



**FOR INFORMATION**

**PUBLIC**

**OPEN SESSION**

**TO:** Business Board

**SPONSOR:** Trevor Rodgers, Chief Financial Officer  
**CONTACT INFO:** 416-978-2065, trevor.rodgers@utoronto.ca

**PRESENTER:** See above.  
**CONTACT INFO:**

**DATE:** June 12, 2023 for June 20, 2023

**AGENDA ITEM:** 11

**ITEM IDENTIFICATION:**

*University of Toronto Asset Management Corporation Annual Report 2022, for the calendar year ended December 31, 2022*

**JURISDICTIONAL INFORMATION:**

Under Section 5(1)(b) of the Business Board terms of reference, the Board reviews regular reports on matters affecting the finances of the University, including reports on investments.

**GOVERNANCE PATH:**

- 1. Business Board [for information] (June 20, 2023)**

**PREVIOUS ACTION TAKEN:**

The University of Toronto Asset Management Corporation (UTAM) financial statements for the year ended December 31, 2022 were approved by the UTAM Board at its meeting of March 20, 2023.

The UTAM semi-annual update on investment performance and responsible investing activities to December 31, 2022 was reviewed by the Business Board at its meeting of April 26, 2023. At that time, the UTAM Board had not yet approved the complete Annual Report, including the narrative summary of annual investment activities, governance, risk management, portfolio performance, and responsible investing activities. The administration committed to provide the

complete 2022 UTAM Annual Report, including the UTAM audited financial statements for the year ended December 31, 2022 at the next Business Board meeting on June 20, 2023.

## **HIGHLIGHTS:**

The University of Toronto Asset Management corporation, which was formed in April 2000, is a separate non-share capital corporation controlled (effectively owned) by its members who are appointed by the University of Toronto. UTAM is registered with the Ontario Securities Commission in the category of Portfolio Manager. UTAM's primary mandate is to manage or see to the management of, the investment funds that are delegated to it by the University of Toronto.

In 2022, UTAM managed two distinct portfolios of assets under an investment management agreement between the University and UTAM:

- Long-Term Capital Appreciation Pool ("LTCAP"), which consists of certain endowment assets of the University of Toronto as well as other long-term assets; and,
- Expendable Funds Investment Pool ("EFIP"), which consists of short-term working capital assets of the University.

For the year ending December 31, 2022, the actual investment return for LTCAP was -8.9% (2021: 14.9%). The target investment return (including CPI) net of fees and expenses was 10.5% (2021: 8.8%), and the return for the Reference Portfolio, a theoretical public market passive portfolio that assumes a traditional 60%/40% equity/fixed income asset allocation and does not include any allocation to alternative assets or strategies, was -13.0% (2021: 10.2%).

In 2022, the actual LTCAP return was higher than the Reference Portfolio return by 4.1 percentage points (-8.9% *versus* -13.0%) but it was less than the target return by 19.4 percentage points (-8.9% *versus* +10.5%).

Over the 10-year period ending December 31, 2022, LTCAP outperformed its target return by 1.8 percentage points per annum and it outperformed the Reference Portfolio by 1.9 percentage points per annum, adding more than \$523 million in additional value to the LTCAP portfolio compared to what would have otherwise been achieved under the passive investment approach of the Reference Portfolio.

The actual return for the Expendable Funds Investment Pool (EFIP) in 2022 was -2.9%, which exceeded the target return of -3.0% by 0.1 percentage points. Over the last 10 years, the actual return in EFIP has exceeded the target return by 0.3 percentage points per annum.

## **Responsible Investing**

UTAM continued to progress its responsible investing activities in 2022. We set a new carbon footprint reduction target of 50% by 2030, using 2019 as the baseline date. Similar to 2021, the

2022 carbon footprint is calculated on equity, equity-like securities (i.e., private equity and real estate via proxy) as well as corporate bonds, which together comprise approximately 70% of LTCAP's net asset value. As discussed in the attached presentation, we made considerable progress in terms of reducing the carbon footprint in 2022. We also made good progress towards achieving the fossil fuel divestment targets. We eliminated all direct exposure to fossil fuel companies within the 12 month target set by President Gertler and despite the indirect exposure remaining constant at 2% of LTCAP, we reduced the exposure on a dollar basis. Offsetting the reduced dollar exposure were two key factors: (i) the very strong relative performance of fossil fuel companies as the MSCI All-Country World (ACWI) Energy sector index returned +33% in 2022 compared to the -18% return of the overall MSCI ACWI; and (ii) the lower denominator of LTCAP as the assets in the portfolio declined during the year, driven primarily by its performance. We continue to engage with our managers to further reduce LTCAP's exposure to fossil fuel companies in the coming years.

Beginning with the 2022 Annual Report, in addition to the usual review of investment activities, governance, risk management and portfolio performance, UTAM will present content that previously had been covered in a stand-alone Responsible Investing Report: detailed analysis of how environmental, social and governance (ESG) factors are considered in our investment decision-making and stewardship activities. Combining these two reports reflects a fundamental belief that producing them separately, while it had practical advantages, created an artificial distinction – because we believe that sound investing is, by definition, responsible investing.

Further to these changes, UTAM's Financial Statements, the Carbon Footprint Report and the Task Force on Climate-Related Financial Disclosures (TCFD) Report are published separately from the Annual Report and will be posted as supplements on UTAM's website. The purpose of this is to make these items more easily accessible and accordingly reduce the bulk of the Annual Report.

#### **FINANCIAL IMPLICATIONS:**

Investment results through December 31, 2022 have been factored into the University's financial forecast for 2022-23 and the budget planning process for 2023-24.

#### **RECOMMENDATION:**

For information.

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#### **DOCUMENTATION PROVIDED:**

- *UTAM Annual Report 2022*
- *UTAM Audited Financial Statements 2022*

# Together

A combined report on the past year's portfolio performance and responsible investing efforts.

## Together

### Introduction

Message from the Chair  
Message from the President and CIO  
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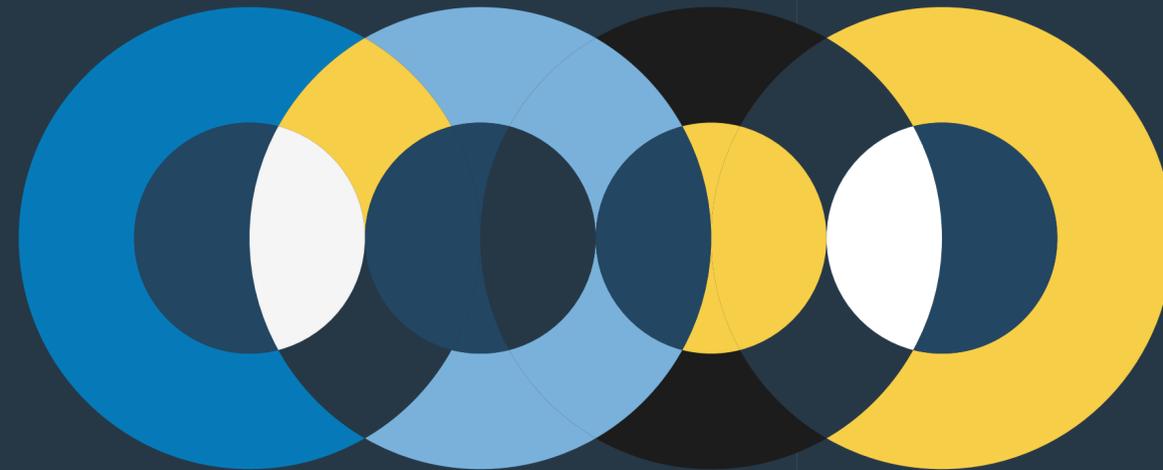
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We're pleased to present UTAM's first integrated annual report to the University of Toronto's community of stakeholders. In the following pages, we bring together two key aspects of our role: disciplined investment management on behalf of the University; and a continued, deepening commitment to responsible investing as we consider environmental, social and governance (ESG) factors across all areas of investment and risk management.

