

# Western University Responsible Investing Annual Report 2024



Western is recognized as a Canadian and global leader for sustainability in higher education. Once again, we have achieved enviable world rankings from Times Higher Education Impact Rankings and QS World University Rankings. In early 2025, Western also became one of only 11 universities worldwide to achieve a Gold STARS rating under the most advanced standards yet. Western's commitment to sustainability is clear, and this recognition reflects the significant efforts of our campus community.

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



## Letter from the Chair

Western University continues to move forward on our sustainability initiatives, including our Responsible Investing Strategy and Pathway. Over the last few years, Western has significantly advanced our progress towards decarbonization and active engagement.

Western's strategy and pathway set out foundational elements and commitments at its inception in 2022. At the time, we knew that these were long-term strategies, and the path forward would not be measured in quarters but in years and decades. That can feel like a long time, but it is the right strategy for supporting the enduring mission of a university.

With our 2024 Responsible Investing Annual Report, we're highlighting some of the significant progress we made last year, including a headline achievement of one of our three commitments set out in 2022. Last year, the Investment Committee made a fifth allocation to our Sustainable Investing Strategy, with commitments that will equal a 10% allocation in our Operating & Endowment Fund (the Fund). We have intentionally been selective in our process; not every opportunity is appropriate for Western. We have met our goal of selecting based on financial and non-financial performance at the outset and we are eager to share the results with you as the strategy plays out within the Fund.

We continued to see reductions in our carbon footprint, with Weighted Average Carbon Intensity (WACI) and carbon emissions both declining year over year. While the measurements have shown volatility, we are encouraged to have more data to demonstrate trends that will allow us to more appropriately evaluate our strategic decisions in the coming years.

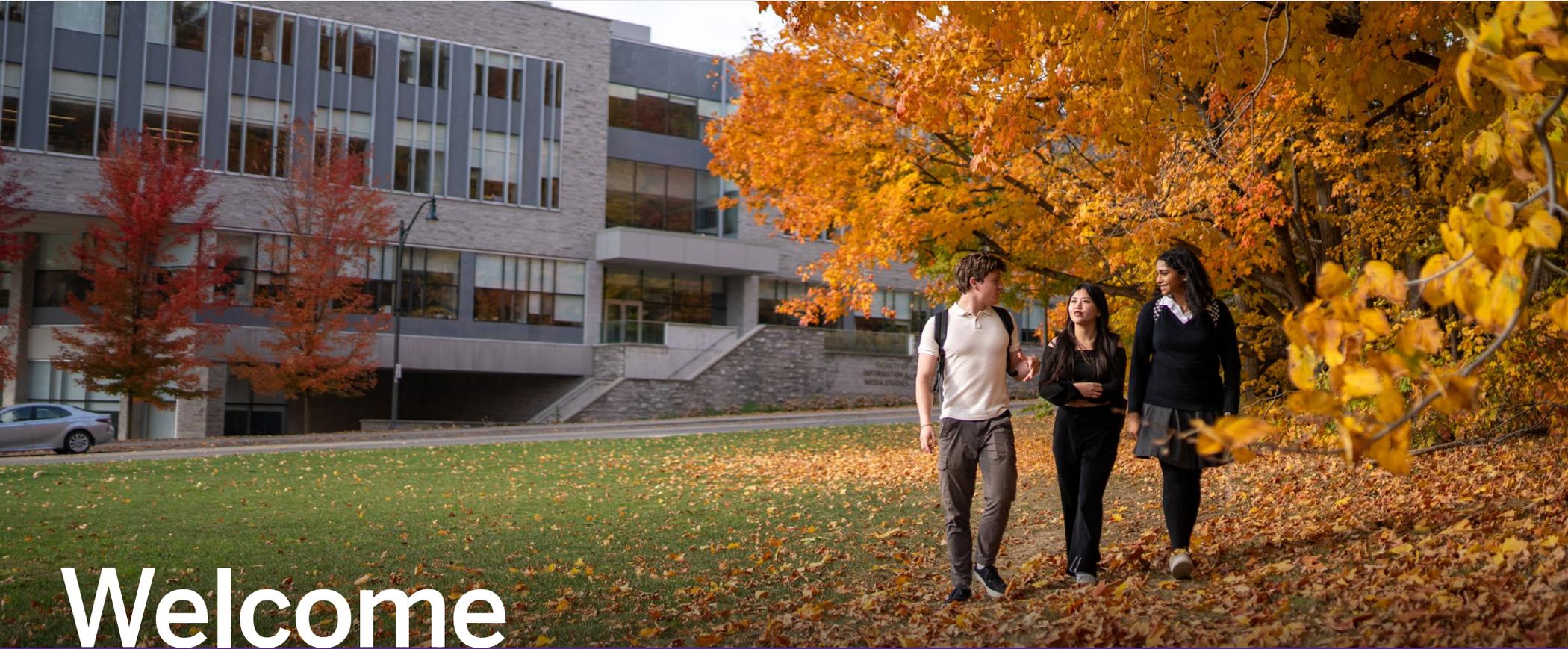
In the last year, we have had questions about our stance on divestment. Divestment and negative screening are not our fundamental approach to responsible investing, as outlined within our Investment Policy. Our long-standing approach has been Environmental, Social, and Governance (ESG) integration, engagement and, more recently, thematic investing as these allow us to have more control in conversations and be more impactful in our response.

