SUSTAINABLE INVESTING REPORT 2021

MARCH 2022

York University Endowment Fund
Board Investment Committee

YORK UNIVERSITÉ UNIVERSITY

SUSTAINABLE INVESTING REPORT

Background

In 2018, the Board approved revisions to the Endowment's Statement of Investment Policies and Procedures (SIPP) to reflect the University's commitment to sustainable investing. During the ensuing years, York has become a founding member of the University Network for Investor Engagement (UNIE) and is a member in good standing for the Responsible Investment Association (RIA), the Canadian Coalition for Good Governance (CCGA), and the Carbon Disclosure Project (CDP).

York's sustainable investing strategy integrates environmental, social and governance (ESG) factors in the overall management of its endowment portfolio. The University believes that these factors can affect risks and returns, and that organizations that effectively manage ESG factors are more likely to endure and create sustainable value over the long term. The University's approach to sustainable investing is evolving, and will adapt as the linkage between ESG factors and risks and returns become better understood over time.

The University also believes active engagement through its investment managers is an effective approach in assessing ESG factors, and that an active approach will generate better and sustainable returns relative to a negative screening process, which would arbitrarily exclude certain investments.

The Sustainable Investing Report reflects the University's pledge to report to the community on how the University integrates ESG practices in the management of its portfolio.

YORK'S COMMITMENT

York University's commitment states that:

1. **The University will monitor Investment Manager ESG integration and engagement on a regular basis. Such monitoring will include an annual reporting process to the University on incorporation of ESG factors by Investment Managers.**
2. **The University will report annually to the University community, as part of its overall reporting of investment performance, on how managers incorporate ESG factors in their evaluation process.**

Investment managers are required to provide the University with information on the following:

i. An enumeration of ESG factors that were incorporated in the investment decision-making and portfolio construction for York's investment, such as a particular ESG category or categories (i.e. environmental, social, or governance) and/or specific factors within those categories;
ii. An explanation of the methodology used to incorporate these ESG factors;
iii. A description of the scope of the application of ESG factors (i.e. are these factors applied to the entire portfolio, or only certain sectors, or types of investments?); and
iv. A copy of any ESG or related policies that they have, that apply to York's investment.

To avoid repetition with previous year's reports, the scope of the request for 2021 was streamlined with investment managers providing the following:

i. An update on ESG integration developments for their investment strategy.
ii. A carbon footprint of their portfolio in the form of its carbon intensity reading.
iii. A summary of future ESG and sustainability initiatives.

United Nations Principles for Responsible Investment

All of York's investment managers abide by the six United Nations Principles for Responsible Investment (UN PRI), listed below.

- **Incorporate ESG issues into investment analysis and decision-making processes.**
- **Be active owners and incorporate ESG issues into their ownership policies and practices.**
- **Seek appropriate disclosure on ESG issues by the entities in which they invest.**
- **Promote acceptance and implementation of the Principles within the investment industry.**
- **Work together to enhance the effectiveness in implementing the Principles.**
- **Report on activities and progress towards implementing the Principles.**

The PRI represents a framework "by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large". (http://www.unpri.org)

The responses to York University's Endowment Investment Managers appear in the following order:

Investment Manager	UN PRI Signatory	Date Signed
Equity Managers		
1. Baillie Gifford	Yes	26 June 2007
2. C Worldwide	Yes	21 December 2011
3. Harris Associates LP	Yes	12 February 2019
4. Lazard Asset Management LLC	Yes	11 December 2014
5. Morgan Stanley Investment Management	Yes	26 July 2018
6. TD Asset Management	Yes	3 July 2008
7. Unigestion	Yes	25 March 2013
Fixed Income Managers		
1. RBC Global Asset Management	Yes	26 August 2015
2. Manulife Asset Management	Yes	1 December 2015
3. Stone Harbor Investment Partners LP	Yes	21 June 2012
Real Estate Managers		
1. BentallGreenOak	Yes	13 March 2008
2. Landmark Partners	Yes	10 October 2016

HIGHLIGHTS

- The carbon intensity of the equity portion of the endowment's investment portfolio has decreased by 61.9% since 2016. Two investment managers have added scope 3 emissions to the scope 1 and scope 2 emissions that the majority of investment managers report.
- York's Investment Committee has committed over 14% allocation of the endowment fund to direct sustainable investments, in the form of sustainable-focused infrastructure.
- Engagement with portfolio companies is being enacted through the SHARE UNIE program. Seven engagements and their progress are documented herein.
- Current and future investment managers are expected to demonstrate a commitment to ESG principles and sustainability. While every investment manager integrates ESG using their own philosophy and methodologies, they are also assessed by York's Investment Committee, consultants, and staff.

