



UBC INVESTMENT
MANAGEMENT

RESPONSIBLE INVESTING REPORT 2023

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.

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UBCIM
INVESTMENT MANAGEMENT



MESSAGE FROM THE CEO



I AM PLEASSED TO SHARE UBC Investment Management's 2023 Responsible Investing Report.

This year, our focus has been strengthening our responsible investing analytics and leveraging our new investment risk and portfolio administration systems to deliver faster and more granular information to our team. Strong analytics enhances the feedback loop of information that we use to continually integrate ESG factors into our decision-making process and monitoring practices. Combined with our success so far in managing our portfolios to understand and reduce climate related risks that continue to be front-of-mind as we look forward, we are well positioned in delivering on our Responsible Investing Strategy.

Establishing reporting standards to help the industry provide consistent, replicable responsible investing disclosure and measurement is something we wholly support. In 2023, we completed the reporting requirements on behalf of the funds we manage as signatories of the United Nations-supported Principles for Responsible Investment (PRI) — an important deliverable for all those involved. We were pleased to see that our practices in asset allocation and manager selection and monitoring were assessed strongly reflecting the hard work of our team to focus on enhancing our holistic responsible

investing practices. I want to thank our team for the work on these and other measurement and disclosure activities we undertake.

This past year also saw the financial industry make progress around a common framework on climate-related financial disclosures, with the release of inaugural standards by the International Sustainability Standards Board. We welcome the development of this sustainability reporting standard as it will further enhance disclosures from corporate organizations and investors. As we seek to expand our measurement coverage of ESG metrics across additional asset classes over time, the adoption of standardized reporting frameworks will propel those efforts — particularly for private markets investments.

Recently, there has been a great deal of discussion about the future of ESG and responsible investing. While debate is always welcome, we at UBCIM benefit from working with the broader UBC community, a recognized global leader in sustainability, social justice and climate-related action. We support UBC's commitments in these areas and will continue to provide the best expertise and counsel possible to help the funds we manage achieve their responsible investing goals.

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 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. The key pillars of the Responsible Investing Strategy are:



2023 RESPONSIBLE INVESTING HIGHLIGHTS

PRI Reporting & Assessment Results

UBCIM BECAME A SIGNATORY TO THE PRI in 2020 on behalf of UBC and the UBC Staff Pension Plan and strongly supports the six Principles of the PRI and the organization's commitment in progressing strong ESG-integration and stewardship practices among asset owners and investment managers. In 2023, UBCIM completed reporting to the PRI on the investment practices of UBCIM, UBC and the UBC Staff Pension Plan. The reporting process we undertook and assessment by the PRI provides UBCIM with useful information on evolving best practices in responsible investment implementation and how we compare to a peer group of fellow signatories that are also committed to the PRI standards.

The results of the 2023 reporting were encouraging. UBCIM's practices under investment manager selection and monitoring were assessed among asset owner peers as being at-or-above the global median level across nearly all asset classes. UBCIM's due diligence process in underwriting investment strategies and regular monitoring practices scored strongly against best practices. Compared to our inaugural reporting year in 2021, UBCIM's strong results reflected the implementation of several key initiatives under our Responsible Investing Strategy, including the formalization of our Active Ownership Guidelines and annual Manager ESG Assessment framework, carbon emissions footprint reporting and the integration of climate risk analysis in strategic asset mix development. Assessment results for UBC and the UBC Staff Pension Plan are available through the PRI website.

Leveraging Technology Enhancements to Advance RI Measurement and Disclosure

2023 MARKED UBC INVESTMENT MANAGEMENT'S first year deploying two new technology platforms: an advanced investment risk management system and a portfolio management system that provide the critical information we need to drive risk and performance insights in managing our portfolios. The new systems provide the necessary analytical tools — and, from a data perspective, the single source of truth — to provide our investment team better data to inform decision-making.

A key component of implementing these two systems was to build the same detailed portfolio structure that enables UBCIM to view risk and return attribution metrics at the total portfolio level and drill down to the investment strategy level. Similarly, using these new tools, the team is able to efficiently combine security-level portfolio exposures with third-party ESG data metrics to monitor climate risk metrics along with social and governance metrics within UBCIM's managed portfolios. With these metrics stored within a database infrastructure, the team is now able to leverage visualization software to view the data at an aggregated level over time or compare a number of investment strategies, enhancing our ability to monitor investment manager metrics.

