



UBC INVESTMENT  
MANAGEMENT

# RESPONSIBLE INVESTING REPORT 2022

## ABOUT THIS REPORT

**UBC INVESTMENT MANAGEMENT (UBCIM)** is a professional investment management company providing comprehensive portfolio management and advisory services to The University of British Columbia. Funds under management include the UBC Endowment Fund, the UBC Staff Pension Plan and the UBC Working Capital Fund. In cooperation with our key stakeholders, we have developed and advanced a comprehensive Responsible Investing Strategy to inform our investment activities and decision-making in the months and years ahead. This report outlines that strategy and highlights our responsible investing progress over the past year in support of the funds we manage.

<b>MESSAGE FROM THE CEO</b> .....	2
<b>OUR RESPONSIBLE INVESTING STRATEGY</b> .....	2
<b>2022 RESPONSIBLE INVESTING HIGHLIGHTS</b> .....	3
<b>2022 OTHER RI ACTIVITIES</b> .....	4
<b>LOOKING FORWARD</b> .....	6



**UBCIM**  
INVESTMENT MANAGEMENT

## MESSAGE FROM THE CEO



**2022 MARKED ANOTHER SUCCESSFUL YEAR** for UBC Investment Management in advancing our Responsible Investing Strategy, working on behalf of the funds we manage to embed ESG considerations as a fundamental component of our investment approach.

Last year’s Responsible Investing Report was our first; as such, it set our foundation, helped to educate audiences about our approach to responsible investing, ESG terminology and walked people through the details of our Responsible Investing Strategy. Going forward, our Responsible Investing Reports will be more concise and focus on activities and results from the prior year while providing a brief look ahead.

This Report also marks an important step in our responsible investing journey. With our strategy and a solid foundation in place, we are now leveraging the hard work done to date and seeing the benefits of the enhancements we’ve made to how we monitor and manage ESG-related risks in the funds we manage. We are expanding our focus beyond public markets to look in more depth at

private markets. And while we have responded to the objectives and needs of the funds we manage to prioritize climate-related issues, we are increasing our focus on how best to evaluate and assess risks related to social and governance factors within our investment portfolios. These are still evolving areas of understanding for the investment industry, and we are actively working with our peers and managers to establish relevant measures that can improve transparency and comparability across our portfolio.

I am particularly excited about how our Responsible Investing Strategy is aligned with our broader company strategy. We are focused on people, process and performance, and as you will see in this report, our team has done an excellent job in putting the processes in place to provide rigour and depth to our responsible investing activities, while providing the data to allow us to measure our own performance as well as the managers who we work with to make responsible investments on our behalf.

**Dawn Jia, CFA**  
President and Chief Executive Officer

## OUR RESPONSIBLE INVESTING STRATEGY: AN OVERVIEW

**ALIGNED WITH THE** United Nations-supported Principles for Responsible Investment (PRI) and our investment implementation model of working with external managers, UBC Investment Management has developed a comprehensive Responsible Investing Strategy that reflects the key objectives of the funds we manage relating to responsible investing and ESG considerations.



## 2022 RESPONSIBLE INVESTING HIGHLIGHTS

### INVESTMENTS/PARTNERSHIPS

#### Q1 2022

**UBC INVESTMENT MANAGEMENT MADE A \$40M CDN INVESTMENT** in Generation Investment Management's ("Generation") global strategy, which was followed by a substantial follow-on investment later in 2022. The strategy seeks to outperform public markets over the long term by investing in companies that provide goods and services consistent with a net zero, equitable, healthy and safe society. The Generation team has deep roots in responsible investing practices, being instrumental in the development of the United Nations Principles for Responsible Investment (UNPRI), the Global Impact Investing Network and the Sustainability Accounting Standards Board, as well as bringing awareness of climate change to the financial services sector and the broader public.