This report demonstrates the commitment of York's investment portfolio managers to actively manage ESG risks in their investment decisions and build upon those approaches. The responses from York's investment managers appear in the following section.

INVESTMENT MANAGER ESG INTEGRATION

Baillie Gifford – Global Equity Manager (Long Term Global Growth Fund (LTGG))

2021 Developments

Baillie Gifford published its first firm-wide Task Force on Climate-related Financial Disclosures (TCFD) report in March 2021 and joined a global reporting initiative roundtable hosted by the Investment Association to work with the Sustainability Accounting Standards Board (SASB) to make it easier for companies to report their sustainability metrics

Carbon Intensity

Baillie Gifford views carbon footprinting as a useful tool but does not set a target, as it argues that a footprint number will fluctuate over time for reasons that do not indicate improvement or deterioration in the carbon efficiency of portfolio companies. The carbon intensity of the LTGG portfolio is shown in tons of carbon dioxide equivalent (tCO2e) per million dollars invested.[1]

LTGG Portfolio	
Year	**Carbon Intensity t CO_2e / CDN$M**
2020	13.8
2021	2.0

Future Developments

LTGG is now in the process of producing its own TCFD report specific to its clients' portfolios.

[1] Based on the ISS-Ethix Climate Solution carbon footprinting tool, MSCI ACWI = Morgan Stanley Capital International All Country World Index

C WorldWide – Global Equity Manager (Global Equities)

2021 Developments

During Q1 2020, C WorldWide Asset Management (CWW AM) became signatory to Climate Action 100+. In October 2021, CWW AM released its first Annual Sustainability and TCFD report. Since committing to TCFD as an official supporter, CWW AM has worked with the framework to apply at a firm level and integrate into its investment practices. In addition to addressing climate related financial implications, the annual sustainability report includes insights on CWW AM's stewardship activities. The report is available on the C Worldwide website https://cworldwide.com/downloads/sustainable-investing/

Carbon Intensity

CWW AM Portfolio	
Year	**Carbon Intensity t CO_2e / US$M**
2020	67.6
2021	47.6

CWW AM equity pool's carbon intensity was reported as 47.58.6 tCO_2e per US$ 1M invested.[2]

Future Developments

CWW AM believes that there will be a strong focus on nature-based climate initiatives. These include:

- Nature Action 100 (as Climate Action 100+)
- Task force on Nature-related Financial Disclosures (TNFD) (as TCFD)

CWW AM has stated that while these initiatives are in their infancy, they will grain traction once the Nature Action 100 and TNFD frameworks are finalized and published in 2022 and 2023 respectively.

[2] **Source: Pier 21 C Worldwide ESG Annual Report.**

Harris Associates – Oakmark Global Pooled Fund (Global Equities)

2021 Developments

Harris created an ESG data platform for the investment team, which will be built further in 2022. The data platform is designed to aid in data sourcing and provide for a more efficient platform for the investment team to access data for ESG integration during the investment research process. Harris has also strengthened its governance structures around responsible investing by adding board-level oversight as a formal part of the process.

Carbon Intensity

Oakmark Global Pooled Fund Portfolio[3]	
Year	**Carbon Intensity t CO_2e / CS$M**
2020	57.91
2021	36.22

Future Developments

During 2022, Harris will continue to build out the ESG data platform by adding more data sources and developing the interface in consultation with the investment team. In addition, the firm is also developing an ESG engagement tracking tool to increase the level of transparency that they are able to provide in this area. Work is also being done on the capabilities required to create a climate risk report aligned with TCFD recommendations.

[3] Source: ISS ESG Climate Impact Assessment.