These two dimensions of UTAM are interdependent. So it's appropriate that we now merge our two reporting streams into a single publication – one that combines the detailed disclosure of investment processes and results provided by our Annual Report with the transparent discussion of ESG-related investment activities in our Responsible Investing Report. This integrated approach yields a holistic assessment of the past year's results in the context of U of T's broader objectives. And it reinforces the values of a university recognized both as a centre of learning and research excellence, and as a champion of sustainability.

**In blending these linked narratives to include both investment performance and responsible investing, we clarify and reinforce UTAM's role as the University's diverse stakeholders work to create sustainable long-term impact – together.**

To download UTAM's Financial Statements,  
Carbon Footprint Report and TCFD Report:  
[utam.utoronto.ca/reports](https://utam.utoronto.ca/reports)

# Responsibility is a given

## Message from the Chair

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**THIS YEAR'S ANNUAL REPORT BRINGS TOGETHER, FOR THE FIRST TIME,** two key dimensions of UTAM's reporting to our stakeholders across the University of Toronto community. In addition to our usual review of investment activities, governance, risk management and portfolio performance, we present content that until now has been covered in our stand-alone Responsible Investing Report: detailed analysis of how environmental, social and governance (ESG) factors are considered in our investment decision-making and stewardship activities. The result is a holistic view of UTAM's approach and our progress in protecting and growing U of T's assets over the long term.

This transition to integrated reporting represents an emerging best practice in investment communications, reinforcing UTAM's commitment to ensuring our stakeholders have easy access to clear information. In the same spirit, we now provide UTAM's Financial Statements, as well as the Carbon Footprint Report and TCFD Report, outside the Annual Report as separate, downloadable companion documents.

Combining our two main reports also reflects a more fundamental belief that producing them separately, while it had practical advantages, created an artificial distinction – because we believe that sound investing is, by definition, responsible investing. Since 2016, in parallel with the University's increased focus on achieving and advancing sustainability, UTAM's commitment to comprehensive reporting has only deepened: any evaluation of our long-term investing approach requires the most complete picture possible of all relevant factors and potential risks affecting returns.

#### Adding value in challenging times

The past year saw exceptional volatility in global markets, as major economies grappled with sharply rising inflation, higher interest rates and the threat of recession. The pandemic's lingering effects were complicated by new pressures from geopolitical events, notably the invasion of Ukraine. This created a difficult environment for all investment portfolios, including the University's. Yet, as discussed in

this report, while returns in the Endowment portfolio were down year over year, value added against the benchmark Reference Portfolio was comparatively strong.

This continued strong relative performance despite challenging times speaks to the effectiveness of UTAM's disciplined investment process. The results detailed in this report are a testament as well to the technical skills and focus of the entire team. Their ability to select and oversee high-calibre third-party managers has enabled UTAM to navigate through short-term fluctuations in markets worldwide by maintaining a long-term perspective.

UTAM's very full agenda for 2022 also included the successful transition of investment management activities related to U of T's pension assets from UTAM to the University Pension Plan Ontario (UPP). UTAM team members worked diligently with their UPP counterparts to ensure the smooth migration of responsibilities to the new administration by March 31, 2022.

#### Committed to strong governance

On behalf of the Board, I want to express our profound gratitude to David Denison and Geoff Matus, Co-Chairs of the University's external Investment Committee, who stepped down this year after expertly overseeing UTAM's investment strategy and risk management framework for more than 10 years. Their deep knowledge and thoughtful counsel have enabled UTAM to navigate through even the most challenging environments and remain consistently focused on the far horizon. Now, in keeping with the commitment to strong governance they've helped reinforce, David and Geoff have chosen to pass the baton.

Succeeding them in the role of Chair is Craig Rimer, another long-time Investment Committee member, whose industry expertise and wide-ranging experience will ensure that the legacy of sound strategic oversight continues. The Investment Committee also welcomes two outstanding new members: George Lewis brings the insights gained

through his 30-year career in financial services, as well as his current board responsibilities in the investment sector. Poul A. Winslow has a similar wealth of experience in multi-asset class and alternative investments developed as a senior executive, both in Canada and internationally, over the past three decades.

#### Choices for a sustainable future

In closing, I'd like to express my appreciation to my Board colleagues: U of T President Meric Gertler; the University's Chief Financial Officer, Trevor Rodgers; and representing the University of Toronto Faculty Association, Professor (Emeritus) Alan White of the Rotman School of Management. Our work together exemplifies the spirit of creative problem-solving and respectful collaboration that distinguishes the University we serve.

Lastly, I join the Board in thanking everyone at UTAM for their professionalism, innovative thinking and dedicated hard work under the strong leadership of Chuck O'Reilly, President and Chief Investment Officer. UTAM's investment model is grounded in the values of the people who implement, manage and constantly refine it. As this integrated report makes clear, the responsible choices UTAM makes today will be measured by the results they yield well into the future – because that is the true test of sustainability.



**Richard B. Nunn FCA, ICD.D**  
Chair, UTAM Board of Directors

# Bringing it all together

## Message from the President and Chief Investment Officer

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UTAM IS COMMITTED TO KEEPING OUR STAKEHOLDERS INFORMED through timely, transparent and accessible communications. In presenting this review of the 2022 calendar year, we've elevated what we believe is an already high standard of reporting to produce our first Integrated Annual Report, which incorporates the detailed review of ESG-related investment and stewardship activities previously contained in our separate Responsible Investing Report. We're bringing a more fully integrated narrative to UTAM's other stakeholder communications as well, including [our refreshed website](#).

This change in how we share information doesn't reflect any fundamental shift in UTAM's investment approach as we manage the assets of our sole client, the University of Toronto. It's simply the latest evolution of a reporting strategy that has grown increasingly comprehensive over the past several years.

Integrated reporting is just one facet of UTAM's belief, as this year's report theme suggests, in the power of bringing together the right elements – disciplined, repeatable processes informed by advanced analytical tools and implemented by a skilled and experienced team – to help advance the vision of one of the world's great universities.