The Western community does not speak with one voice, and there are many opinions across many topics. Applying diverging viewpoints to investment decisions would therefore be extraordinarily challenging and, more importantly, implies a role for our investment strategy that strays from Western's core fiduciary responsibility.

Some have expressed a desire for more transparency about the integration of social factors in the investment decision-making process. We will take this feedback into account as we consider our policies and continue to further integrate ESG factors into our investment decision-making process. This is in keeping with a key principle for the strategy and pathway, which has been to consider industry best practices as we evolve over time.



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



# Welcome

The Western Investment Committee is pleased to present our fourth Responsible Investing Annual Report. We've achieved our sustainable investment goal in the last year, and it's important that we share these results.

## Our progress in 2024

Completed our fifth Sustainable Investment allocation, with total commitments now reaching 10% of the Fund

Completed our fourth annual total portfolio carbon footprint measurement to track progress against our 2020 baseline measurements and ensure Western is on track to meet its targets

Deployed the third iteration of our ESG Manager Survey and shared results with managers to inform ongoing engagement discussions

Continued our engagement with the University Network for Investor Engagement (UNIE) to advance our efforts on climate engagement

Completed an audit of the proxy voting records made by Western external managers. The results have been used to enhance manager engagement

# Advancing our Efforts

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.

Since Western takes a total portfolio approach, the carbon measurements take considerable time to compile, particularly non-public market investments. As a result, data is backwards looking by one year. This 2024 report presents carbon measurements as of December 31, 2023. While public market measurements are more readily available, our commitment to decarbonization of the total portfolio means that it takes additional time for non-public markets to collect and report their data. These timelines are improving, as investment managers understand and develop their systems of reporting.

Our fourth and most recent carbon measurement report shows our cumulative progress since 2020 in reducing our carbon footprint. The most recent results, as of December 31, 2023, show our Total Portfolio Weighted Average Carbon Intensity has decreased 35.3% relative to our 2020 measurement baseline.

Next year will mark five years of carbon footprint measurement under the current methodology, a milestone for which we can assess the trajectory of our actions towards long-term decarbonization of the Fund. Trends are formed over time, as data is sensitive to the measurement dates. After four years of collection, these early results continue to be 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 only, as we have more confidence in the availability and reliability of the 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 reported for all asset classes in the Fund.



### Carbon footprint as at December 31, 2023

The Weighted Average Carbon Intensity (WACI) of the total portfolio has decreased by **35.3% relative to the 2020 baseline**.