Lazard Asset Management – Global Equity Franchise (Global Equities)

2021 Developments

There were no changes to Lazard's Global Equity Franchise's investment philosophy or portfolio construction process in 2021. The investment process for the Lazard Global Equity Franchise strategy hinges on the long-term valuations of companies. Analysis for each company is conducted from a bottom-up perspective. The company valuations consider all factors at the security level that Lazard's analysts think will have a financial impact, including those associated with ESG. Lazard may choose not to own a particular company due to an ESG issue or may adjust the position size or target price to reflect the ESG risk. While a portfolio manager/analyst is never prohibited from purchasing or holding a position due to an ESG issue, those issues are considered as part of the investment decision. ESG factors described are applied across the entire portfolio but, there are certain sectors (tobacco, aerospace and defense, oil, gas, and consumable fuels) which are removed or subject to additional scrutiny due to environment, societal license, and other ESG issues.

Carbon Intensity

Lazard Global Equity Franchise Portfolio [4]	
Year	**Carbon Intensity t CO_2e / US$M**
2020	95.3
2021	49.1

Future Developments

Lazard has made the following documents available to the public:

- Sustainable Investment Report
- Sustainable Investment and ESG Integration Policy
- Climate Change Investment Policy
- Proxy Voting Policy
- Engagement Policy

[4] **Source: Sustainalytics Carbon Portfolio Report.**

Morgan Stanley Investment Management – Global Opportunity Fund (Global Equities)

2021 Developments

In 2021, Morgan Stanley Investment Management (MSIM) Global Opportunity Fund engaged with portfolio companies of various topics, including:

- Financial Inclusion and Risk Management in Banking
- Diversity, Culture and Economic Empowerment in Payments Solutions
- Sustainable Consumption and Working Conditions in E-Commerce
- Resource Efficiency in Beverages
- Renewable Energy Transition in Semiconductors

The portfolios have been fossil-free since 2013.[5]

Carbon Intensity

MSIM Global Opportunity Fund Portfolio [6]	
Year	**Carbon Intensity t CO_2e / US$M**
2020	12
2021	2

Future Developments

MSIM's annual ESG and Sustainable Investing Report is available to the public. It summarizes engagement initiatives with portfolio companies and the Global Opportunity Fund's carbon intensity.[7]

[5] "Fossil free" in this case means that the portfolio does not hold coal, oil or gas companies involved in the extraction of fossil fuel reserves.
[6] Source: MSIM, Carbon Disclosure Project, MSCI ESG Research LLC. Data is based on an estimate of scope 1 and 2 carbon emissions.
[7] https://www.morganstanley.com/im/publication/insights/investment-insights/ii_esgandsustainableinvestingreport_us.pdf

TD Asset Management – Low Volatility Global Equity Fund (Global Equities)

2021 Developments

TD Asset Management (TDAM) engagement with companies focused on three categories:

- Companies with poor ESG performance
- Climate Change
- Diversity and Inclusion

Carbon Intensity

TD Emerald Low Volatility All World Equity Pooled Fund Trust Portfolio [8]	
Year	**Carbon Intensity t CO_2e / US$M**
2020	571.77
2021	446.74

TDAM stated that the majority of carbon intensity in the portfolio stems from utility holdings.

Future Developments

In 2022, TDAM is looking to deepen and expand on the previous year's efforts and are considering incorporating other areas of focus such as Human Rights, Indigenous Rights and Biodiversity.

TDAM's Sustainable Investing Policy is available to the general public, as are TDAM's Responsible Investing Transparency Reports.[9]

[8] Data provided by TDAM.
[9] TDAM's Responsible Investing Transparency Reports in support of UN PRI and Sustainable Investing Policy are available at this link https://www.tdaminstitutional.com/tmi/content/AU_CorpVision?language=en_CA

Unigestion – All Country World Equities Fund (Global Equities)

2021 Developments

Unigestion made a major update to its Responsible Investment Policy in 2020 and continued to enhance the Policy in 2021 to meet its responsibilities as set out under the Sustainable Finance Disclosure Regulation (SFDR) that came into effect on 10 March 2021. The SFDR has set up a clear typology and a clear set of rules for products promoting ESG or sustainability in order to prevent greenwashing. During Q3 2021, Unigestion aligned all of its equity funds (except Swiss) with 2 degrees aligned trajectory based on Science Based Target initiative (SBTi) methodology. Earlier in the year, Unigestion allied with the Sustainability Accounting Standards Board (SASB) and formally signed on as supporters of the Task Force on Climate-related Financial Disclosures (TCFD). Unigestion also became a member of the FAIRR initiative, a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production.