Enhancing our Carbon Measurement Framework

IN 2023, UBCIM IMPLEMENTED a new carbon measurement framework in alignment with the Global Greenhouse Gas Accounting & Reporting Standard. The Standard is developed by the Partnership for Carbon Accounting Financials (PCAF), an industry-led initiative created in 2015 to enable consistent measurement and disclosure of greenhouse gas emissions for the financial industry.

The PCAF standards still allow us to measure both the carbon intensity and the carbon emissions in our portfolios to establish the overall carbon footprint, however the adoption of the PCAF standards will enable UBCIM to follow an industry standard as we measure and report on a greater share of our multi-asset class portfolios over time. Shifting to this new methodology has enabled UBCIM to begin reporting its Carbon Footprint and Carbon Intensity metrics in 2024 to include public equity and corporate bond exposures, covering 45% of the UBC Endowment Fund and 37% of the SPP Portfolio. We intend to continue to grow the portfolio coverage of our carbon reporting metrics over time utilizing the PCAF framework.

2023 MANAGER ESG ASSESSMENTS

UBCIM'S INVESTMENT TEAM ONCE AGAIN

conducted our annual review using our in-house Manager Assessment framework to assess the ESG performance of each external Manager we have engaged with on behalf of the funds we manage.

Our evaluation is intended to both assist in monitoring risks and highlight areas where we may engage with our Managers to improve and enhance their ESG integration and active ownership activities. We also track the Managers' responsible investing progress since our initial investment. This aligns with our investment sourcing strategy, which aims to develop meaningful and trusted partnerships with investment managers. Our rating methodology is not a checklist or compliance activity but a foundational element of our due diligence process. It leverages both quantitative information and qualitative evidence to

objectively evaluate the relative importance of ESG factors to each asset class/strategy with each investment manager.

In 2023, we reviewed over 45 Managers, adding three new Managers based on their ESG processes and performance, using our assessment tool as part of our holistic due diligence and selection process. Through our annual review, we noted improvements among our public fixed income managers in their level of ESG integration in the security selection process, as well as their reporting practices on climate risk metrics to fund investors. UBCIM also noted ongoing improvements amongst its Real Assets managers in measuring environmental and energy metrics and reporting on progress toward efficiency targets.



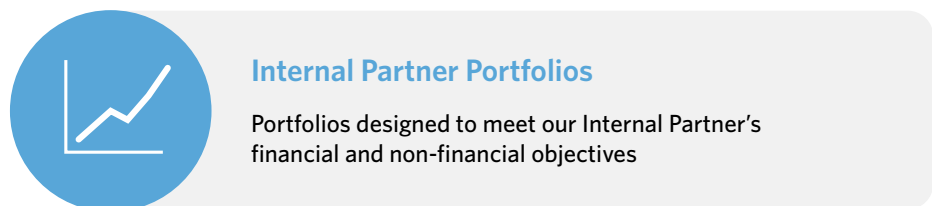
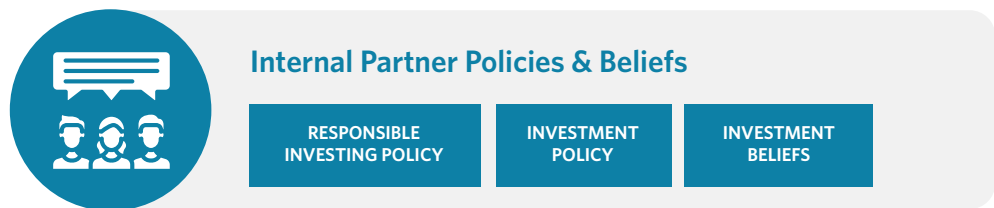
HOW GOVERNANCE SUPPORTS UBCIM'S RESPONSIBLE INVESTMENT STRATEGIES

IN KEEPING WITH OUR BROADER GOVERNANCE STRUCTURE, UBCIM has developed an approach to implement strong responsible investing practices for the benefit of all UBCIM's funds under management while retaining the flexibility to implement specific priorities of the UBC Board of Governors and the UBC Staff Pension Plan Board (SPP Board), including climate risk-related targets.

