investing practices throughout our investment processes and decision making.

Western remains committed to:

- Continuing to work towards our target investment allocation of 10% of the Operating & Endowment Fund in sustainable investment strategies by 2025
- Reducing our carbon intensity by at least 45% by 2030
- Achieving net-zero absolute carbon emissions by 2050, or sooner



Next Steps

Engagement through ESG surveys and UNIE remains a key focus in 2024

Review our Proxy Voting Guidelines and implement a Proxy Voting audit process

Pursue new sustainable investment opportunities across asset classes to meet our 2025 commitment

Re-run our Analytics for Climate Transition ('ACT') baseline which helps determine transition capacity in asset classes

Resources and Definitions

Our Investment Principles

-  **Meet our existing commitments**
Integrate responsible investing practices into our investment decisions, manage and monitor key ESG risks and opportunities within our investments, and practice active ownership.
-  **Deepen our commitment to Responsible Investing**
Consider new commitments that help us achieve our long-term investment goals.
-  **Transparency and reporting on our progress**
Be open and transparent with our stakeholders and report regularly on our progress and milestones achieved.
-  **Align with the University Strategic Plan over the long-term**
Align our responsible investing goals with relevant elements of the University Strategic Plan as they evolve over time.
-  **Create a flexible framework to respond to changing circumstances**
Ensure our responsible investing processes are flexible, and allow us to respond to current and future issues.



Our Responsible Investing beliefs

- 1 A Responsible Investing approach and consideration of ESG issues can enhance long-term performance and is aligned with our objective of meeting the needs of current and future generations.
- 2 Active stewardship is important for long-term value creation and for promoting best practices with our managers.
- 3 The risks posed by climate change are relevant and material to the Portfolios, and we must manage and mitigate both physical and transition climate risks in order to achieve our objectives.
- 4 An understanding of sustainability issues may lead to new investment opportunities that contribute to our Portfolio objectives.
- 5 Responsible Investing (RI) is a journey that requires continuous learning, innovation, and a dynamic and adaptive approach. Being transparent with the University community and regularly reporting on our RI progress is fundamental to our long-term journey.

The Fund

The Fund, Western’s Research Mission, and Climate Change

The Operating & Endowment Fund is the core long-term investment for Western, comprised of funds available for long-term investment and gifts from many donors that have been entrusted to Western in perpetuity. The value of the Fund as at December 31, 2023, was \$1,995.1 million. A key objective of the endowment(s) is to provide a sustainable and predictable source of funding to support university activities, and to ensure benefits of the endowment accrue to current and future students. For example, over the last five years, on average, the endowment supported student aid (43%), chairs, professorships, and fellowships (34%), and other activities including research and academic enrichment (23%).

Our endowments serve a breadth of purpose to the University community. Given the long-term nature of the Fund, we must harmonize our responsible investing goals with elements of the University Strategic Plan as they evolve over time. We recognize that Western’s investment portfolios have a significant influence on University sustainability outcomes and aligning strategies is advantageous to maximize impact. Our responsible investing policy sets the stage for Western to be an

active owner contributing to the sustainability and climate change goals of the institution.

Climate change is a global challenge, demanding contributions and resources from all sectors, industries, and disciplines. Western recognizes that universities will play a significant role in the global energy transition needed to achieve a more environmentally sustainable future.

Creating the conditions necessary where we can be proud of Western’s collective contribution to this global energy transition demands a collaborative institution-wide approach, that doesn’t limit our potential as a research-intensive university. Our responsible investing policy, and the commitments we’ve made as an asset owner, set out our conviction to be a participant in the global energy transition.

The vision we’ve set out as an asset owner supports our role as a research-intensive university that will seek out opportunities to lead collaborative interdisciplinary research and find solutions to climate change challenges. By coordinating our institutional approach to the global energy transition, our position as a participant is strengthened.