### Resilience over the long term

The picture this year's report presents is one of short-term challenges set against the broader backdrop of UTAM's long-term investment approach and proven track record. Through much of 2022, investors worldwide had to navigate sometimes dramatic market fluctuations amidst continued economic uncertainty. This volatility was reflected in the performance of the University's Endowment portfolio, which returned -8.9% year over year (net of fees and expenses). At the same time, though, value added was relatively strong, as the Endowment outperformed the -13.0% return in the Reference Portfolio, our public market benchmark, by 4.1 percentage points.

The importance of staying focused on the bigger picture is all the more evident when we look at investment performance within a longer

timeframe. The Endowment portfolio has generated an annualized net return of 8.2% over the 10-year period ending December 31, 2022. This average 10-year annual result has exceeded both the University's target return for the Endowment of 6.4% (based on a target return of 4% plus inflation per annum) and the Endowment's Reference Portfolio return of 6.3% over the same period. The Endowment's 1.9 percentage points of annual outperformance compared to the Reference Portfolio over this 10-year period represents a gain of more than \$523 million.

The other principal portfolio UTAM manages for the University is the Expendable Funds Investment Pool (EFIP), which consists mainly of working capital and is invested over the short to medium term. The total value of EFIP can vary widely with changes in student tuition fees, staff and faculty salaries, facilities maintenance costs, government grants and investment gains or losses. As of December 31, 2022, EFIP was valued at \$3.9 billion, compared to \$3.0 billion at the end of 2021. Despite this increase in asset value over the calendar year, EFIP's performance was challenged in 2022 as the rising interest rate environment negatively affected the fixed income investments that comprise this portfolio. For the year, EFIP returned -2.9%, which exceeded its benchmark target return by 0.1 percentage points. Over the 10-year period ending December 31, 2022, EFIP has returned 1.4%, outperforming its target return of 1.1% and driving a cumulative gain of more than \$55 million.

That our portfolios showed resilience in a difficult capital market environment speaks to UTAM's sound investment approach and, importantly, to the quality of the team I'm privileged to lead. The efforts we've made to attract and develop talented people, to enhance our systems and processes, and to foster rigorous, in-depth analysis has delivered value in the current context as well as over longer periods – and should position us well for the future.

### Leadership in responsible investing

Underpinning this long-term perspective is our continued focus on responsible investing. During the past year, UTAM, on behalf of the ►



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◀ University of Toronto, signed the 2022 Global Investor Statement to Governments on the Climate Crisis, joining more than 600 investors worldwide representing more than US\$40 trillion in assets under management. This landmark statement, which we've signed every year since 2017, calls on heads of state to make climate commitments that meet or exceed those of COP27 (which met in November 2022) and to prioritize specific policy actions in response to this global crisis.

The Global Investor Statement is just one of many initiatives by which UTAM connects with other institutional investors to exchange ideas and advocate with one voice for the wider adoption of responsible investing practices. We also belong to organizations like the United Nations-convened Net-Zero Asset Owner Alliance, which guides members committed to transitioning their investment portfolios to net zero emissions by 2050. Since 2021, when U of T became the first university in the world to join the Alliance, we've developed a set of interim targets for the Endowment, including a carbon footprint reduction goal that encompasses both equities (including equity-like securities) and publicly traded corporate bonds – all as detailed in this report.

UTAM's commitment to responsible investing is not just an abstract pledge to uphold a set of principles; it's integral to how we work to manage U of T's assets while constantly assessing and refining our investment processes. At the same time, we're devoted to supporting the University's clear vision and ambitious goals in the pursuit of sustainability. U of T President Meric Gertler summed it up succinctly in our last Responsible Investing Report: "As global challenges imperil the worldwide effort to meet our Paris Accord obligations, the advances made by UTAM and the University of Toronto provide important confirmation that progress is possible."

**Moving forward together**

This year's report once again includes stories showing the impact of our investments on U of T's students, faculty and unique centres of learning and research. We're indebted to the University's Advancement team for sharing examples of the many powerful stories they've gathered in support of Defy Gravity, the largest university fundraising and alumni engagement campaign in Canadian history.

We're also pleased to feature a Q&A conversation with President Gertler, who provides his perspective on how UTAM helps to sustain and advance U of T's vision. I'd like to take this opportunity to thank the President personally for his continued support and invaluable advice. Our strong collaboration alongside Trevor Rodgers, the University's Chief Financial Officer, further ensures alignment between the strategic goals of UTAM and U of T.

Another pillar of this collaborative effort is the University's Investment Committee, which oversees UTAM's investment strategy and risk management framework. I join our Board of Directors in thanking the former Co-Chairs of the Investment Committee, David Denison and Geoff Matus, who stepped down in 2022 after more than a decade of expert counsel and steadfast focus on the long-term view. On behalf of UTAM, I'd like to welcome their successor as Chair, long-time Committee member Craig Rimer, who draws on deep investment industry expertise in assuming this leadership role. I'm also pleased to welcome the two new members, George Lewis and Poul A. Winslow, who likewise bring a wealth of professional experience to the Investment Committee. And I want to express our appreciation to the two other long-serving Committee members, Brent Belzberg and Heather Hunter, whose deep knowledge and astute guidance continue to be invaluable.

Lastly, I want to underline my gratitude to the entire UTAM team for their insights, dedication and plain hard work. We've responded to some tough challenges over the past year. And at the same time, we've identified promising opportunities, as always looking past daily or quarterly events to take the longer view. I'm confident that UTAM has the right blend of agility and discipline, creativity and prudence, to continue helping the University of Toronto realize its ambitious vision – together.



**Chuck O'Reilly, CFA, CAIA**  
President and Chief Investment Officer

**Vision**

To be one of the world's leading university investment managers.

**Mission**

To produce strong investment results over the long term, advancing the University of Toronto's goals for its portfolios through skilled investment management, leadership in responsible investing and prudent risk management.

**Values**

**Excellence**

- Strive to be the best, continuously learning and improving.
- Set high expectations and achieve ambitious goals.
- Exemplify and advance best practices in investment management.

**Integrity**

- Always do the right thing.
- Report transparently on our activities and results.
- Meet our commitments and be accountable for our actions.

**Collaboration**

- Operate as a cohesive team in an open, creative, high-performance culture.
- Work closely with the University, serving as a trusted partner.
- Partner with investment managers, service providers and others to our mutual benefit.

**Equity**

- Treat people of all identities, talents and perspectives equitably.
- Promote and actively foster diversity and inclusion.
- Respect, value and embrace the power of difference.

**Sustainability**

- Invest responsibly, applying an ESG lens and guided by a clear set of principles.
- Pursue and promote sustainability in how we invest and how we operate.
- Consider the long-term impact of every decision.