**UBC INVESTMENT MANAGEMENT JOINED MORE THAN 260 GENERAL AND LIMITED PARTNERS** in the ESG Data Convergence Initiative — a global collaboration creating a critical mass of meaningful, performance based ESG data from private companies by establishing a standardized set of ESG metrics for private markets — serving on the Operating Model Working Group. Initiative members have more than \$25T in assets under management, and more than 2,000 private companies worldwide are included in the benchmark. For more visit: <https://www.esgdc.org/>

#### Q2 2022

**UBC INVESTMENT MANAGEMENT MADE AN INITIAL \$25M USD INVESTMENT** in the Titan Eclipse Fund LP managed by Flatworld Titan LLC, a joint venture between Titan Advisors LLC and Flat World Partners. The Titan Eclipse Fund is among the first hedge fund vehicles to move the ESG mandate forward by accelerating the flow of capital toward high-quality managers who effectively and transparently integrate ESG principles into their investment research process while exhibiting strong values as a firm. As an anchor investor in the strategy, this investment is an example of how we are using our influence and capital under management to advance ESG integration within the Hedge Fund sector — a group of fund managers that has trailed its peers in adapting to the increasing importance that environmental, social, and governance factors contribute to investment performance.

#### Q4 2022

**UBC INVESTMENT MANAGEMENT MADE A \$40M USD INVESTMENT** in BeyondNetZero, the climate growth equity fund managed by General Atlantic, a leading global growth equity firm. General Atlantic has more than \$73B USD in assets under management and 40-plus years of growth equity investing experience. The BeyondNetZero strategy invests in high-growth businesses that have the potential to combat climate change at scale. UBC Investment Management allocated capital to BeyondNetZero because of its potential to yield strong investment returns while also being able to more directly accelerate climate solutions designed to assist the global economy reach emissions targets under the Paris Agreement.

**CARBON METRICS**

**IN ESTABLISHING THE CARBON FOOTPRINT** of the funds we manage, UBC Investment Management considers two measures: total carbon emissions, defined as greenhouse gas emissions per \$1 million invested; and carbon intensity, defined as greenhouse gas emissions per \$1 million of sales.

The total carbon emissions of an investment portfolio are calculated as the sum total of the carbon dioxide equivalent emissions of each company we are invested in, proportionate to our investment in that company. The total carbon intensity of an investment portfolio is calculated as the sum total of the carbon dioxide equivalent emissions per unit of sales revenue of each company we are invested in, proportionate to our investment in that company.

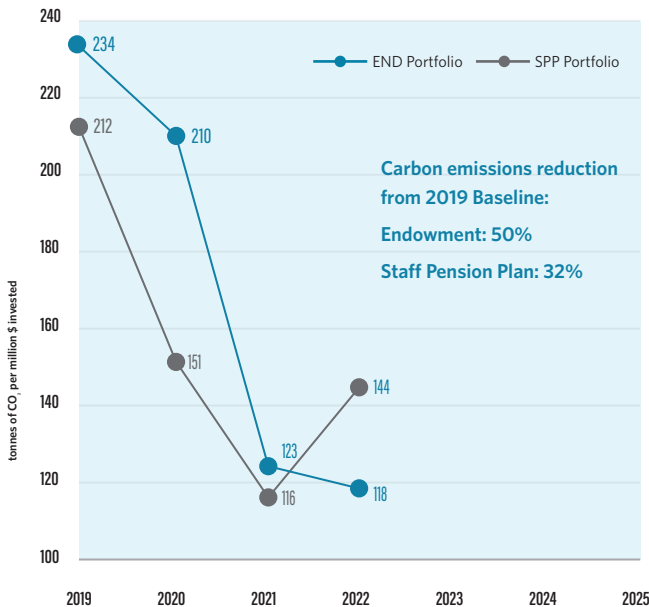
Aligned with our Responsible Investing Strategy and UBC's commitments to reduce climate-related risk in its investment funds, UBC Investment Management has significantly reduced the carbon emissions associated with the equity portfolios of our managed funds through new strategies focused on companies set to benefit from the transition toward a sustainable, low carbon economy as well as

quantitative strategies benchmarked against low carbon indexes. Further, informed by the climate risk analysis undertaken in 2021 for the UBC Endowment, our equity portfolio construction reduced overweight allocations to economies at higher risk of changing climate regulation.