Definitions

Carbon Emissions Per \$M Invested (CO₂e/\$1M)

The total carbon emissions of an investment portfolio are calculated as the sum total of the carbon emissions of each company we are invested in, proportionate to our investment in that company. This metric can be used to accurately compare portfolios of any size. It focuses on the dollars invested and closely reflects the portfolio's contribution to emissions. The metric is calculated using \$M invested in CAD.

Note: The public equities carbon emissions were previously calculated using the issuer's market capitalization. Starting in 2020, we shifted our methodology to use enterprise value including cash (EVIC) to align with the standards set by the Partnership for Carbon Accounting Financial (PCAF) and EU regulations for EU Climate Transition Benchmarks and Paris-aligned Benchmarks.

Listed
Equity

$$\sum \left(\frac{\text{Outstanding amount}}{\text{EVIC}} \times \text{Company emissions} \right)$$

EVIC = Enterprise value including cash

Note: the value of outstanding listed equity is defined based on its market value (i.e., market price times number of shares).

Listed
Corporate
Bonds

To private companies:

$$\sum \left(\frac{\text{Outstanding amount}}{\text{Total equity} + \text{debt}} \times \text{Company emissions} \right)$$

c = borrower or investee company

To listed companies:

$$\sum \left(\frac{\text{Outstanding amount}}{\text{EVIC}} \times \text{Company emissions} \right)$$

EVIC = Enterprise value including cash

c = borrower or investee company

Note: the value of outstanding corporate bonds is defined based on the book value of the debt that the borrower owes the lender.



Weighted Average Carbon Intensity (WACI)

WACI is calculated as the sum total of the carbon emissions per unit of sales revenue of each company we are invested in, proportionate to our investment in that company. Carbon Intensity measures the portfolio's exposure to carbon-intensive companies. This measure can be applied across asset classes including equity and fixed income. It is calculated using \$M revenue in USD.

$$\sum_n^i \left(\frac{\text{current value of investment}}{\text{current portfolio value}} \times \frac{\text{issuer's emissions}}{\text{issuer's \$M revenue}} \right)$$

For **Listed Equities & Corporate Fixed Income**, the WACI represents companies' scope 1 and scope 2 carbon emissions normalized for the size of a company, based on annual revenue (tons CO2 per \$M sales). For **Sovereign Fixed Income**, the WACI represents the carbon intensity of an economy (tons CO2 per \$M nominal GDP). For **Private Markets**, the average carbon intensity of comparable listed market subsectors have been used as proxies.

Scope 1 Emissions are those from sources owned, or controlled, by the company, and typically direct combustion of fuel, as in a furnace or vehicle, while **Scope 2** are emissions caused by the generation of electricity purchased by the company.

Net-Zero Emissions refers to the decarbonization of the investment portfolios by reducing, offsetting, or removing greenhouse gas emissions, with the 'net' effect being zero. The Intergovernmental Panel on Climate Change (IPCC) has repeatedly warned that global warming must not exceed 1.5°C to limit climate change's catastrophic impacts. To achieve this, the world must reduce emissions by 45% (relative to 2010 levels) by 2030 – and drop to net-zero by 2050.



Endnotes

- 1 Total Portfolio includes all asset classes with the exception of the sovereign portion of public fixed income funds, currency hedging, money market and short-term investments.
- 2 Public companies that derive revenues from renewable energy but that are not classified under the Renewable Energy sub-industry are not included.

TCFD Reporting

The information included in this reporting has been prepared in accordance with TCFD, a global framework for disclosing the impact of climate change for Western as an asset owner. Although the work of the TCFD is complete, with the formal transfer of monitoring responsibility to the International Sustainability Standards Board (ISSB) during 2023, the framework remains highly relevant and widely adopted. Transparency and reporting are a core principle of Western’s Responsible Investing Strategy, and continuing this voluntary disclosure is in keeping with that commitment. Our disclosure is updated annually, to reflect any adjustments made to our governance, strategy, and risk management practices as well as our identified metrics and targets.

Climate-Related Financial Disclosures

Governance

a. Describe the board’s oversight of climate-related risks and opportunities.