# 2022 Highlights

All numbers are rounded

## Endowment

### Investment returns\*

2022

**-8.9%**

10-year (annualized)

**8.2%**

Total Endowment distributions (10-year)

**\$835**mn

### UTAM value added

(vs. Reference Portfolio)<sup>†</sup>

2022

**+4.1** percentage points

10-year (annualized)<sup>‡</sup>

**+1.9** percentage points

10-year

**\$523.1**mn

## EFIP

### Investment returns\*

2022

**-2.9%**

10-year (annualized)

**1.4%**

### UTAM value added

(vs. target return)

2022

**+0.1** percentage points

10-year (annualized)

**+0.3** percentage points

10-year

**\$55.5**mn

## Total assets under management

At December 31

2022

**\$3.8**bn

Endowment

**\$3.9**bn

EFIP

2021

**\$4.2**bn

Endowment

**\$3.0**bn

EFIP

Year-over-year

**+6.0%**

(Endowment and EFIP combined)



\*All returns are calculated using the Time-Weighted Return methodology.

<sup>†</sup>For more information about the Reference Portfolio, see page 19.

<sup>‡</sup>The Endowment's performance is also assessed relative to the University's long-term target return of 4% + CPI ("Target Return"). Over the 10-year period, the Endowment's annualized return of 8.2% outperformed the University's annualized Target Return of 6.4% by 1.8 percentage points.

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# 2022 Highlights

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## Endowment

### Carbon footprint\*

2019 baseline



2022<sup>†</sup>



2030 target<sup>‡</sup>



Reduction in carbon footprint 2019–2022



### Divestment from fossil fuel companies

2022



Direct exposure



Indirect exposure

2030 target



Exposure (direct and indirect)

### Investment in sustainable and low-carbon strategies

2022



Invested in sustainable and low-carbon strategies

2025 target



Invested in sustainable and low-carbon strategies

\*Carbon footprint is calculated for the Endowment Sub-Portfolio, consisting of equity, equity-like securities and public corporate bonds. These investments comprise approximately 70% of the Endowment's net asset value at December 31, 2022.

<sup>†</sup>Verified by PricewaterhouseCoopers LLP's independent limited assurance review.

<sup>‡</sup>An interim target on the way to net zero by 2050.

### Company engagement

Companies engaged

1,214

Engagements

3,640

2022 top five areas of focus

- Corporate governance
- Climate change
- Strategy, risk and communication
- Social and ethical
- Human rights

### Proxy voting

Public equity portfolio proxy voting

6,419

Shareholder meetings voted

88,798

Proposals and agenda items

8,067

Votes cast against management recommendations

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# The year at a glance

## Significant events and milestones in 2022

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Announced a new carbon footprint reduction target of 50% by 2030, using the December 31, 2019, baseline and including publicly traded corporate bonds in addition to equity and equity-like securities. The target was established in accordance with the Target Setting Protocol of the Net-Zero Asset Owner Alliance.



Partnered with an external investment manager to develop an actively managed credit strategy that excludes fossil fuel exposure and is benchmarked against the newly launched FTSE Canada All Corporate Ex Fossil Fuels Enhanced Bond Index.



Began to transition Reference Portfolio benchmarks to indexes that exclude fossil fuel companies.

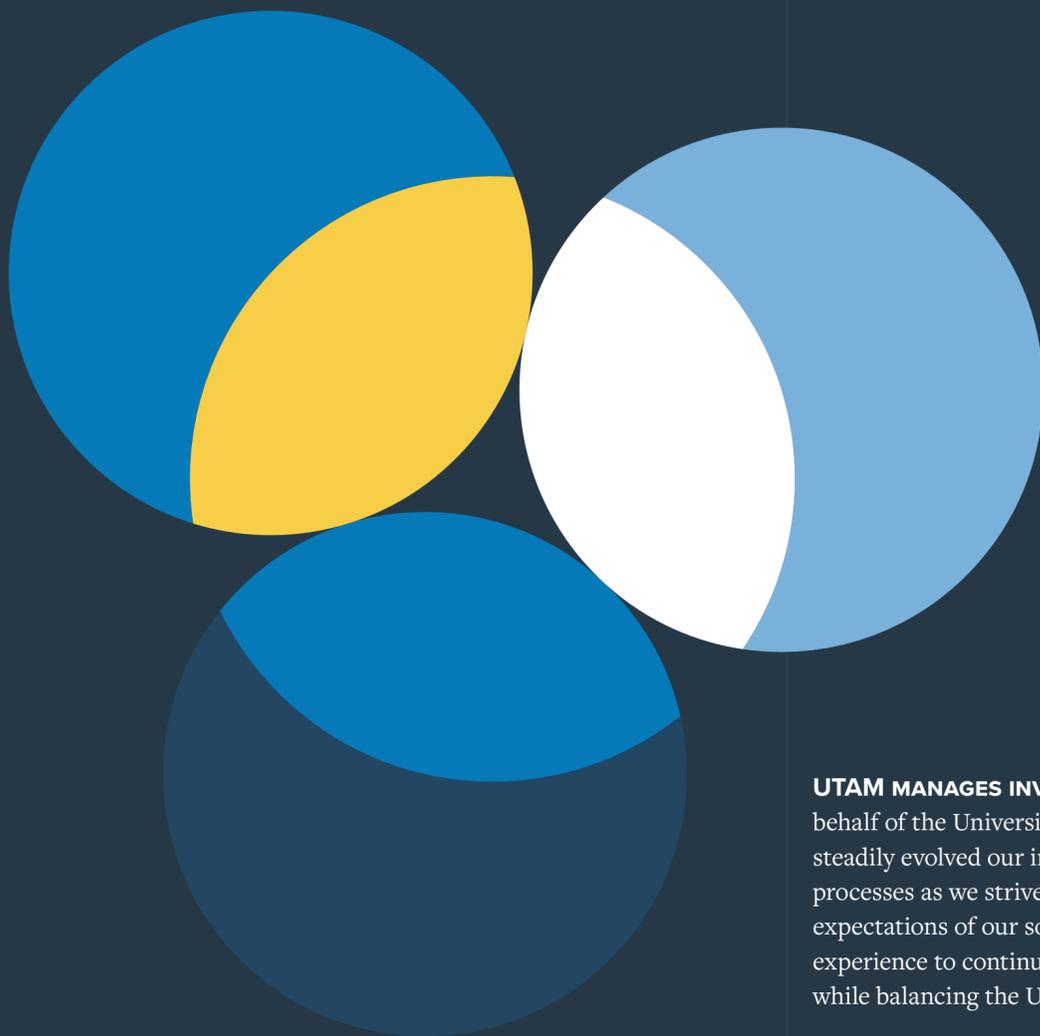


Engaged PricewaterhouseCoopers LLP (PwC) to verify, through a limited assurance review, UTAM's carbon footprint calculations and reporting. We are committed to continuing this enhancement to our reporting each year.



Eliminated direct exposure to fossil fuel companies in the Endowment. In EFIP, there was no direct exposure to fossil fuel companies and, during 2022, we eliminated all material indirect exposure to fossil fuel companies.

# Sophisticated investment management



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- Divestment
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**UTAM MANAGES INVESTMENT PORTFOLIOS EXCLUSIVELY ON** behalf of the University of Toronto. Over the past 22 years, we've steadily evolved our investment, risk management and operational processes as we strive constantly to meet and exceed the high expectations of our sole client. We apply insights gained through experience to continuously refine how we manage complex portfolios while balancing the University's long-term objectives.