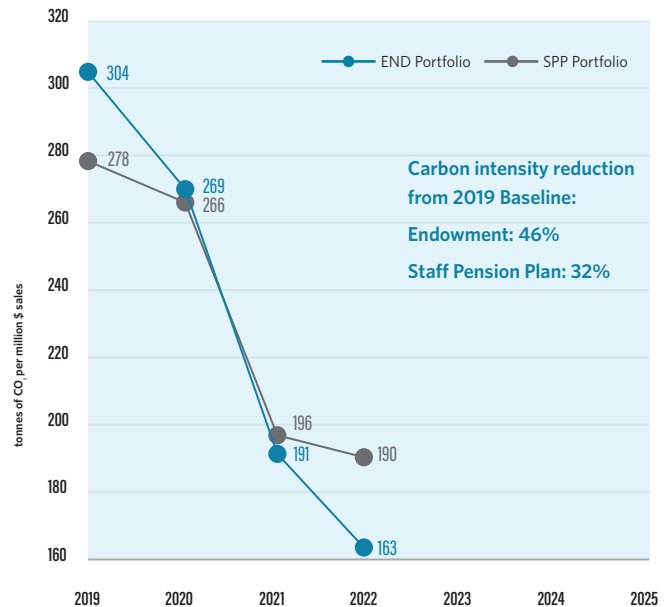
Through December 2022, the UBC Endowment Fund's carbon footprint was 50 percent below the baseline level set in 2019, while carbon intensity is 46 percent below the baseline level. The UBC Staff Pension Plan carbon footprint and intensity measures have decreased by 32 percent over the same period.

While we have made considerable early progress to strengthen the resiliency of our funds under management against an environment of growing uncertainty related to climate transition and physical risks, we recognize that further decreases in the carbon footprint of our funds will rely more heavily on the broad global economy evolving toward a low carbon model. Volatility in financial markets, like what we experienced in 2022, will also influence the carbon footprint measurement of our funds under management. UBC Investment Management is actively working to expand its measurement coverage beyond public equities, evaluating leading industry methodologies and tools in incorporating debt investments and private market assets.

**Carbon Emissions Trend**



**Carbon Emissions Intensity Trend**



## PRI REPORTING

**UBC INVESTMENT MANAGEMENT BECAME** a signatory to PRI in 2020 on behalf of UBC and the UBC Staff Pension Plan and participated in the voluntary inaugural reporting cycle for each fund in 2021. Results didn't come out until late 2022 as PRI calibrated a new assessment methodology for signatory reporting that was introduced in 2021.

The first-year results from PRI for UBC and the UBC Staff Pension Plan reflect UBC and UBC Staff Pension Plan's investment management practices in 2020. The results were encouraging, indicating strong scores relative to the median peer group in the areas of investment manager selection, appointment and manager monitoring. The results also helped identify some areas for improvement for UBC and the UBC Staff Pension Plan, some of which have been addressed through the ongoing implementation of UBC Investment Management's Responsible Investing Strategy through 2021 and 2022.

Results for the 2022 reporting cycle are expected later in 2023 and will be made public through PRI and summarized in next year's Responsible Investing Report.

## MANAGER ESG ASSESSMENTS

**IN 2021, UBC INVESTMENT MANAGEMENT** developed a proprietary, in-house Manager ESG Rating Framework to assess fund managers within the portfolio using ESG performance and measurement criteria. The evaluation framework is intended to assist in monitoring the integration of ESG considerations by our investment managers, focusing on areas of engagement with fund managers on enhancements in their investment process, and commitment to responsible investing at an organizational level. The annual assessment also provides UBC Investment Management an opportunity to share suggestions on best practices in ESG integration and reporting among manager peers. The goal is to monitor scores and trends over time to better track our managers' ESG progress.

A summary of 2022 results include:

- Staff updated evaluations on over 30 Managers
- Overall, investment managers continue to show progress in developing internal skillsets at the investment decision-making levels in assessing ESG-related risks, incorporating new datasets into the investment monitoring process and reporting to fund investors.

- One Equities Manager was downgraded due to lack of strong evidence of ESG integration
- One Fixed Income Manager and one Real Estate Manager were upgraded due to improvements in reporting to investors.