The **Board of Governors (the Board)** is responsible for approving Western’s strategic direction, supporting the execution of the strategic plan, and the overall risk management of the University. The Board has delegated certain responsibilities to standing committees, which report to the Board approximately quarterly.

The Board, through the **Property and Finance Committee (P&F)**, has delegated responsibility for managing university investments, such as the Operating and Endowment Fund (the Fund), to the **Investment Committee (IC)**. The IC brings expert advice and knowledge to bear on the effective long-term management of the Fund, consistent with its objectives. The IC is comprised of various industry experts, including responsible investing (RI).

The IC is responsible for the oversight of University investments, setting investment strategy and objectives, and monitoring performance. The IC establishes a [Statement of Investment, Policies and Governance \(SIOPG\)](#) that guides the management of the Fund. In addition to financial objectives, the SIOPG outlines the importance of Environmental, Social, and Governance (**ESG**) factors in assessing the Funds’ performance, as well as the climate-related decarbonization objectives and sustainable investing goals supporting United Nations Sustainable Development Goals (**UN SDGs**), such as climate-action. The SIOPG, as recommended by the IC, is approved by the Board and is in alignment with Western’s climate goals.

The IC meets quarterly to review the performance of the Fund against its objectives. The IC is updated quarterly on climate-related engagement activity, as well as performance against our sustainable investing strategy. On an annual basis, the climate carbon metrics are compared to our decarbonization targets. The Board is updated quarterly, through P&F, on the IC activities, including those related to climate and RI.

b. Describe management’s role in assessing and managing climate-related risks and opportunities.

The Director, Investments, and their investment team, along with senior leadership of the institution (collectively the **Administration**), are responsible for the ongoing management of the Fund and its Investment Managers (**Managers**). Recommendations for changes to existing Managers or new investment mandates are presented by Administration to the IC and include climate-related considerations that contribute to Western’s decarbonization and sustainable investment objectives.

Administration integrates ESG and carbon-related metrics into the ongoing Manager risk and performance management processes. Core to this work is obtaining annual carbon metrics and ESG surveys from Managers. The results of this work are combined with other financial and risk metrics to form the performance review, where we can engage with the Manager on climate-related metrics and survey responses. Administration also collaborates with the [University Network for Investment Engagement \(UNIE\)](#), and is a member of the UNIE Advisory Group which helps guide the development of the network engagement program. Participation in UNIE enables Western to engage with companies on climate change-related risks.

Administration monitors the overall performance of the Fund with respect to the 2030 and 2050 decarbonization objectives by obtaining a total Fund carbon measurement and tracking the results to target(s). Administration is also responsible for investigating new sustainable investment strategies to fulfil Western’s 10% sustainable investment capital allocation by 2025, without compromising financial performance objectives.

Administration keeps up to date with relevant climate-related risks and opportunities through membership as a [Principles for Responsible Investment \(PRI\)](#) signatory, relevant industry conferences, articles, and educational opportunities. This is supplemented by working closely with and learning from the University investment consultant, Mercer Canada (Mercer), who maintain expert knowledge of RI

and climate-related issues. Administration is subject to annual performance reviews, which include consideration of ESG and Climate-related objectives of the Fund.

Strategy

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

The University recognizes that proper assessment of ESG factors, including climate-related risks, as it relates to Managers, and the underlying holdings in any investment strategy is essential for determining the true risk of any investment opportunity. The financial impact of an incomplete risk assessment, could affect financial performance of an investment strategy, ultimately impacting the endowment and the financial contributions it makes to University activities.

As acknowledged in our SIOPG beliefs and RI strategy, the risks posted by climate change are relevant and material to the Fund, and we must manage and mitigate both the physical and transition climate risks to achieve our objectives. In response, our Administration integrates ESG risk factors, inclusive of climate-related risks, into our investment decision-making process.

The Fund, by its nature, has a long-term horizon and therefore the potential risks from climate change may impact the Fund over the short, medium, and long-term. Administration commissioned a scenario analysis prepared by Mercer, to identify the potential impacts of climate change over these time frames (5/15/40 years). The analysis reflects our views that transition risks will be most profound in the short-term, while physical risks exist throughout, but will have a more significant impact in the medium to long-term.