Carbon Intensity

Unigestion All Country World Equities Fund Portfolio[10]	
Year	**Carbon Intensity t CO_2e / US$M**
2020	106
2021	392

Future Developments

Unigestion will continue the ESG Data Convergence Project it launched in September 2021. The Project aligns on reporting on six metrics: scope 1 and 2 greenhouse gas (GHG) emissions with scope 3 being optional, renewable energy, board diversity, work-related injuries, net new hires, and employee engagement, and more metrics will be added in the future. In addition, Unigestion supports the As You Sow movement which calls for a legally binding global treaty on plastic pollution.

Unigestion's responsible investment policies and reports are available to the public.

[10] **Source: Trucost. Unigestion calculations. GHG Intensity is the total carbon emission divided by revenues (in tons of CO2 equivalent by USD million of revenues). It includes direct and first tier indirect emissions. i.e., Scope Emissions (Direct Emissions) + Scope 2 Emissions (Emissions of Energy suppliers) + Scope 3 Emissions (Emissions of supply chain).**

RBC Asset Management – Bespoke Fixed Income Portfolio (Global Fixed Income)

2021 Developments

The global fixed income (GFI) mandate managed under RBC Asset Management (RBC GAM)'s umbrella portfolio incorporates BlueBay and Philips Hagar & North (PH&N) strategies. BlueBay has updated its ESG Investment Policy to align with the EU SFDR and published an Annual Stewardship Report in March 2021. The firm continued to play an active role to advance ESG thinking and practice in fixed income investing through collaborations, partnerships, and initiatives. New initiatives that BlueBay joined included Global Impact Investing Network (GIIN) and Pensions for Purpose. A summary of initiatives is available on the BlueBay website.

Carbon Intensity

RBC GAM Bespoke Fixed Income Portfolio[11]	
Year	**Carbon Intensity t CO_2e / US$M**
2020	389.67
2021	139.92

There was an Investment Grade Structured Credit Fund within the RBC GAM portfolio but there are no carbon measurements available for the structured credit asset class at this time. Structured credit consists of pools of loans and the industry is at a stage where those pools cannot be adequately measured.

Future Developments

RBC GAM has initiated work to enhance ESG reporting capabilities with a new solution to be delivered in Q1 2022 which will include reporting on internal ESG metrics, UN SDGs and carbon/climate. PH&N's Mortgage Investment Team is developing an internal ESG scoring methodology to convey the team's views on the ESG merits of each individual mortgage lending opportunity.

[11] **Source: MSCI ESG Research, December 2021. Analysis based on issuers and subsidiaries. Most measures in the MSCI carbon analysis use an equity ownership methodology that is not applicable to fixed income investments, and the inclusion of FI income securities in a portfolio may lead to misleading results for those measurements. The Weighted Average Carbon Intensity is the feature best suited for FI. Options, Sovereigns, or companies outside of the research coverage are excluded from the analysis. The weights of the remaining companies are rebalanced such that the "covered" portfolio weight equals 100%.**

Manulife– Strategic Fixed Income Strategy (Global Fixed Income)

2021 Developments

In 2021 Manulife Investment Management (MIM) participated as a member of the UNEP FI TCFD pilot project with the goal to enhance its TCFD reporting and provide usable output for industry participants.[12] MIM has continued to integrate ESG into three broad stages of the investment process:

i. ESG Due Diligence: investment team considers ESG factors which may be material to its investment view of a company during initial and ongoing due diligence, leveraging third party ESG research data and the expertise of our ESG Research and Integration Team.
ii. ESG Risk Monitoring: ESG data is leveraged in daily and periodic risk processes and includes a highlighting of positions with low ESG scores, and meetings between the investment team and an ESG analyst to discuss portfolio-level ESG exposures.
iii. Active Ownership: Based on processes (i) and (ii) the team may enter engagements with the purpose of encouraging the company to adopt certain practices related to management of ESG factors.

Carbon Intensity

MIM Strategic Fixed Income Strategy Portfolio	
Year	**Carbon Intensity t CO_2e / US$M**
2020	554.8
2021	444.8

MIM Strategic Fixed Income Strategy's weighted average carbon intensity incorporated scope 1 & 2 and the upstream emissions from scope 3. MIM stated that the majority of carbon intensity in the portfolio stems from utility holdings.

Future Developments

In 2022 MIM is utilizing Natural Language Processing to better understand companies' commitments on key ESG topics by shifting through unstructured texts and datasets.

MIM's Environmental, Social and Governance Policy and Sustainable and responsible investing report documents are available for review.