As we often point out, UTAM was created by a university for a university. We embrace U of T's guiding values and understand the challenges and opportunities that shape its outlook. And after more than two decades of working on behalf of Canada's largest university, we appreciate the nuances of its strategic priorities and governance structures. We also know the importance of explaining our investment approach and providing detailed information through reporting that is clear and accessible to a diverse range of stakeholders.

UTAM, like the institution we serve, never stops moving forward. We're constantly enhancing and extending our capabilities while maintaining a prudent and disciplined approach to asset management. We're committed to ensuring transparency and accountability through robust governance processes that reflect industry best practices. And as we work to sustain strong risk-adjusted returns while adhering to U of T's investment policy guidelines and commitments, we remain focused on our vision: *To be one of the world's leading university investment managers.*

# Managing the assets entrusted to us

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**Managing the assets entrusted to us**

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- PRI scorecard
- Q&A: U of T President Meric Gertler
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**IN WORKING TO DELIVER SUSTAINABLE VALUE TO THE UNIVERSITY OF** Toronto and its stakeholders, our efforts reinforce the financial foundation that allows Canada's largest university to achieve its goals. Together, we strive to ensure that U of T's endowment funds maintain purchasing power over the long term – and reliably support thousands of beneficiaries each year.

UTAM doesn't simply make investments and monitor the returns. We constantly broaden and deepen our capabilities while enhancing our processes and systems. As we pursue our disciplined, team-based investment process, we report transparently, measuring our performance against objective benchmarks and targets. In all that UTAM does, we look beyond short-lived market fluctuations to focus on the far horizon.

**A manager of managers**

Established as a separate corporation by the University of Toronto in 2000, UTAM invests funds according to objectives and guidelines set by the University's Business Board, as well as the administration and the external Investment Committee. In fulfilling this mandate, we don't typically make direct investments in traded securities. Rather, UTAM follows what is known in the investment industry as a manager of managers approach. We select investment managers that we believe are best in class, using an assessment process anchored by investment and operational risk management, including responsible investing. We then evaluate each manager's performance against our risk and return expectations, taking into account the changing market environment.

**Assets under management**

**Endowment**

Known formally as the Long-Term Capital Appreciation Pool, the Endowment portfolio (as we refer to it in this annual report) consists primarily of certain endowment assets of the University of Toronto but also includes other funds invested for the long term. The size

of this portfolio changes in value with contributions, investment gains/losses, fees and expenses, and the annual withdrawals to fund Endowment-supported initiatives. At the end of 2022, the assets in this pool had a value of \$3.8 billion, down from \$4.2 billion at the end of 2021.

**Short-term working capital**

Expendable University funds that can be invested over the short to medium term make up the Expendable Funds Investment Pool (EFIP). Principally comprising the University's working capital, large cash flows into and out of EFIP result in its value fluctuating significantly in the course of a year. Factors that affect these fluctuations include student tuition fees, staff and faculty salaries, facilities maintenance costs, government grants, fees and expenses, and investment gains/losses. At the end of 2022, EFIP was valued at \$3.9 billion, up from \$3.0 billion at the end of 2021.

**Endowment**



**Short-term working capital**



**Our commitment to responsible investing**

At UTAM, we integrate environmental, social and governance (ESG) factors into our investment and risk management processes, including decision-making, stewardship activities (through engagement, proxy voting and advocacy), and reporting and disclosure.

Our Responsible Investing Committee and all investment, operational due diligence and risk management staff routinely consider ESG risks and opportunities. We apply ESG considerations particularly in our selection of investment managers, and we continually engage with our managers on their responsible investing programs after investment. In our public equity portfolios, we cast proxy votes where possible, using an ESG-focused policy. We encourage investment managers to adopt similarly focused policies (to the extent that they haven't already done so). And through various collaborative initiatives, we've actively engaged with corporate issuers, using an ESG-focused policy that promotes accountability in addressing, managing, disclosing and reporting ESG-related risks. We report our responsible investing activities on a regular basis.

UTAM's formalized approach to responsible investing is consistent with our fiduciary duty and complements our overall investment strategy for the assets that the University has entrusted to us. We pursue a responsible investing approach because we believe that material ESG factors can have a significant impact on long-term investment returns. Applying an ESG lens to our activities allows us to make better-informed decisions and ultimately results in better outcomes for the assets that we manage on the University's behalf.

On our website, we publish our [responsible investing reporting](#), including carbon footprint reports (and starting with the 2021 carbon footprint, an accompanying opinion based on a limited assurance review conducted by PricewaterhouseCoopers LLP), Principles for Responsible Investment (PRI) reports for the Endowment, UTAM's Responsible Investing Policy and TCFD (Task Force on Climate-related Financial Disclosures) reports. We also publish timely updates on our responsible investing and other activities at [utam.utoronto.ca/news](https://utam.utoronto.ca/news).

As our approach to responsible investing has evolved, we've assumed leadership roles in various responsible investment organizations, and we're helping to identify, shape and promote best practices.

In 2021, UTAM, on behalf of the University, joined the United Nations-convened Net-Zero Asset Owner Alliance (NZAOA) – making U of T the first university in the world to become a member. The Alliance is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C. As of March 2023, the Alliance includes 85 institutional investors who together represent over US\$11 trillion in assets under management. Joining the Alliance affirms our commitment to achieve net zero carbon emissions associated with the Endowment portfolio by no later than 2050.

# We're guided by the PRI framework

SINCE 2016, UTAM HAS BEEN A SIGNATORY TO THE PRINCIPLES FOR Responsible Investment (PRI), an investor initiative and leading proponent of responsible investing. We've undertaken a series of actions to align our policies, processes and practices with the PRI; an illustrative [list of these actions](#) is available on our website. Typically on an annual basis, the PRI publishes scorecards for its signatories to assess progress in implementing responsible investing practices over time, across asset classes and in comparison to peers at national and global levels.



## The PRI's six principles

01

We will incorporate ESG issues into investment analysis and decision-making processes.

02

We will be active owners and incorporate ESG issues into our ownership policies and practices.

03

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

04

We will promote acceptance and implementation of the Principles within the investment industry.

05

We will work together to enhance our effectiveness in implementing the Principles.

06

We will each report on our activities and progress towards implementing the Principles.

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# Our PRI scorecard

SINCE BECOMING A SIGNATORY IN 2016, WE’VE REGULARLY PARTICIPATED in formal PRI assessments of UTAM’s responsible investing activities.

UTAM completed three PRI assessments of our activities prior to 2021. We’ve consistently scored higher than the median PRI signatory in all applicable responsible investing categories. In 2020, the last year of reporting under the old framework, we received the highest mark possible across all six categories.

During 2021, in evaluating signatories’ activities for the 2020 calendar year, the PRI piloted a new reporting framework intended to better capture responsible investing efforts. As we’ve described in previous UTAM reports, this new framework encountered a range of issues. As a result, the release of PRI’s transparency and assessment reports for the 2020 calendar year was delayed until September 2022. The PRI bypassed assessments for the 2021 calendar year entirely. The next reports will cover activities in the 2022 calendar year; we expect to publish these results in UTAM’s next Integrated Annual Report.