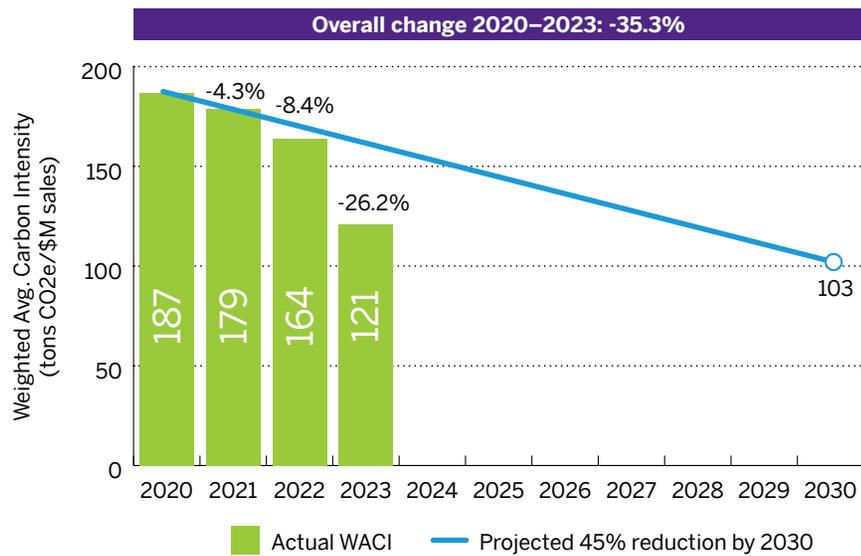
The WACI of the total portfolio has decreased by 26.2% year over year compared to 2022. This indicates progress toward reducing carbon intensity within the portfolio.

Since the 2020 baseline, **public equity carbon emissions are down 38.6%**. Year over year, public equity carbon emissions decreased by 22.9%. Public equity carbon emissions are lower than the Fund benchmark by 34.0%.

### Weighted Average Carbon Intensity – Total Portfolio<sup>1</sup>

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



As of December 31, 2023, the WACI of the **total portfolio** has decreased by **35%** relative to the **2020 baseline** suggesting Western is on track to meet its 2030 interim milestone in reducing the WACI by at least 45%.

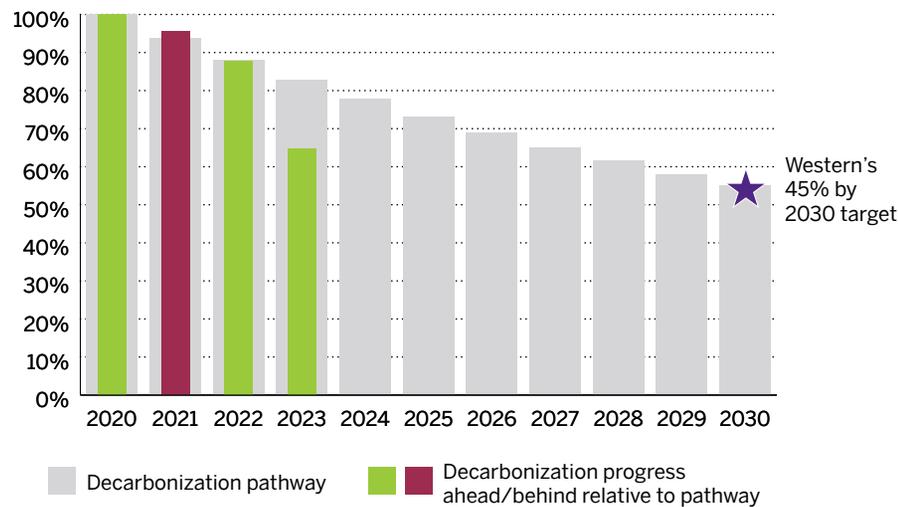




## Decarbonization Progress for Total Portfolio

### Progress relative to 2030 decarbonization commitment

Weighted Average Carbon Intensity (tCO2<sup>e</sup> / \$ million sales) for the total portfolio



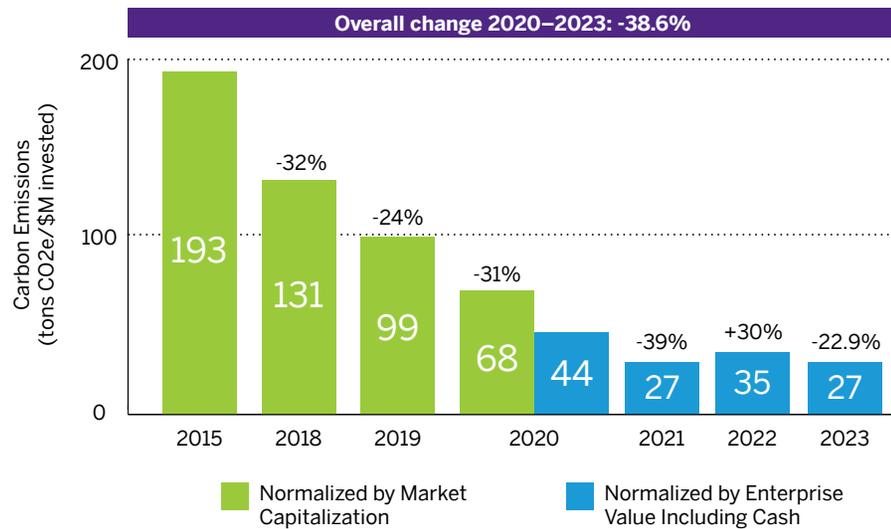
- The decarbonization pathway shown here and on the graph on page 8 is based on latest available research from the Intergovernmental Panel on Climate Change (IPCC). The grey bars represent a smooth decarbonization pathway anchored in The Institutional Investors Group on Climate Change’s (IIGCC) reduction target as at 2030, using a December 31, 2020 baseline, and the green/red bars represent Western’s progress against this pathway.
- The pathway is grounded in modelled global emissions pathways that are consistent with the goals of the Paris Agreement and maps required reductions in global absolute emissions to portfolio carbon footprint reductions.