[12] UNEP FI = United Nations Environment Programme Finance; TCFD = Task Force on Climate-Related Financial Disclosures

Stone Harbor Investment Partners LP – High Yield Bond Fund (Global High Yield)

2021 Developments

Stone Harbor has continued to expand internal reporting and database systems to facilitate the recording, monitoring, and client reporting of ESG practices. The firm has increased participation in sovereign and corporate-issued green bonds, social bonds, and sustainability-linked bonds.

In June 2021, Stone Harbor announced that it had entered into a definitive agreement to become an affiliate investment boutique of Virtus Investment Partners, a publicly traded multi-boutique investment management company. The deal closed on 1 January 2022. As part of the integration, Stone Harbor will be working with Virtus to determine next steps with regards to the evolution of ESG activities.

Carbon Intensity

Stone Harbor High Yield Bond Fund Portfolio	
Year	**Carbon Intensity t CO_2e / US$M**
2020	447
2021	807

Future Developments

Stone Harbor is developing a fossil-free emerging markets debt strategy for a blended portfolio of hard currency emerging market corporate and sovereign issues in support of decarbonization efforts and minimizing climate change transition risks.

Stone Harbor manages a number of Irish UCITS and AIFs that are subject to the EU's Sustainable Financial Disclosure Regulation and Taxonomy Regulation.[13] As such, Stone Harbor has amended its fund documents and implemented required policies and procedures consistent with these regulations. In addition, Stone Harbor must comply with the forthcoming Level 2 disclosure requirements, which, subject to no further details by the European Commission, must be adopted from 1 January 2023. Stone Harbor will closely monitor developments related to these regulations.

[13] The Undertakings for the Collective Investment in Transferable Securities (UCITS) is a regulatory framework of the European Commission that creates a harmonized regime throughout Europe for the management and sale of mutual funds. UCITS funds can be registered in Europe and sold to investors worldwide using unified regulatory and investor protection requirements. An alternative investment fund (AIF) is type of collective investing where funds are raised from a number of investors with a view to investing them in accordance with a defined investment policy.

2021 Developments

BentallGreenOak (BGO) evaluates material ESG factors using a proprietary ESG Risk Matrix. Through the tool, BGO evaluates risks, issues, or opportunities from the changing regulatory environment. In addition to this tool, BGO also utilizes 427 as a Climate Risk Provider for its investments.[14] For operational properties, Prime Canadian Fund utilizes BGO's comprehensive sustainability data management system, Eco Tracker, to track meaningful analytics on energy, water, waste and greenhouse gas emissions data. This system is maintained by Energy Profiles Limited.

Carbon Intensity

The carbon footprint for 2021 was not available so 2020 data has been provided. The overall location-based carbon footprint measurement (excluding RECs and Carbon Offsets) for Prime Canadian Fund in 2020 was 28,514 tCO_2e. The total market-based emissions (including RECs and Carbon Offsets) for the same time period were 27,486 tCO_2e.

In Scope:

- Scope 1: Heating fuels burned on site (natural gas)
- Scope 2: Energy consumed on site, but generated elsewhere (electricity, district energy)
- Scope 3: Sub metered tenant electricity use, waste, water
- Energy and emissions are reported corresponding to Prime Canadian Property Fund's percent ownership in each property (Equity Share Approach, as per the GHG Protocol).

Out of scope:

- Scope 1: Diesel fuel for backup generation, refrigerants
- Scope 3: Tenant energy use billed directly to tenants by utility vendors

Future Developments

BGO will be updating its Sustainable Investing (ESG) and Responsible Contracting policies in 2022. This update will aim to strengthen the firm's position as a leader in Environmental, Social, and Governance management globally by increasing alignment with global best practices and focusing on the most material ESG issues of today. BGO will also be issuing a new Climate Change policy in 2022. BGO is also aligning its climate reporting to the TCFD Recommendations and expects to publish its first TCFD-aligned disclosures in 2022.

[14] **Four Twenty Seven was acquired by Moody's Corporation in 2019 and officially became a part of Moody's ESG Solutions Group in 2020.**

Landmark Real Estate Partners – VIII Fund (Real Estate)

2021 Developments

As part of the transaction with Ares management that closed in June 2021, Landmark's ESG Committee and program was integrated into the broader Ares ESG platform. Landmark became a founding member of the ILPA (Institutional Limited Partners Association) Diversity in Action Initiative, of which Ares Management was also a founding member. In January 2021, Landmark Partners engaged with ESG specialist consultant, Malk Partners, to complete a comprehensive review of the firm's ESG practices. Recommendations from the Malk Partners report are to be implemented in 2022.