In its revised reporting framework, the PRI also adjusted its assessment methodology to better reflect the current state of responsible investing while anticipating future advancements. The module grading system shifted from alphabetical (A+ to E) to numerical (1 to 5 stars), and absolute grading (i.e., a single number grade, per module, out of 100) was adopted to achieve a more balanced distribution of scores. Due to the changes in PRI’s assessment methodology, scores covering activities in the 2020 calendar year are not comparable to previous years. (The PRI provides more details on the new [assessment methodology](#) on its website.)

UTAM’s [PRI Assessment Report](#) and [PRI Transparency Report](#) for the 2020 calendar year comprise our fourth annual reporting results since becoming a signatory in 2016. The reports evaluate our progress in implementing responsible investing practices across asset classes – compared to peer signatories, based on 2020 calendar year activities.

Table 1 provides a snapshot of UTAM’s scores on each of the six modules applicable to our approach of allocating capital to managers and the Endowment’s asset class exposure. As displayed in the table, we have compared our results against a peer group of similar-sized, PRI-assessed global asset owners with assets under management (AUM) ranging between US\$1 billion and US\$10 billion – as well as to all global asset owners, regardless of AUM size.\* We received five out of five stars on the Investment and Stewardship Policy module and four stars on each of the five asset class modules. As in past assessments, we consistently scored higher than the median PRI-assessed global asset owner. This is true whether we compare our results to similar-sized global asset owners, or to all asset owners.

**Table 1**  
Principles for Responsible Investment scores for calendar year 2020

Module	UTAM	AUM: US\$1 billion to US\$10 billion		AUM: All	
		Median	Median	Median	Median
Investment & Stewardship Policy	★★★★★ (93)	★★★ (57)	★★★ (62)	★★★ (62)	★★★ (62)
Listed Equities	★★★★ (78)	★★★★ (69)	★★★★ (71)	★★★★ (71)	★★★★ (71)
Fixed Income	★★★★ (81)	★★★ (58)	★★★ (62)	★★★ (62)	★★★ (62)
Private Equity	★★★★ (79)	★★★★ (67)	★★★★ (66)	★★★★ (66)	★★★★ (66)
Real Estate	★★★★ (80)	★★★★ (67)	★★★★ (68)	★★★★ (68)	★★★★ (68)
Hedge Funds	★★★★ (76)	★★ (31)	★★★ (42)	★★★ (42)	★★★ (42)

\*The PRI results also allow filtering peer group by region, but the number of observations for some modules is unacceptably small, so we have not included this comparison. The PRI does not currently offer filtering by asset owner category, so we are unable to compare ourselves against a peer group of endowments, for example.

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# “UTAM supports all dimensions of our impact.”

## Q&A with U of T President Meric Gertler

In wide-ranging Q&A session, University of Toronto President Meric Gertler reflects on UTAM's role in advancing the mission of Canada's largest university.



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**Q: You've said that UTAM's shift this year to producing an Integrated Annual Report, one combining the Responsible Investing Report with the traditional Annual Report, "conveys a significant message." Can you share a bit more of the University of Toronto's perspective?**

**President Meric Gertler:** Since 2016, UTAM has provided yearly updates on its responsible investing activities in a stand-alone report. Over that time, responsible investing has become increasingly embedded in UTAM's work. And in fact it's an emerging best practice among institutional investors to weave this type of information – for instance, social and environmental considerations – into a single, comprehensive annual report. UTAM's President, Chuck O'Reilly, and I agreed, and the UTAM Board concurred, that UTAM should embrace this approach. It's one more way we're ensuring that stakeholders have easy access to concise, straightforward reporting on how the University's assets are managed.

To be clear, this is more than simply a change in report format. U of T has long been committed to advancing sustainability in every aspect of what we do, from our teaching and research to the management of our facilities and operations. Seven years ago, when I called on UTAM to deepen the University's commitment to responsible investing, it was within a more sweeping report entitled *Beyond Divestment: Taking Decisive Action on Climate Change*. UTAM soon became a pioneer among university asset managers in connecting investment strategy to the goals of sustainability. Today, responsible investing is not merely an additional avenue to pursue alongside traditional investment activities. It's integral to sound investment practice. And it's therefore central to how UTAM manages U of T's assets – just as sustainability is central to how this University sets priorities, makes decisions and plans for the future.

**Q: In October 2021, you announced that U of T would be divesting from fossil fuel companies. How does this fit into the University's overall sustainability strategy?**

**A:** Divestment is a pillar of our response to the threat of climate change – but it's not the only one. There are additional steps we're taking to reduce the University's carbon footprint and achieve net zero emissions. To start with divestment, we actually made two commitments. First, to divest the Endowment portfolio from all *direct* investments in fossil fuel companies by the end of October 2022, a year from when we made the announcement. Second, to divest from all *indirect* investments by 2030. The first pledge we achieved

right on time – in fact, just ahead of schedule. UTAM has eliminated all direct exposure to fossil fuel companies in the Endowment.

The second commitment, while more significant, is also more complicated. UTAM, as a manager of managers, typically makes indirect investments through pooled and commingled funds offered by third-party managers. So it's not possible to isolate holdings in specific companies and simply remove them. Still, UTAM has already taken steps to reduce indirect fossil fuel exposure. This is a slower process than simply divesting from direct investments. For example, some indirect investments involve illiquid assets, and an early exit can incur significant financial loss. But Chuck and his team are steadily making progress. And they continue to work closely with the Endowment's active managers, developing strategies to further reduce and ultimately exclude fossil fuels by 2030, if not sooner.

At the same time, UTAM makes short- to medium-term investments of working capital through what's called the Expendable Funds Investment Pool, or EFIP. And even though our October 2021 divestment pledge did not explicitly include the EFIP portfolio, it too is now fully divested from all direct and all material indirect fossil fuel exposure.

**Q: What other carbon-reduction goals have you established for the Endowment portfolio?**

**A:** When we made our divestment announcement, we also committed to achieving net zero carbon emissions associated with the Endowment by 2050. That's a bold commitment. And to help make it a reality, U of T, through UTAM, became the first university in the world to join the Net-Zero Asset Owner Alliance. This is a member-led initiative, convened by the United Nations, that guides institutional investors in transitioning their portfolios to net zero by 2050. The Alliance has established a framework for setting interim carbon emissions targets, as well as for engaging with emitting companies, financing the transition and undertaking other aspects of decarbonization. UTAM has adopted the Alliance's target-setting protocol in defining how it measures progress toward the goal of net zero. UTAM also coordinates with other Alliance members on the evolving science of carbon footprint measurement.

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**Q: Aren't these net zero efforts made more difficult – as with divestment – by the fact that UTAM is a manager of managers?**

**A:** Yes, investing through third-party managers certainly adds complexity when it comes to restructuring portfolios to achieve carbon reduction targets. The UTAM team understands these complexities, though, and has already made great strides toward reducing the carbon footprint of the portfolios they manage for the University – which stakeholders can explore in detail in the Integrated Annual Report.