## RESPONSIBLE INVESTING INTEGRATION WITHIN OUR INVESTMENT RISK MANAGEMENT FRAMEWORK

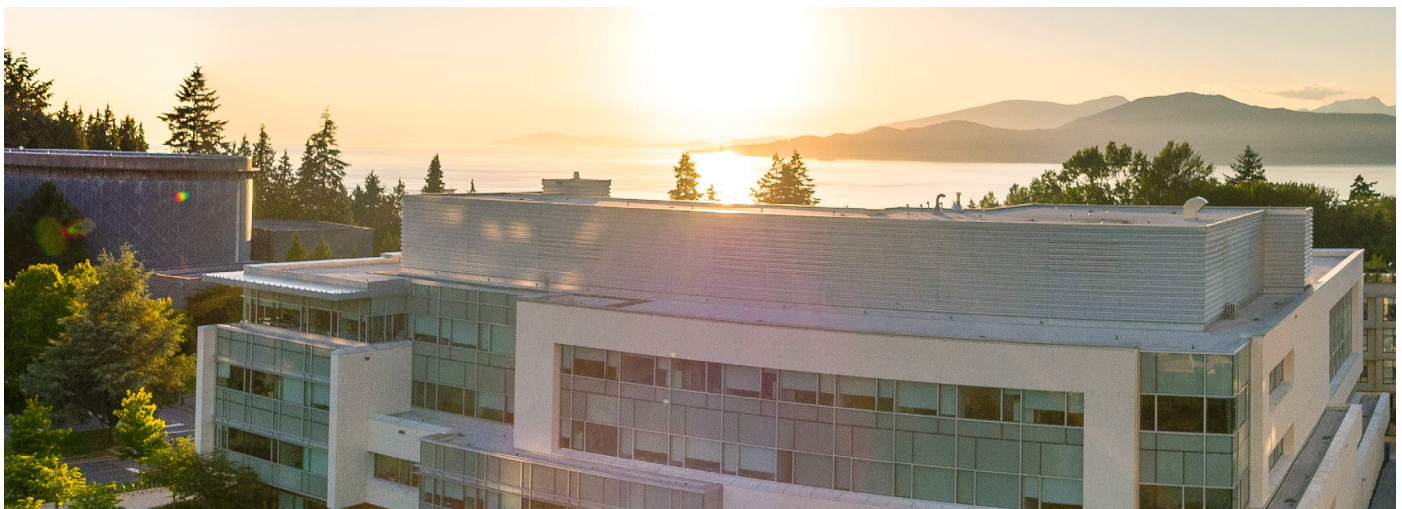
**OVER THE PAST YEAR,** we have worked to formalize a new Investment Risk Framework that provides our investment team and our Board with a holistic view of investment risks facing each of the funds we manage. The Investment Risk Framework includes four risk categories:

- Payout Risk
- Asset Allocation Risk
- Liquidity Risk
- Manager Risk

Given the multi-dimensional nature of Environmental, Social and Governance factors and their impact on the broader investment decision-making process, from risk tolerance and asset class selection to manager security selection, we believe investment risk related to ESG factors should not be treated as a standalone bucket, but rather integrated into our analysis across the framework.

For example, when assessing Payout Risk, ESG risks are incorporated into the forward-looking modelling of investment portfolio returns and scenario testing to understand the future risks to achieving our internal partners' long-term financial objectives. When assessing Manager Risk, our initial due diligence process and annual Manager ESG Assessments are designed to inform the team of the materiality of ESG risk in each strategy, the strength of each manager's ESG integration to mitigate risks, and the level of reporting transparency provided to investors.

We will continue to provide updates and visibility on this issue to our Board on an ongoing basis.



## LOOKING FORWARD

### ADVANCING OUR MONITORING OF SOCIAL AND GOVERNANCE METRICS OF THE FUNDS WE MANAGE

ESG investing is meant to shine a light on the Environmental, Social and Governance aspects of an investment or portfolio. To date, the industry has been focused on establishing consistent and verifiable metrics for climate reporting, while social justice and governance factors have not been advanced to the same degree.

Because social and governance considerations are an emerging area of risk management for institutional investing, there are not yet well-established metrics with strong consistency and coverage across public markets to allow investment managers to build a critical mass of investment models seen through this lens. Still, these are important issues to the university community we serve, and UBC Investment Management is using the Leadership lever of our Responsible Investing Strategy to advance our work in this area. In 2022, we began building a foundation by conducting peer reviews to establish best practices, as well as beginning testing of different data platforms as a first step in establishing metrics that can be used to further develop an approach to monitor non-climate responsible investment related risks.

### TCFD REPORTING IMPLEMENTATION

The Task Force on Climate-Related Financial Disclosures (TCFD) was established in 2015 and has become the global benchmark for climate-related disclosures, endorsed by the Canadian Government, CPA Canada, and the Principles of Responsible Investment (PRI).

TCFD recommendations were created by the Financial Stability Board, an international body that monitors and makes recommendations about the global financial system, to provide an organization's stakeholders with the necessary information to assess climate-related risks and make informed investing decisions in the areas of Governance, Strategy, Risk Management and Metrics.

UBC Investment Management is currently at work on our first TCFD Report and will provide an update in our next Responsible Investing Report.