The University continues to evolve our understanding of how transition and physical risks will impact our asset classes. While the transition risks, such as technology, market, and reputation, will have varying degrees of impact on our Fund, our view is that policy and

legal risks, which incorporate changing regulatory environments, will play the most significant role on Fund investments in the short-term.

We expect acute and chronic physical risks to exist throughout our investment time horizons but increase in severity over the medium to long-term. The ultimate severity will depend on our global path for average temperature increases by the end of the century.

Administration expects a variety of investment strategies to develop in relation to climate-related opportunities. As these strategies are developed, the Fund is well positioned to consider these new opportunities given its long-term nature. In the long-term, Administration expects these strategies will arise in asset classes that are able to capitalize on the transition to a low carbon economy while managing the complexity of that transition.

b. Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.

Western’s SIOPG incorporates climate-specific strategies, such as our decarbonization, engagement, and sustainable investment objectives.

As a signatory to the [Paris Pledge for Action, Investing to Address Climate Change: A charter for Canadian Universities](#), and the PRI, Western has joined with many institutions and organizations in pursuing action towards climate-change.

The IC and Administration integrate ESG factors into the investment decision making process, engage with Managers and companies through engagement networks for positive change on climate-action, to reduce the Fund’s carbon exposure and be transparent with our campus community about our progress. These climate-related objectives are aligned with the Fund’s objective of meeting the needs of current and future generations.

Western is recognized as a leader in sustainability, as has been demonstrated by the Times Higher Education [2022](#) and [2023](#) Impact Ranking, and the QS World University Rankings: Sustainability ([2023](#) and [2024](#)). As sustainability is important to Western, 10% of

the Fund has been allocated to our sustainable investing strategy. These targeted investment strategies are in support of the UN SDGs, including SDG#13 – climate-action. Administration has seen that investment opportunities meeting our sustainable investment and financial performance criteria have had a marked increase in opportunities in recent years, and we expect this trend to continue. The University has made four investments under our sustainability strategy in the areas of renewable energy, transitioning to a low-carbon future, and impact investments targeting sustainable development. While investment opportunities are increasing, Administration has focused on private markets, including infrastructure, for our investment opportunities as they have better exposure to renewable energy and better control over assets and their impact.

c. Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The IC and Administration believe that sector exposure will play a significant role in performance results of the Fund over the medium-to long-term. Changes to sector exposure may occur within existing Manager mandates, and the University has flexibility within the SIOPG to make asset-mix adjustments. Over the medium- to long-term, changes to the Manager line-up or the existing asset mix may be required to manage the risks associated with sector exposure. While Manager performance is reviewed annually, the asset mix is reviewed approximately every 5 years.

To help manage climate-related risks to the Fund, Administration has relied on a top-down scenario analysis to review the resiliency of the current investment asset mix. The analysis, performed by Mercer, uses a variety of climate scenarios, including 1.5°C, 2.0°C, or lower, and above 4°C scenarios. Each climate scenario incorporates a world view of economic activity, market pricing shocks, and financial returns; combined with a narrative that articulates a view of transitional and physical risks. The effects are then forecast onto the Fund to show the impact of each scenario over time (short - 5yrs, medium - 15yrs, and long-term - 40yrs).

The IC and Administration expect to utilize climate scenario analysis as a strategic tool when considering future asset mix and University investment payout policy reviews. The analysis will be repeated periodically to assess the exposures of the Fund and will require updating as scenario information evolves with real-world experience. The 2022 climate-scenario analysis indicated that our Fund is reasonably positioned under the scenarios, and our sustainable investment allocation may moderate some risk in 1.5°C and 2.0°C or lower scenarios.

In addition to managing the overall climate-related risks of the Fund through scenario analysis, the University has set a decarbonization strategy aligned with a 1.5°C scenario that is resilient because of its comprehensiveness. Administration has had Mercer perform an Analytics for Climate Transition (ACT) analysis in 2021 that helps identify where future emission reductions can be expected, and those which have transition capacity for a low carbon future. This analysis is integrated into our Manager reviews, to discuss the transition capacity inside the asset classes. Additionally, engagement through UNIE allows Western to engage collectively on climate-action with individual companies in our Fund.