## Decarbonization progress for public equity portfolio

### Carbon Emissions – Public Equity Portfolio

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

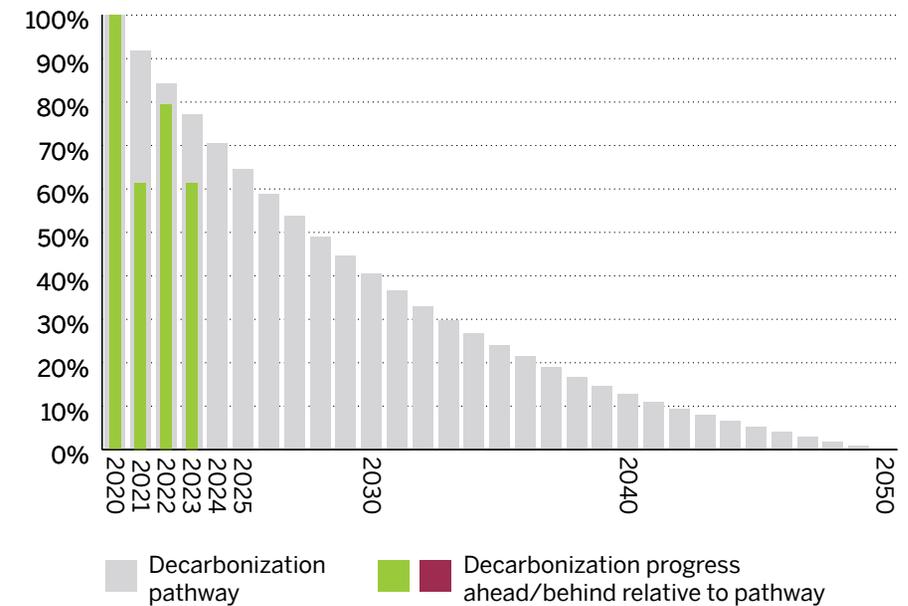
#### Carbon Emissions



### Progress relative to net-zero emissions by 2050 commitment

As of December 31, 2023, the carbon emissions of the public equity portfolio in the O&E fund has decreased by 38.6% relative to the 2020 baseline. The public equity portfolio is also ahead of the proposed decarbonization pathway (61% vs. 77% emissions level) in achieving net-zero emissions by 2050.

#### Carbon emissions (tCO2e /\$ million invested) for the public equity portfolio



### Fossil Fuel and Renewables Exposure

As of December 31, 2023, investments in fossil fuel companies make up 5.1% of the Operating & Endowment Fund. At the same time, our exposure to renewable energy was 4.5%.<sup>2</sup>

## Sustainable Investing Strategy

Western has committed to invest 10% of the Operating & Endowment Fund in sustainable investing strategies by 2025. These investment opportunities support Sustainable Development Goals (SDGs) and can be made across asset classes.