The added complexity can also make it harder for non-specialists to appreciate all the nuances. To enhance trust and accountability, UTAM has once again engaged PwC [PricewaterhouseCoopers LLP] to conduct an independent review validating the carbon footprint for the Endowment as reported by UTAM. Guided by these reviews, UTAM aims to continue enhancing its calculation and reporting processes to ensure that carbon footprint disclosure for U of T's endowment investments reflects the highest industry standards – and wherever possible exceeds them. This is only one facet of UTAM's overall commitment to accountability and transparency, which you see in its detailed reporting to governance bodies, as well as its annual reports and other regular updates to stakeholders.

**Q: How do the returns that UTAM achieves over the long term help the University deliver on its mission?**

**A:** By actively and strategically managing U of T's assets, UTAM supports all dimensions of our impact. This is perhaps most evident through student scholarships, endowed faculty chairs and innovative learning and research programs. UTAM's work also fuels the University's vital role in civil society, as a place where promising ideas are discussed, challenged and improved – ultimately yielding valuable insights and breakthrough solutions. And UTAM helps advance the many other areas of sustainability where we're leading by example – notably our commitment to make the downtown St. George campus climate-positive by 2050.

To give just one concrete example of investment impact: In the 2022–2023 academic year, U of T spent \$331 million on student financial aid – and of that total, \$54 million was funded by returns from the Endowment. In fact, over the past 10 years, the investments managed by UTAM in the

Endowment portfolio generated about \$2.1 billion in total returns. These have been used in part to help talented students develop their knowledge and skills and then pursue their dreams – to the benefit of society, our local and global economies, and the future of the planet.

UTAM plays a critical role in our efforts to achieve financial sustainability – whether that means sustaining excellence in access, research or pedagogy. It is hard to overstate the importance of this in an era of declining government support and frozen tuition fees.

**Q: Given this close strategic alignment, where do UTAM's goals intersect with those of the University's Defy Gravity campaign?**

**A:** There are many facets to [Defy Gravity](#), as the largest university fundraising and alumni engagement campaign in Canadian history. But one of its cornerstones is an unparalleled financial goal: we've asked the U of T community to support us in raising more than \$4 billion. And as we work together to realize that ambition, we know UTAM will be here to invest donors' generous contributions with expertise while continuing to focus, as always, on long-term sustainability. This is the legacy UTAM has built through 22 years of expert stewardship. And I know it will sustain our momentum as we pursue the University of Toronto's vision of inclusive excellence with global impact.



**Meric Gertler**  
President, University of Toronto

# Divestment from fossil fuels

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AS PART OF THE UNIVERSITY OF TORONTO'S ENGAGEMENT IN THE global fight against climate change, UTAM committed to divesting from investments in fossil fuel companies in the Endowment portfolio. This process began in October 2021 with two related divestment commitments announced by President Gertler:

- The Endowment portfolio will be fully divested from all direct investments in fossil fuel companies within one year of the divestment announcement.
- For those investments made indirectly – typically through pooled and commingled vehicles managed by third-party fund managers – UTAM will divest the Endowment from its investments in fossil fuel companies by no later than 2030. UTAM will also report regularly to stakeholders on our progress towards this goal.

UTAM achieved the first commitment in 2022, within the target timeline. By the end of 2022, we had also implemented notable changes in the Endowment to reduce indirect exposure to fossil fuel companies:

- We made a new allocation to an active global equity manager that is a recognized leader in sustainable investing and excludes fossil fuel companies from its investment universe.
- We made a new commitment to a fund launched by a sustainability-focused private equity manager.
- We partnered with RP Investment Advisors, a longstanding active corporate bond manager in the Endowment, to seed a new strategy that excludes fossil fuel companies from its investment universe. This strategy is benchmarked to the newly launched FTSE All Corporate Ex Fossil Fuels Enhanced Bond Index.

- We transitioned the vast majority of our passive equity and fixed income exposure to benchmark indexes that exclude fossil fuels. At December 31, 2022, passive equity and fixed income exposure that tracked ex fossil fuel indexes constituted 16.9% and 21.4% of the Endowment, respectively.

While these changes resulted in a lower year-over-year dollar exposure to fossil fuel companies in the Endowment,\* various offsetting factors resulted in the exposure as a percentage of the Endowment's total net assets remaining constant. Some of the offsetting factors included: reduced exposure to fossil fuels from the changes noted above; increased exposure to fossil fuel companies from active global equity managers, driven in large part by the outperformance of commodity-based equities during 2022, and the lower asset value of the Endowment portfolio at 2022 year end.

We continue working to identify new low-carbon strategies that exclude investments in fossil fuel companies. We also consider low-carbon strategies managed by our existing managers and work with those managers to launch new strategies that will further reduce the Endowment's exposure to carbon and fossil fuel companies.

To better align our efforts with the University's divestment initiative, we are transitioning the Reference Portfolio's asset class benchmarks to indexes that exclude fossil fuels. This process began effective October 1, 2022, when we transitioned the fixed income benchmarks to newly launched indexes that exclude fossil fuels. As of the same date, the Reference Portfolio's equity benchmark began transitioning to the MSCI All-Country World ex Fossil Fuels Index; we expect this process to be completed by October 1, 2024.

Lastly, although President Gertler's divestment initiative is focused on the Endowment, UTAM also implemented changes to EFIP in 2022 to align its investment strategy with the University's climate objectives. These changes have eliminated all material indirect exposure to fossil fuel companies in EFIP. (EFIP did not have any direct exposure to fossil fuel companies. This continues to be the case.)

## Investment in sustainable and low-carbon strategies

When President Gertler unveiled the University's divestment initiative, he also announced that UTAM would allocate at least 10% of the Endowment portfolio to sustainable and low-carbon investments by 2025. We've made progress toward this commitment as well. At December 31, 2022, 4.1% of the Endowment was invested in such strategies. We continue to identify and investigate new sustainable and low-carbon strategies for their potential fit in the Endowment portfolio. We're comfortable that this commitment will be achieved ahead of the 2025 target date.

\*Fossil fuel exposure is calculated based on equity, equity-like securities, and public government and corporate bonds. These investments comprise approximately 90% of the Endowment's net asset value at December 31, 2022.

# Taking decisive action on climate change

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A KEY COMPONENT OF THE UNIVERSITY OF TORONTO'S 2021 CLIMATE announcement is the commitment to net zero emissions in the Endowment portfolio by 2050. This commitment coincided with UTAM joining the Net-Zero Asset Owner Alliance. The Alliance has established a framework for setting interim targets on various decarbonization initiatives to guide members in achieving net zero emissions in their portfolios by 2050. In accordance with the Alliance's Target Setting Protocol, in 2022 UTAM established interim targets with respect to emissions, engagement and transition financing.

## Emissions targets

In October 2022, UTAM announced a new carbon footprint target for the Endowment portfolio – a 50% reduction by 2030, using 2019 baseline levels. This target, measured in tonnes of CO<sub>2</sub> equivalent per million dollars invested (tCO<sub>2</sub>e/\$M), includes the impact of carbon contributions from equities (including equity-like assets) and corporate bonds. Going forward, we will report our progress only against this new target.