Administration’s focus to reduce weighted average carbon intensity (WACI) is initially through public equity asset classes, which have more robust emissions data, while engaging with our Managers in other asset classes to improve the quality of emissions data before turning our attention to them. Every asset class is expected to contribute to carbon reduction.

Risk Management

a. Describe the organization’s processes for identifying and assessing climate-related risks.

The Fund’s climate-related risks are identified at the macro view by performing climate-scenario analysis periodically and understanding the implications from the current investment mix. This scenario-based analysis is used to generate financial implications of the Fund

to assess the magnitude of financial impacts under various climate scenarios. This is performed by Mercer and considered by the IC and Administration.

Climate-related matters may also be identified by Mercer, who supports the IC and Administration in the quarterly review of the Fund. Mercer has a dedicated global Sustainable Investment group that keeps up to date on climate-related issues. As climate-related risks and opportunities arise, or knowledge increases, Mercer shares this with Administration monthly, and the IC quarterly. For example, Mercer interviews and rates Managers on their ESG integration; this combination with other factors, is integrated into the investment monitoring and decision-making process.

Administration also engages with Managers annually through the ESG survey, which includes climate-related inquiries. The information collected through the survey informs Administration of the individual risks from the Managers view, and in combination the collective climate-related risks in the Fund.

Administration also works with other Canadian Universities to advance climate-action. As a signatory to the Investing to Address Climate Change, Administration co-ordinates this collaboration in Canada. The sharing of knowledge and best practices with each other assists Administration in identifying and assessing climate-related risks and opportunities. Collaboration is a powerful tool to help drive climate-action through our collective efforts.

b. Describe the organization’s processes for managing climate-related risks.

The IC and Administration manage climate-related risks within the Fund based on a combination of factors. Most of the climate-scenario and ACT reflect point-in-time risk of the Fund, which must also consider the future plans of Managers and the underlying investments. Managing climate-related risks is similar to managing other risks inherent in the portfolio. The risks are considered in combination with other risk and opportunities to determine if

adjustments to investments are required. In this way, climate-related risks are integrated into our normal risk management practices, Manager reviews, and due-diligence processes.

In reviewing or making decisions with respect to the Managers, Administration combines financial performance with climate-related performance. Climate-related risk factors are informed by the previously-mentioned analyses, such as sector risk (scenario analysis), transition capacity (ACT), ESG integration (ESG survey and Mercer reviews), peer benchmarking, and carbon measurements (Mercer). In managing risk, the formal review process is used to engage with the Manager on their specific climate-related risks, carbon data, and how to improve data quality, where applicable. This is also the opportunity to inform the Manager of our Fund's climate objectives and our expectations of how their actions contribute to our outcome(s). This type of engagement enables Administration to consider which Managers are on a path to contribute (or not) to our long-term climate-related goals, such as net-zero by 2050, or sooner.

The Fund's net-zero by 2050, or sooner, decarbonization objective is managed by performing an annual review of the total Fund carbon footprint, including all asset classes. Western's interim objective, a 45% reduction in weighted average carbon intensity by 2030, will be monitored against 2020 baseline measurements. The annual carbon footprint analysis helps Administration determine where progress has been made, and where future reductions may come from. The ACT assists Administration in determining which Managers have transition capacity and may inform future changes to the Fund line-up if those with limited transition capacity fail to evolve.

In addition to engaging with Managers, Administration works with UNIE, an engagement collaborative to manage climate-action with individual companies and pursue decarbonization strategies. This engagement is aimed at using the collective power of many institutional investors to effect change in climate-related risks for individual companies. This type of engagement through UNIE is required, as Western's public equity investments are primarily held in pooled funds. As a member of the UNIE Advisory Group,

Administration contributes to development of UNIE's overall engagement plan and receives quarterly engagement updates. During 2023, Western participated in 66 engagements with 40 unique companies through UNIE, the majority focused on reducing GHG emissions.