Carbon Intensity

Response received was that this was not applicable to Landmark Real Estate Fund VIII.

Future Developments

In the first half of 2022, Landmark intends to hire a full-time dedicated professional to focus efforts on implementing a Secondary Solutions ESG framework together with each of the Ares broader ESG team. The framework will include the following:

- Enhanced investment underwriting and diligence questions and efforts to include asset screenings against red and yellow flag sectors,
- Expanded annual GP survey to assess managers' ESG underlying investment more broadly and DEI policies and efforts, including specific questions on climate change and DEI initiatives,
- Ongoing discussions and meetings with underlying investment managers to understand the progression of their ESG and DEI efforts.

Reporting

Ares Sustainability Report and other ESG policies can be accessed here.
Updated Landmark Partners ESG policy can be accessed here.

Carbon Intensity

Carbon Intensity Reported by Investment Managers

In April 2017, MSCI conducted a carbon portfolio analysis of York Endowment Fund's equities. The Carbon Intensity of the equities was measured as 325.0 tCO_2e per US$ 1M revenue as at December 31, 2016, compared to an MSCI ACWI (index) value of 236.1 tCO_2e per US$ 1M.[15] For 2021, after normalizing for values in US dollars and taking into account the allocations to respective equity managers in the Endowment Fund at 2021 year end, the Carbon Intensity of the York's Global Equity portfolio was 124 tCO_2e per US$ 1M revenue, representing a 61.9% decrease from the 2016 year end value of 325.0 tCO_2e per US$ 1M.

York Endowment Fund (Equities)	
Year	**Carbon Intensity t CO_2e / US$M**
2016	325.0
2020	114.5
2021	124.0

The Carbon Intensity data for equity and fixed income managers is provided below for information. The year to year Carbon Intensity shows a marginal increase for York's equities however it is critical to recognize that these measurements are a snapshot in time and subject to change. Moreover, data is dependent on the methodology of the respective service provider, portfolio composition, the asset class in question, and the scope of emissions (1, 2, and 3) used.

[15] **The report also stated that the Weighted Average Carbon Intensity value was 427.9 tCO2e per US$ 1M revenue versus an MSCI ACWI (index) value of 222.3 tCO2e per US$ 1M revenue.**

Investment Manager	Carbon Intensity t CO_2e / US$M
Equity	
Baillie Gifford	2.6
C Worldwide	47.6
Harris	46.3
Lazard	49.1
Morgan Stanley	2.0
TDAM	446.7
Unigestion	392.0
Equity (Wt. Avg)	**124.0**
Fixed Income	
RBC GAM	168
Manulife	445
Stone Harbor	807
Fixed Income (Wt. Avg)	**474**

For example, equity investment manager Unigestion reported a carbon intensity of 392 tCO_2 per US$ 1M which is based on direct and first tier indirect emissions. i.e., scope 1 emissions (direct emissions) + scope 2 emissions (emissions of energy suppliers) + scope 3 emissions (emission from the supply chain). Had Unigestion's carbon intensity been based on scope 1 and scope 2 emissions only, like all the other equity managers, then its carbon intensity score would have been approximately 42 tCO_2 per US$ 1M and the weighted average carbon intensity for equities would have been approximately 80 tCO_2 per US$ 1M.[16] Similarly, in the fixed income portion of the endowment portfolio, MIM Strategic Fixed Income Strategy's weighted average carbon intensity incorporated scope 1 & 2 and the upstream from scope 3 readings.

Fixed Income as an asset class is more difficult to assess than equities given that fixed income portfolios hold sovereign bonds. Sovereign bonds are financial instruments that provide capital to national governments, which makes the emissions associated with them the primary focus of a sovereign bond carbon footprint analysis. However, there are varying opinions on the appropriate scope at which to consider a country's GHG emissions based on carbon accounting protocols.

When a sovereign bond is assessed, it is necessary to question whether double counting of emissions from the sovereign nation's private and household sectors has been avoided.