Our framework identifies three fundamental elements of responsible investing that UBCIM implements for each of our managed funds:

- **FIDUCIARY RESPONSIBILITY** – Acknowledging the importance of our Internal Partners' financial objectives and UBCIM's role in helping achieve them by generating investment returns;
- **ESG INTEGRATION** – The incorporation of environmental, social and governance considerations in asset allocation, portfolio construction and the underwriting and monitoring of investment managers; and
- **ACTIVE OWNERSHIP** – Ongoing engagement that UBCIM has with our investment managers to ensure the capital we invest aligns with our Internal Partners' goals and stewardship priorities are shared in the investment community.

UBCIM also incorporates our Internal Partners' investment policies and responsible investing priorities into the portfolio construction and manager selection process, resulting in funds designed to meet UBC Endowment and UBC Staff Pension Plan's financial and non-financial objectives.



OUR APPROACH TO MANAGING CLIMATE RISKS AND OPPORTUNITIES

Assessing Climate Risks and Opportunities

ESG risks are fully integrated into the overall investment risk framework at UBCIM, including climate risks. In implementing our risk framework’s four broad categories — Payout Risk, Asset Allocation Risk, Liquidity Risk and Manager Risk — we embed processes that consider the impacts of a changing climate at the total portfolio level as well as at an investment strategy level to ensure we are informed of risks and monitor them effectively. The two primary ways we do this is through climate risk modelling and through our Manager ESG Assessments.

At the asset class level, UBCIM has worked alongside a leading provider of climate risk modelling to develop an understanding of the unique climate-related risks that face different economic sectors and geographic regions across a range of climate pathways, including those that contemplate temperature warming of 2 degree or less, as well as scenarios that consider significant warming of the planet. This knowledge and data gathered from the analysis informs our investment team in the consideration of climate risks of different asset classes, sector exposures and geographic exposures, and is used by the investment team when considering new investments and strategies. This work also provides our investment team with valuable insights into climate-related investment opportunities that have emerged to help transition toward a lower carbon economy.

At the investment manager level, our underwriting and monitoring represents an important process to mitigate and manage ESG-related risks in our managed funds. This process is critical in ensuring that external investment teams we work with understand and manage climate risk in a robust way. Our investment process for approving a new investment strategy includes a rigorous review of the investment manager’s ESG factor integration processes and their ability to understand and manage these risks. Each investment recommendation memo must include a completed Manager ESG Assessment. The Manager ESG Assessment is discussed by UBCIM’s investment team as part of the formal review for approval. All approved investment managers must also receive annual re-assessments.

A key pillar of our Responsible Investing Strategy is a commitment to active ownership. We select investment managers that share and implement our active ownership philosophy. UBCIM expects investment managers to engage with their portfolio companies on all relevant ESG-related matters. Engagement often requires persistent and repeated interactions possibly through multiple channels and over time. UBCIM engages with its investment managers to seek evidence of thoughtful engagement with portfolio companies and progress on improving identified issues.

UBCIM evaluates the alignment of managers’ proxy voting policies with UBC’s ESG priorities and industry-leading providers (e.g., ISS; Glass-Lewis). We expect managers of the public equity securities in our portfolios to use their proxy votes thoughtfully to promote responsible investing best practices, including transparency on how investee companies are addressing climate-related risks and opportunities.

UBCIM ESG MANAGER ASSESSMENT FRAMEWORK



2023 Climate Metrics & Targets

In establishing climate metrics we use to monitor 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 in alignment with the Partnership for Carbon Accounting Financials methodology. For publicly traded portfolio exposures, the Standard relies on the same company-reported emissions data as UBCIM has used in our prior reports. However, rather than measuring a portfolio's share of a company's emissions based on the market capitalization of equity, the Standard considers a portfolio's share of a company's emissions based on the market capitalization of both its equity and debt (i.e., Enterprise Value). Our carbon emissions calculations for the period ended December 31, 2023, include public equity and corporate bond exposures, covering 45% of the UBC Endowment Fund and 37% of the SPP Portfolio.