As the vast majority of Western's public company investments are held in pooled funds, the University relies on the Manager to vote on shareholder resolutions, as outlined in our SIOPG. While we engage with Managers on their voting, Administration is investigating how to improve upon our proxy voting practices, guidance provided to Managers, and proxy voting results. This is an area of continuous improvement that we expect will assist in managing climate-related risks held indirectly through pooled investments.

The IC and Administration also manage climate-related risks and objectives through asset allocation and have allocated 10% of the Fund to sustainable investment opportunities. Administration has set out a pathway to achieve the 10% allocation by 2025. Administration must carefully manage the allocations to ensure that all objectives, including financial performance, and prosper diversification, are met under the SIOPG. After an asset class has been reviewed, generally, the best ideas have been explored, and therefore, future reviews are likely to explore new asset classes.

c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Climate-related risks are included as a factor in the overall risk management of the portfolio. This includes investment decision making, whether in due diligence, or in ongoing performance reviews with Managers. Further, climate-related risks are managed at the total Fund level, with commitments for the Fund to become net-zero and to meet a 10% capital allocation to sustainable investments.

Metrics and Targets

- a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Western tracks the carbon emissions per million invested and WACI of its investments (collectively the metrics are referred to as the 'Carbon Footprint'). The selected metrics enable the IC and Administration to review the Fund's contribution to actual carbon emissions and its exposure to carbon-intensive companies. Carbon emissions metrics are completed for equity and equity-like instruments, whereas the WACI is compiled for the entire Fund, across all asset classes. Although the University has tracked carbon emissions since 2015, in 2020 baseline Carbon Footprint measurements were completed from which the decarbonization targets of the Fund will be measured against. All measurements are completed as of December 31.

Administration tracks progress towards the capital allocation against the sustainable investment strategy by using the value of the investment commitments made. By the nature of the investment opportunities that exist, the capital will be called from the Manager over time, which is tracked separately.

- b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

The carbon metrics include Scope 1 and Scope 2 GHG emissions. As the reliability of Scope 3 emissions data increases, the IC will consider including material Scope 3 GHG missions into the measurements.

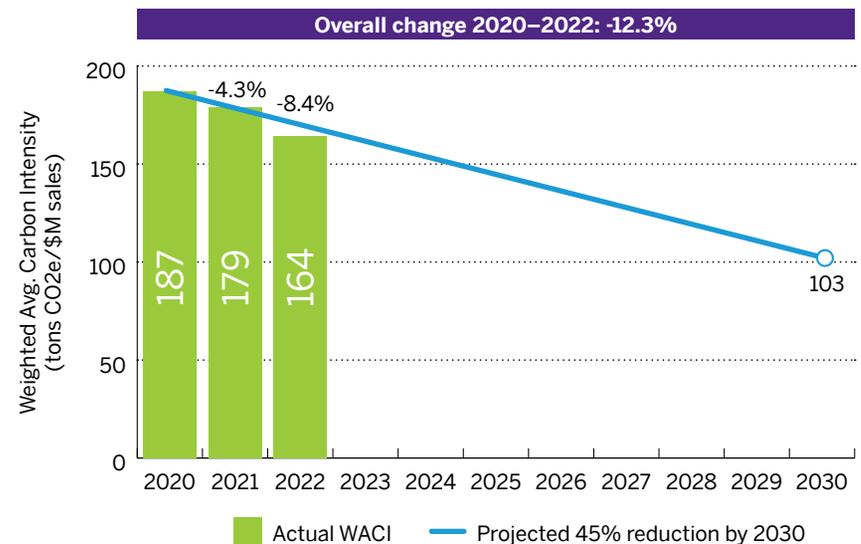
The Carbon Footprint metrics are compiled annually by Mercer, combining data from MSCI, data directly from real asset managers, and proxy data (based on indexes) for asset classes without reliable data. We continue to engage with our Managers on data reliability to reduce proxy data and improve the accuracy of our measurements.

