



BOARD OF TRUSTEES Report

To: Board of Trustees	Date of Report: 2/7/2022
From: Investment Committee	Date of Investment Committee Approval: 2/16/2022
Subject: Final Report on Climate Change Action Task Force (CCATF) Recommendations	Date of Board Committee Meeting: 2/16/2022
Responsible Portfolio: Vice-Principal (Finance and Administration)	Date of Board Meeting: 3/4/2022

ongoing management and evolution of the carbon reduction plan and the QCAA be delegated to the Investment Committee, with the Investment Committee providing regular updates to the Board of Trustees (at least annually); and,

That the Board of Trustees, on the recommendation of the Investment Committee, authorize an application on behalf of Queen's to become a signatory to the United Nations-supported Principals for Responsible Investment (UNPRI).

5.0 ENTERPRISE RISK ASSESSMENT

The Investment Committee believes that managing climate risk in the Investment Funds will generate better risk-adjusted returns over the long run.

6.0 ANALYSIS

In 2019, the Board of Trustees struck the CCATF to develop strategic recommendations for managing Queen's investments in alignment with sustainable development goals. CCATF recommendations were approved by the Board of Trustees at its March 2020 meeting. An Energy Transition Subcommittee (ETS) of the Investment Committee was established in the spring of 2020 to implement these recommendations.

Below are the CCATF recommendations, together with a summary of actions already implemented or currently recommended by the Investment Committee.

CCATF Recommendation #1 (from March 2020):

Queen's will engage the Institute for Sustainable Finance to:

- *survey existing and potentially research other appropriate measures of exposure to carbon emissions embedded in its portfolios, recognizing that such measures may vary across sectors and through time;*
- *determine the most appropriate measures for Queen's portfolios;*
- *report on such measures in its portfolios; and*
- *set reasonable objectives to reduce the portfolios' carbon intensity, recognizing the Board of Trustees' fiduciary obligations.*

Investment Committee Recommendation: Proposed Carbon Reduction Plan for Investments

- The Investment Committee's proposal is for Queen's to measure and significantly reduce the **carbon footprint** (tons CO₂e per million dollars invested) of the PEF and PIF with the objective to sustain, by the end of calendar 2030, a public equity portfolio (also including private equity and real assets where data are available) with at least **25% lower carbon emissions than the equities benchmark**, using Scope 1 and Scope 2 CO₂e emissions.
- Investment Services will provide an annual update report on its [webpage](#), with the first report scheduled for the first half of 2023.

Rationale:

- The ETS and the Investment Committee have engaged with the Institute for Sustainable

- Deals practically with technical issues (e.g. double counting, measurement error, different asset classes)

CCATF Recommendation #2 (from March 2020):

Queen's will:

- *explore investments that will outperform with the transition to a lower carbon economy;*
- *allocate capital from its endowment to such investments, consistent with the Board of Trustees' fiduciary obligations; and*
- *allow donors to allocate capital directly to such investments, within the endowment, increasing the overall investment in the transition theme, with all endowment units receiving the same payout.*

Investment Committee recommendation: QCAA

- It is proposed to formally establish, track, and report on an energy-transition allocation within the PEF to be named the Queen's Climate Action Allocation (QCAA), and that the QCAA be formally established within the SIP&P. Further, it is proposed to **allocate at least 15% of the PEF to the QCAA by the end of calendar 2030.**
- The QCAA is proposed to comprise investments with significantly lower carbon emissions than the equities benchmark and/or have a credible plan for achieving net zero emissions in accordance with timelines set out by the Canadian government (e.g. the Paris Agreement). These investments can be found in any asset class and may include, but are not limited to, renewable energy; low carbon funds; carbon capture and other sustainability-driven technologies; and sustainable real estate.
- Investment Services will provide information on the QCAA on its webpage.

QCAA rationale:

- The establishment of a dedicated energy-transition allocation such as the QCAA is anticipated to enhance the risk-return profile of the PEF, as it will include investments that are expected to outperform with the transition to a lower carbon economy.
- The proposed target allocation of 15% by the end of calendar 2030 is considered achievable given the nature of the investments the Investment Committee wishes to make to achieve the commitments set out in the proposed carbon reduction plan

the potential risks and additional administration associated with establishing the donor direction option.

CCATF Recommendation #3 (from March 2020):

universities, as the majority of Charter signatories have either already signed or plan to become signatories to the UNPRI.

7.0 FINANCIAL IMPLICATIONS

The Investment Committee believes that effective management of ESG factors can improve the investment performance of the Queen's Investment Funds.

8.0 COMMUNICATIONS STRATEGY

The Office of the VPFA is working closely with Integrated Communications to develop a communications plan to ensure university stakeholders are informed of approved recommendations.

9.0 INPUT FROM OTHER SOURCES

The Institute for Sustainable Finance at the Smith School of Business provided background research on best practices in responsible investing and carbon measurement, which was presented to the Investment Committee at its September 17, 2020 meeting.

External investment managers who manage assets on behalf of the Queen's Investment Funds responded to a questionnaire on ESG activities.

QBACC was consulted on the 2020 update of the ESG questionnaire, and has been briefed periodically on the committee's progress with carbon measurement.

University Relations was consulted on the webpage redesign and communications plan.

Queen's Director, Investments participates as a member of the Climate Charter Technical Committee, comprised of representatives from each of the university signatories to the document entitled [Investing to Address Climate Change: A Charter for Canadian Universities](#) (also referred to