Climate-related principles or targets that UBCIM implement are approved by our Internal Partners at UBC and the UBC Staff Pension Plan Board respectively, and are incorporated into policies that provide direction to UBCIM. When a climate-related objective

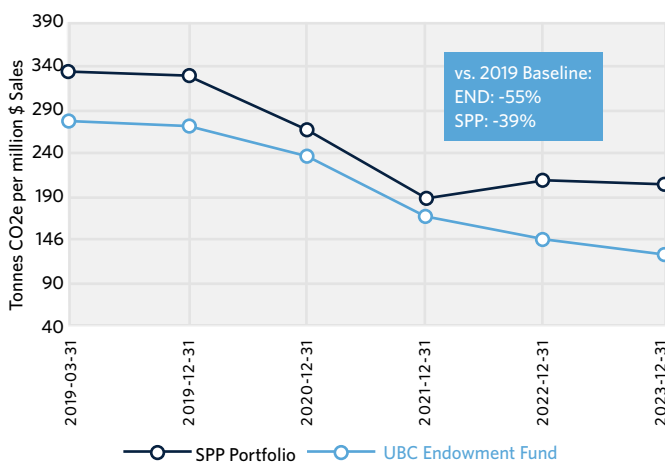
or target is approved in a policy, the UBCIM Board and team are responsible for meeting these objectives or targets. The UBC Board of Governors has approved two specific targets for UBC's Endowment Fund in its Statements on Responsible Investing: to reduce the portfolio's carbon emissions footprint by 45% by 2030 compared to a 2019 baseline and to fully divest from fossil fuel extracting companies by 2030.

2023 Climate-related results

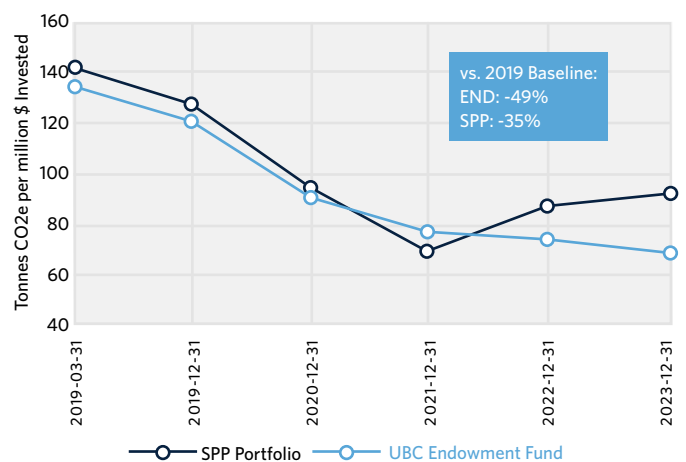
Through December 2023, the UBC Endowment Fund's carbon emissions footprint was 49% below the baseline level set in 2019, considering Scope 1 and Scope 2 emissions, while the Fund's carbon intensity is 55% below the baseline level. These results compare favourably against UBC's stated carbon reduction targets for the UBC Endowment Fund to reduce portfolio emissions by 45% by 2030. In addition, the Endowment Fund's carbon intensity level was 27% lower than its benchmark at December 31, 2023.

The UBC Staff Pension Plan's carbon footprint and intensity measures have decreased by 35% and 39%, respectively, over the same period. The portfolio's carbon intensity was 12% below its benchmark.

Carbon Emissions Intensity Trend



Carbon Emissions Trend





LOOKING FORWARD

AS WE LOOK TO 2024, our focus remains on enhancing our data analytics and broadening our reporting capabilities. Adopting the PCAF carbon accounting framework provides guidelines to advance our portfolio reporting beyond public assets, which will be a priority as we push to increase the coverage of the multi-asset class portfolios we manage on behalf of UBC. This work will take UBCIM some time to develop, but we have begun to review the data requirements and engage with our peers and investment managers to generate a fuller picture of climate risk in our managed portfolios.

In addition to the risks related to portfolio carbon emissions, investment opportunities are being created by the energy transition and UBCIM is actively investing in strategies aligned with a lower carbon economy.

Beyond climate-related datapoints, social and governance considerations are an important, emerging area of risk management for institutional investors. While there are not yet well established metrics with strong consistency and coverage across public markets to allow institutional investors to develop robust strategies in this area, UBCIM has established an initial set of non-climate related data metrics to begin tracking regularly in the portfolios we manage. We will continue focusing on enhancing our own monitoring processes around these social and governance metrics and will focus engagements with our investment managers to ensure they have strong processes for considering these factors when making investments.