- c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Western aims to reduce the carbon intensity of the Fund by 45% by 2030, using 2020 as a base year of measurement. Additionally, the Fund aims to achieve net-zero absolute emissions by 2050, or sooner.

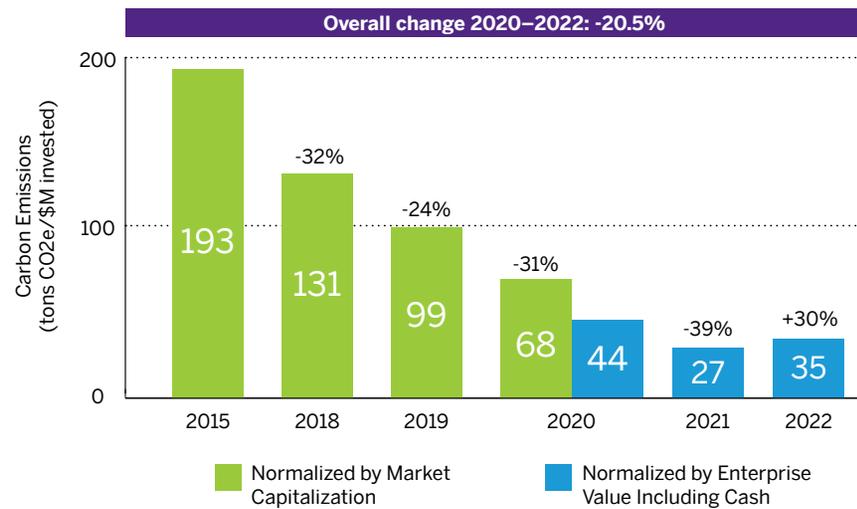
The WACI for 2022 was 171 tons CO₂e per \$M sales, a decrease of 4.5% from 2021. The WACI has decreased a cumulative 8.6% since 2020, our baseline measurement year. Administration will continue to monitor the progress towards the 2030 target as shown below:

Weighted Average Carbon Intensity



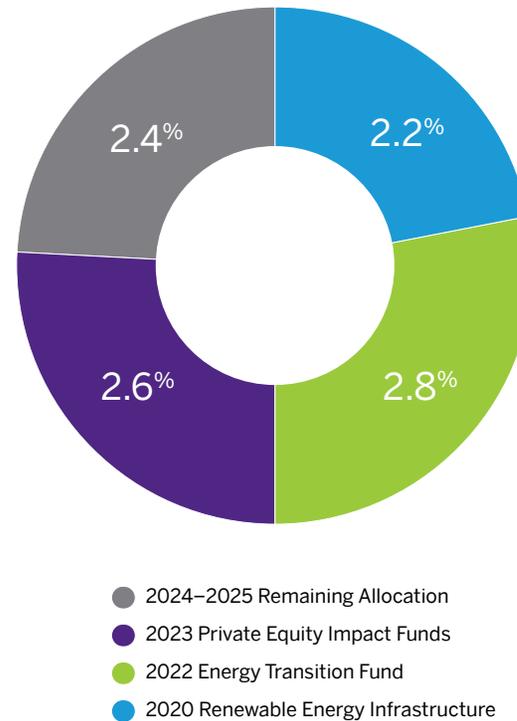
Western also tracks the carbon emissions of the public equity holdings, which increased to 35 tons CO₂/\$M invested, or 29.6% since 2021. The cumulative decrease in carbon emissions since 2020, our baseline measurement year, is 20.5%, as measured by EVIC. The chart below shows the public equity carbon emissions normalized by EVIC and by market capitalization (the measurement used prior to 2021).

Carbon Emissions – Public Equity Holdings



The University has made four allocations towards the sustainable investment strategy, representing commitments of 7.6% of the Fund. The remaining allocation is on track to be invested by 2025.

Sustainable Investments Progress





Financial Services – Treasury & Investments
Support Services Building, Suite 6100
London, Ontario, Canada N6G 1G9
Tel: 519.661.3839
uwo.ca/finance/treasury/investing.html