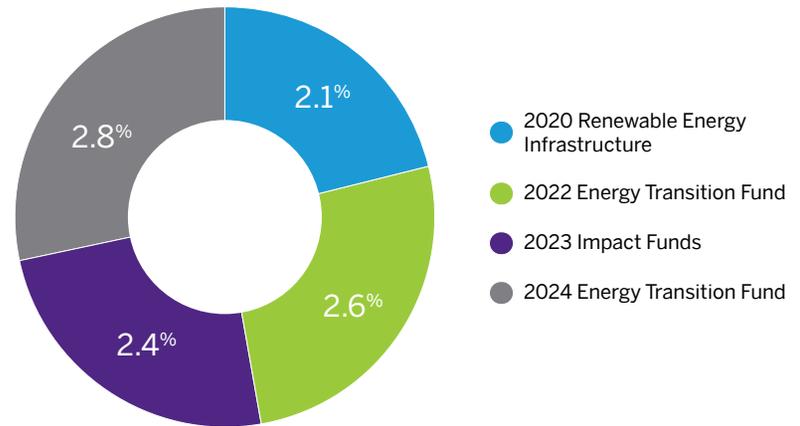
During 2024, Western achieved the cumulative 10% allocation, after making a commitment to an Energy Transition Fund. Since we have focused on private markets, where we believe the most opportunities for impact exist at this time, commitments will be called upon over time to be fully invested.

Western’s sustainable investing strategy is an example of thematic investing, which seeks opportunities that meet financial and non-financial goals. 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 sustainable investing with solid performance fundamentals. As such, not all investment opportunities will be appropriate, and we are disciplined in pursuing new opportunities that meet all our financial and non-financial performance expectations.

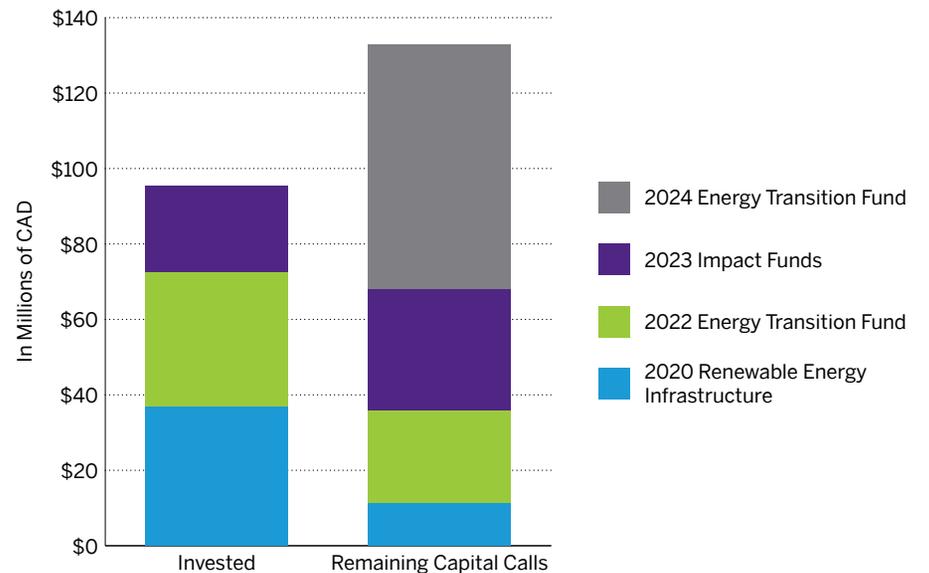
To date, Western has made five allocations totaling \$155 million USD to the sustainable investing strategy. The allocations cover both environmental and social factors within the infrastructure and private equity asset classes. As at December 31, 2024, these investment allocations amount to 9.9% of the Fund. The value of the investment allocation will change with financial performance now that a significant portion of the commitments have been invested.

## Sustainable Investments Allocations

Percentage of Fund as at December 31, 2024



## Sustainable Investments Progress



**\$155 M** USD has been committed to sustainable investing strategies to date

## Western's Impact Investments

In 2020, Western started making investments in impact funds through our Sustainable Investing Strategy. These funds are highly selective, and invest in companies that support sustainable development goals, and also meet financial performance expectations. While we've profiled two investments that are found within our funds, there are many such investments that have had a measurable impact.

**1 Scout Clean Energy** – a U.S. utility-scale wind, solar, and storage development platform. The company has so far added 200 MW of clean energy capacity, and their target impact is to add 4.6 gigawatts of incremental wind and solar energy capacity by 2028.

**2 Lightcast** – a provider of labour market data and analytics to help businesses, schools, and governments understand jobs and skills in demand. Through their work, the company helped increase the number of STEM majors at their educational clients by 15%.



## Our Engagement Activities

Western’s investment team manages over **\$4.8 billion in assets**, across **43 Managers** and **66 mandates** (all portfolios, including pension assets). The Fund, valued at \$2.3 billion, is the most significant portion of these assets.