[16] **Weighted average carbon intensity of Unigestion Global Equity was 41.4 based on scope 1 + scope 2 emissions as of June 30, 2021. (Source: WTW data).**

A few of the many questions to consider are:

- Can different sectors of an economy be separated?
- Should emissions created domestically but then exported (e.g. coal, liquified natural gas, crude oil) be considered as part of the carbon footprint? What about imports of goods created internationally but consumed domestically?
- Should there be normalization of emissions to help compare economics of different sizes, wealth, structure?

A resource on the challenges of sovereign bond carbon footprint determination is available here.[17]

Sustainable Infrastructure

York University recognizes that decarbonization of the investment portfolio to align with or be ahead of Paris Accord objectives is not a linear process where a steady decrease can be expected annually. Investment managers are hired to meet York's objectives by investing to their specific investment style, and as such, the decarbonization path will be different for each manager since some styles will have exposure to harder to abate sectors. In addition to the equity and fixed income managers that York invests with through pooled fund structures, the University has made a commitment to direct investments in the form of sustainable infrastructure where over 14% of the market value of the endowment fund is being committed to a number of themes:

- *Business transformation:* helping transition utility, energy and industrial businesses by reducing CO_2 emissions and energy consumption through investment in greener production processes and energy efficiency technologies.
- *Clean energy:* expanding low-carbon and renewable energy production and related technologies that provide and support additional capacity to the energy mix.
- *Sustainable solutions:* advancing the growth of a circular economy through waste management, resource efficiency, development of resilient infrastructure, and services that support these solutions.
- *Greenfield investments* on an industrial scale to decarbonize hard to abate sectors using technologies such as Power-to-X, carbon capture utilization and storage

[17] **Desme, G., & Smart, L. (2018, June). Accounting for Carbon: Sovereign Bonds. Longfinance.Net. https://www.longfinance.net/media/documents/education-accounting-for-carbon-sovereign-bonds_v3.pdf**

(CCUS), and advanced biofuels.[18]

- *Carbon removal:* which could be achieved through geologic storage, net-zero enhanced oil recovery, energy carriers, clean firm power, and direct air capture.

Anthropogenic climate change depends on the concentration of GHG in the atmosphere – the stock – while the things that humans can control as a response is the rate at which additional GHG are emitted – the flow. York's commitment to investing in these areas is intended to be impactful where technology at scale will not only decrease the flow of GHG emissions, but also the stock of emissions already in the atmosphere.

[18] Power-to-X is "the means to convert electricity, understood to be primary energy, into an energy carrier, heat, cold, product, or raw material. It is an umbrella term for different ways of generating energy, namely power-to-gas, power-to-liquid, power-to-fuel, power-to-chemicals and power-to-heat

Engagement

Summary of engagements through SHARE's UNIE program - 2021

Company	Topic	Progress	Engagement Details
American multinational investment bank and financial services corporation.	Sustainable Finance		SHARE sent an email to follow up on a letter from June 30 requesting a meeting to discuss the bank's financed emissions strategy and targets. The company has not responded.
American power and energy company	Reducing GHG emissions		Met with company on May 27 to discuss current engagement priorities related to company's alignment with the net zero benchmark indicators. Topics of discussion included: the company's role in influencing trade associations to shape low carbon transition; capital allocation alignment with electrification vs. natural gas, and RNG in particular; the company's willingness to engage with SBTi to set science-based targets; and priorities for disclosing Scope 3 (upstream and downstream). The meeting was positive and set the stage for a more detailed meeting in the fall. The company restated its commitment to decarbonization and Paris alignment, but also expressed its intent to continue to expand its investment in RNG (captured from agriculture emissions of methane) while it decarbonizes.
American electric power and natural gas holding company	Reducing GHG emissions		Met with independent Director and approximately 10 staff members to discuss company alignment with CA100+ net zero benchmark. Questions include: company consideration of SBTi; company response to elevated US NDC; impact of the IEA report on the company's capital allocation alignment with net zero; company investment in transmission grid and relationship to development of renewable capacity; company stress testing of carbon pricing scenarios; role of hydrogen and "renewable natural gas" in decarbonization