To keep administration and the cost of managing investments both efficient and cost-effective, the University invests through pooled funds, along with other institutional investors. With four and a half members in the investment team, this breadth and diversity of investments necessitates engaging through our investment managers (Managers) and with others through collectives.

### Engaging with our Managers

Engagement with our Managers continues to be a crucial part of our Responsible Investing Strategy and Pathway.



Since 2014, we’ve engaged and surveyed our Managers on ESG.



In 2022, to advance our responsible investing efforts, we redesigned and significantly improved our ESG Manager Survey.



During the last few years, we continued to iterate our process by refining the questions included in our survey, specifically around ESG integration, stewardship, social factors, and proxy voting.

Results from the annual survey provide an opportunity for Western to engage in a dialogue with our Managers on their Environmental, Social, and Governance (ESG) integration, risk management practices, and sustainability activities that will help inform future allocation decisions.

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 and made progress in the following areas for engagement with our Managers:

- 1 **Climate change targets, impacts, and climate transition:** Western’s work to establish and track clear climate transition targets is showing progress, with 48% of Managers having set climate transition targets for their funds, up from 44% in 2023. Western’s commitment to meeting climate transition targets is essential for aligning investments with long-term sustainability goals.
- 2 **Equity, diversity, and inclusion (EDI) in the investment decision making process:** Western is making progress in promoting equity, diversity, and inclusion within its investment decision-making processes. The 2024 survey results indicate that 100% of Managers now have voting expectations for listed companies on EDI issues, demonstrating a strong focus on these principles.
- 3 **Stewardship and engagement practices:** The majority of Managers have established formal policies for stewardship and actively engage with companies on material ESG issues, with the 2024 survey results showing 85% reporting engagement as part of their investment process.
- 4 **Continued data and disclosure improvements:** There has been a notable increase in the preparation of sustainability-related disclosures aligned with climate-related financial disclosures, with 67% of Managers in the 2024 survey reporting such practices, reflecting a commitment to enhancing transparency and accountability in ESG performance.



**Collaborating with others**

Western engages directly with our Managers annually through our engagement survey, as well as through individual interactions. In addition, we partner with the UNIE by SHARE, a 21-member strong shareholder engagement program for Canadian university endowment and pension plans with a combined value of over \$47.7 billion.

Western’s participation in UNIE gives us the opportunity to engage with individual companies through a collective engagement strategy, which provides greater scale than any one individual university can achieve on its own.

As a member of the UNIE Advisory Group, Western contributes to the development of UNIE’s annual engagement plan for the collective. During 2024, Western participated in 80 engagements with 47 unique companies through UNIE. The majority of these focused on reducing greenhouse gas (GHG) and carbon emissions and moving toward a more sustainable economy in a way that is fair, equitable, and inclusive.

**Key findings**

- 93%** of our Managers are signatories to the PRI
- 85%** of our Managers have a process in place for integrating climate change risks and opportunities within their core decision making framework
- 63%** of our Managers have either set climate transition targets, or plan to set targets within the next 1–2 years
- 96%** of our Managers track diversity metrics for the organization and 48% of our managers set time-based targets for improvements in equity, diversity, and inclusion, and Indigenous reconciliation
- 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 52% track climate transition targets made by listed companies in the Fund

# Our Commitments Going Forward

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

Western remains committed to:



**10%**

Considering new sustainable investing opportunities now that we've achieved a 10% allocation by commitments. This includes investigating new asset classes



**45%**

Reducing our carbon intensity by at least 45% by 2030



**Net 0**

Achieving net-zero absolute carbon emissions by 2050, or sooner



## Next steps

Complete our first public reporting for the PRI, a global responsible investors network

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

Monitor ESG factors and review best practices as they evolve, which will consider the integration of social factors into our investment policies

[Our Investment Principles](#) | [Our Responsible Investing Beliefs](#) | [The Fund](#) | [Definitions](#)

# 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 Fund does not include short-term cash flows from student tuition and fees.

The value of the Fund as of December 31, 2024, was \$2,314.1 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 (42%), chairs, professorships and fellowships (35%), 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 (CO<sub>2</sub>/\$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**

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

*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:

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

*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.

Our Investment Principles | Our Responsible Investing Beliefs | The Fund | Definitions

### 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 has 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 classified under the Renewable Energy sub-industry are not included.