			plans; Scope 3 reporting progress; executive compensation; and quantitative metrics for decarbonization and compensation.
Canadian retailer encompassing corporate and franchise supermarkets	Reducing GHG emissions		The company provided an update on its work related to SHARE's request that it expand its current GHG reporting and targets to include scope 3 emissions, including from its suppliers. The meeting was positive and timely, providing an opportunity for SHARE to provide our recommendations as the company actively works on setting updated emissions targets. SHARE will follow up with the company early in 2022 to discuss their progress on this issue. On Oct 25, SHARE emailed the company following the Oct 22 meeting, to reiterate the request that the company expand its emissions disclosures and targets to include its upstream scope 3 supply chain emissions (such as purchased goods), broaden its scope 1 and 2 reporting (e.g., including business units like Shoppers/Pharmaprix and franchised-stores), and to articulate some mid- and longer-term targets to contribute to Canada's net-zero pathway.
Canadian food retailer operating in the provinces of Quebec and Ontario.	Reducing GHG emissions		SHARE sent the company an email on Oct 12 to follow up on a June letter and meeting request, to discuss the company's greenhouse gas emissions and targets. The company responded that it would not be able to meet until following the release of its Corporate Responsibility Plan at the end of January 2022. SHARE will meet with the company shortly after its plan is released in January 2022 and identify alternate opportunities for engagement in the meantime. SHARE emailed the company again on Dec 7 to express our concern over the 'C' score the company received today on its CDP climate change disclosure. SHARE outlined the request that the company commit to undertaking a comprehensive GHG inventory (including scope 3 supply chain emissions and addressing current gaps in scope 1 and 2 reporting) and make a 2050 net-zero commitment as part of its

			forthcoming Corporate Responsibility Plan. SHARE provided the company with best practice examples from among its peers. SHARE will reach out to the company to arrange a meeting following the release of its Corporate Responsibility Report on or around January 2022.
American energy company and electric utility holding company.	Reducing GHG emissions		SHARE sent a letter to the Chairman and CEO, calling on the company to follow through on its leadership position in renewables, and respond to a rapidly evolving policy and technological environment, by committing to a 2035 target for Scope 3 emissions. The letter also calls for a nearer-term science-based interim goal, and a supportive capital expenditure plan. The letter was signed by SHARE, along with a selection of other participants in CA100+ engagement.
American multinational consumer goods corporation	Reducing GHG emissions		In response to an email sent by the ICCR (Interfaith Center on Corporate Responsibility), SHARE has signed on to an investor letter urging the top shareholder to oppose the re-election of a board member to the company's Board of Directors. As the chair of the Governance & Public Responsibility committee, Angela Braly is largely responsible for the company's failures in regard to supply chain deforestation.

SHARE categorizes engagement status based on the company's progress against set engagement objectives, as follows:

GREEN: Company has made significant progress against one or more engagement outcomes
BLUE: Company is engaging in positive dialogue on engagement outcomes
GREY: Engagement with company is ongoing / Response pending
RED: Company has experienced a significant negative event related to the engagement topic

Appendix

Glossary

Carbon intensity: Carbon intensity is the measure of CO_2 produced per dollar of GDP. In other words, it's a measure of how much CO_2 is emitted per dollar generated in the economy. A rapidly decreasing carbon intensity is considered a positive for the environment and the economy. Energy consumption is growing increasingly efficient and that less production and consumption is based on burning fossil fuels.

Climate Action 100+: An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Greenhouse Gas (GHG): Greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation emitted by the Earth's surface, the atmosphere itself, and by clouds.

SASB: The Sustainability Accounting Standards Board (SASB) is an independent non-profit, whose mission is to develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors.

SBTi: The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. Since 2015 more than 1,000 companies joined the initiative to set a science-based climate target.

Scope 1, 2 & 3: Three "scopes" (scope 1, scope 2, and scope 3) are defined for GHG accounting and reporting purposes.

Scope 1 – Direct GHG Emissions: Direct GHG emissions occur from sources that are owned or controlled by a company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment. Direct CO_2 emissions from the combustion of biomass shall not be included in scope 1 but reported separately. GHG emissions not covered by the Kyoto Protocol, e.g. CFCs, NOx, etc. shall not be included in scope 1 but may be reported separately.

Scope 2 – Electricity Indirect GHG Emissions: Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by a company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.

Scope 3 – Other Indirect GHG Emissions: Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of products and services.

SFDR: The Sustainable Finance Disclosure Regulation imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants with substantive provisions of the regulation effective from March 2021.

TCFD: The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. For more information on the TCFD go here.

TNFD: The Taskforce on Nature-related Financial Disclosures (TNFD) is a new global initiative which aims to give financial institutions and companies a complete picture of their environmental risks.