# Climate-Related Financial Disclosure

The following information presents Western's voluntary Climate-Related Financial Disclosures for the Fund. 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, risk management practices, and identified metrics and targets.

## Governance

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**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 a fiduciary responsibility for the management of university financial resources. The Board has delegated certain responsibilities to standing committees in helping to achieve its fiduciary responsibility. These standing committees 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. Annually, 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 climate 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, as Western invests in the public market through pooled funds and collective engagement is more impactful.

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 maintains 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

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### 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 understanding the overall risk of any investment opportunity. The financial impact of an incomplete risk assessment could affect the financial performance of an investment strategy, affecting 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 goals. 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 has performed scenario analysis, to identify the potential impacts of climate change over these time frames (5/15/40 years). The analysis reflected 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. We expect the impact of physical risks will also vary in relation to our asset classes, with physical assets being more directly impacted.

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 business, 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. These climate-related objectives are aligned with the Fund's objective of meeting the needs of current and future generations.

Western is a leader in higher education sustainability and has a track record of enviable recognition from Time Higher Education (Impact Ranking), QS World University Ranking (Sustainability) and STARS. As sustainability is important to Western, 10% of the Fund has been allocated to our Sustainable Investing Strategy, intended for thematic investment strategies that 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 recently, and we expect this trend to continue. The University has made five investments under our sustainability strategy in renewable energy, transitioning to a low-carbon future, and impacting 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 the 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 five 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 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 risks 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 about 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 2024, Western participated in 80 engagements with 47 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 made investments as of 2024 to achieve the 10% allocation. In making these investment commitments, Administration had to carefully manage the selections 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 portfolio's overall risk management. 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.

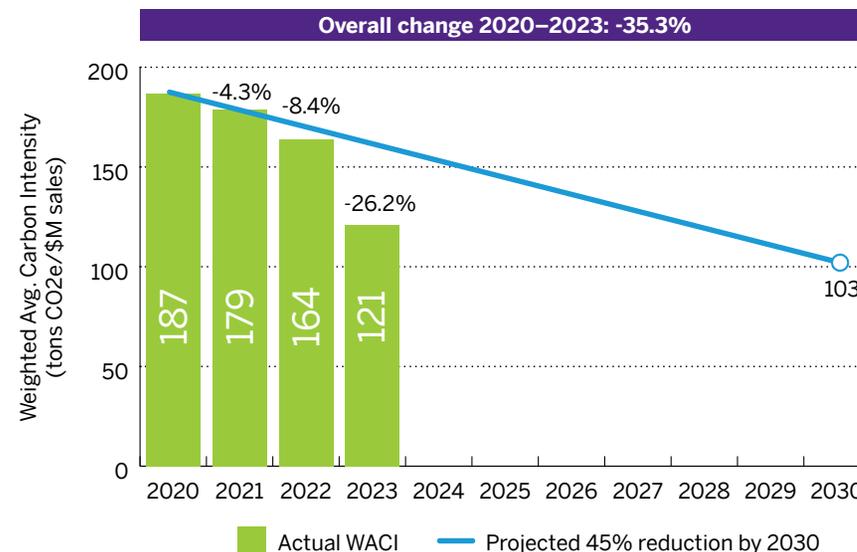
Compiling carbon measurements can range from 4-6 months depending on the asset class and availability of information.

- 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 2023 was 121 tons CO<sub>2</sub><sup>e</sup> per \$M sales, a decrease of 26.2% from 2022. The WACI has decreased a cumulative 35.3% since 2020, our baseline measurement year. Administration will continue to monitor the progress towards the 2030 target as shown below:

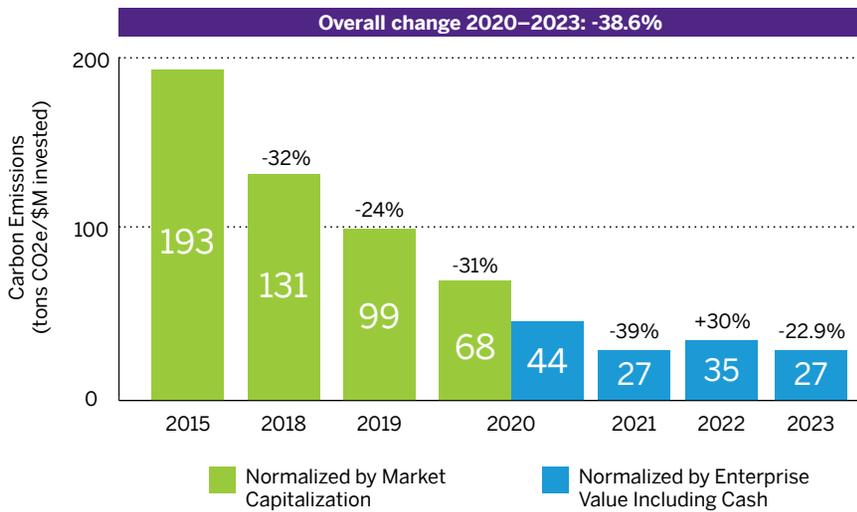
#### Weighted Average Carbon Intensity



Western also tracks the carbon emissions of the public equity holdings, which decreased to 27 tons CO<sub>2</sub>/\$M invested, or 22.9% since 2022. The cumulative decrease in carbon emissions since 2020, our baseline

measurement year, is 38.6%, 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).

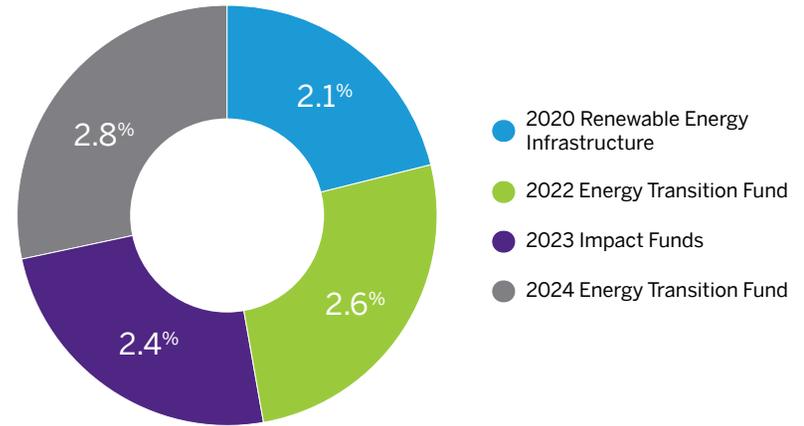
### Carbon Emissions – Public Equity Holdings



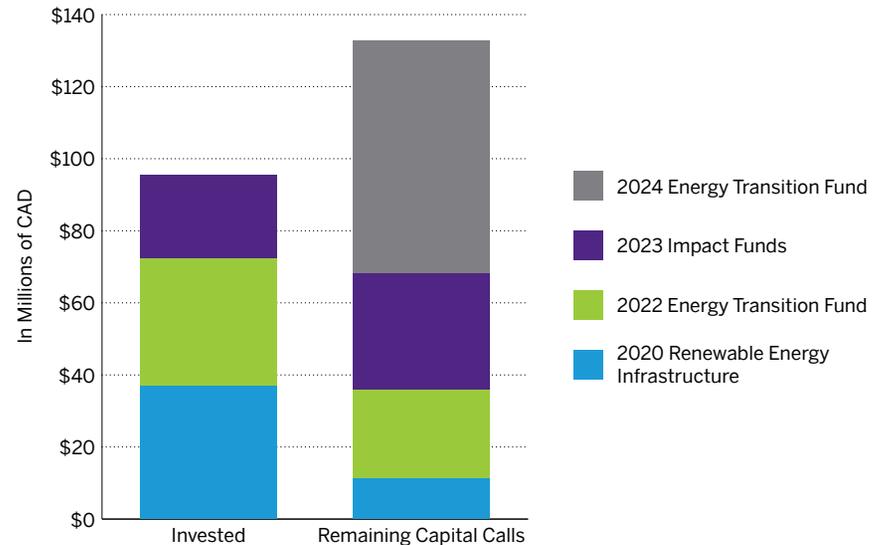
The University has made five allocations towards the sustainable investment strategy, representing \$155 million USD of commitments and 10% of the Fund. Western has over \$95.5 million CAD invested in the sustainable investment strategy, and capital calls of approximately \$132.9 million CAD remain to be drawn over time.

### Sustainable Investment Allocations

Percentage of Fund as at December 31, 2024



### Sustainable Investment 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](http://uwo.ca/finance/treasury/investing.html)