UTAM's new carbon footprint target builds on the successful achievement of our previous carbon footprint goal. In 2019, we committed to reducing the carbon footprint of the equity and equity-like sub-portfolio of the Endowment by 40% compared to 2017 levels by 2030. We met this target – almost a decade ahead of schedule.

## Engagement targets

We share with the Alliance the belief that engagement is a critical tool to drive the transition to net zero in the real economy. Engagement has been an important component of UTAM's responsible investing framework for many years and it will continue to be significant going forward. Therefore, consistent with the Alliance's Target Setting Protocol, in 2022 we committed to meet these engagement targets by 2025:

- To engage – through collaborative initiatives, as well as via our investment managers and EOS, our engagement service provider – with 20 public companies, focusing on those that are the world's largest corporate GHG emitters and those that contribute to the most owned emissions in the Endowment portfolio.
- To continue engaging with incumbent and prospective investment managers, and to participate in manager engagements led by the Alliance.
- To contribute to industry-wide engagement developments, such as the creation of Alliance position papers.

## Financing transition targets

The Alliance's Target Setting Protocol includes a pillar addressing financing transition. This focuses on assessing climate solution investments, as well as enhancing the supply side of climate solutions and supporting the growth in climate solution investments within Alliance members' investment portfolios.

Our targets in relation to this pillar are qualitative. Having joined the Alliance's Financing Transition Track, we support its objectives and stay well informed about this rapidly evolving initiative. Going forward, we'll continue to assess climate solution investments for the Endowment portfolio.

## Portfolio carbon footprint and PwC limited assurance review

At the end of 2022, the carbon footprint of the Sub-Portfolio was 37.8 tCO<sub>2</sub>e/\$M (based on total emissions of 99,307.8 tCO<sub>2</sub>e). UTAM once again engaged PricewaterhouseCoopers LLP to undertake a limited assurance review of the calculation of the 2022 carbon footprint. The review examined the calculation and reported outcomes based on the 2022 carbon footprint results.

The [2022 carbon footprint](#) calculation and results, accompanied by PwC's independent opinion, are available on our website.

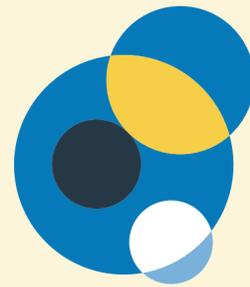
## Our operations are carbon neutral

UTAM as a corporation continues to be substantially carbon neutral. In 2022, we continued our program of purchasing carbon offsets to mitigate the carbon footprint of our business travel, our electricity and gas consumption, and our use of paper.

We recognize that purchasing carbon offsets is not a perfect or complete solution to mitigating the climate impact of our activities. However, we feel it is an important step in the right direction. To cover our activities in 2022, we purchased carbon offsets representing 50 tonnes of CO<sub>2</sub> equivalent. Our purchase of carbon offsets in 2022 – although increased compared with the previous two years, as we started to return to more normal levels of operation – continued to be significantly lower than in years past, reflecting reduced travel due to the pandemic.

# Investment impact

“I expanded my knowledge and experience while helping conserve Canada’s biodiversity”



**At the University of Toronto Scarborough, two endowed scholarship programs enable talented graduate students to pursue careers in environmental science and join the growing global effort to address the impacts of climate change. The stories of four recent recipients illustrate the long-term benefits of donor-funded support.**

### Karrina Pillay

*Mary Winthrop Allen Graduate Student Scholarship in Environmental Science 2020–2021*

After undergraduate studies in human biology and psychology at U of T Scarborough, Karrina carried on into the Master of Environmental Science program – despite the challenges of the pandemic. “The scholarship allowed me to focus on my education and future career aspirations,” she says. “I expanded my knowledge and experience while helping conserve Canada’s biodiversity.” Keenly interested in how psychology drives both individual behaviour and public policymaking, Karrina now works as a species-at-risk biologist with Environment and Climate Change Canada.

### Judy Chang

*Mary Winthrop Allen Graduate Student Scholarship in Environmental Science 2016–2017*

Judy entered the Master of Environmental Science program at U of T Scarborough in 2017 after earning a BSc at the University of British Columbia. Her passion for sustainability is at the heart of every challenge she has taken on, whether helping to eliminate disposable water bottles at the Special Olympics Canada 2014 Summer Games or introducing organics recycling to Richmond, BC. In her current role as a senior project controls

specialist with engineering firm Parsons Inc., Judy works in the Yukon on the remediation of the Faro mine, one of Canada’s largest abandoned mine cleanup projects.

### Vikash Narine

*Brian Greenwood Graduate Student Scholarship in Environmental Science 2016–2017*

While pursuing an honours BSc in Environmental Geoscience at U of T, Vikash gained valuable research experience, notably travelling to the Volcanology Field Camp in Iceland. He then entered the Master of Environmental Science program at U of T Scarborough, where he supported other students as a teaching assistant. On graduating in 2017, he worked in the High Arctic with the Department of National Defense, supporting microbial remediation efforts and ensuring compliance with federal and territorial regulations. He is now an environmental assessment officer with Natural Resources Canada.

### Joy Ehiwere

*Brian Greenwood Graduate Student Scholarship in Environmental Science 2022–2023*

Committed to advancing both environmental science and gender equity, Joy earned a diploma in building technology from the Federal Polytechnic

in Auchi, Nigeria, and began her career as an assistant supervisor with a construction company. She went on to study environmental engineering technology at Saskatchewan Polytechnic and graduated with a BSc in Environmental Science from Royal Roads University (where she was on the student council). As she completes her MEnvSc at U of T Scarborough, Joy is also an environmental scientist with AECOM, a global infrastructure consulting firm.

*Scholarships, bursaries and other forms of financial assistance to students account for the largest share of the total paid out annually from the University of Toronto’s endowment funds.*

***For the U of T fiscal year ending April 30, 2022, about \$1.4 billion – representing 43% of the University’s total \$3.2 billion in endowments\* – was directed to student support.***

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\*The “Endowment portfolio” managed by UTAM – also called the Long-Term Capital Appreciation Pool – comprises the University’s endowment funds plus other investment assets. As of April 30, 2022, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$3.9 billion, including \$3.2 billion of endowment funds plus \$0.7 billion of other long-term assets. (At UTAM’s year-end – December 31, 2022 – the Endowment portfolio was valued at \$3.8 billion)

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**WE'RE CONSTANTLY REFINING OUR INVESTMENT PROCESS,** applying lessons learned today to address the challenges of tomorrow. We combine rigorous quantitative and qualitative analysis to evaluate external investment managers. Using advanced analytical tools, we gain in-depth insights that guide our investment activities while allowing us to handle routine tasks more effectively. And we apply judgment, shaped through experience, to constantly refine how we structure and manage our efforts. The result is a robust, repeatable investment process that has delivered solid long-term returns against U of T's risk and return objectives.



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# The Reference Portfolio: benchmarking performance

UTAM'S INVESTMENT DECISIONS ARE ANCHORED BY THE REFERENCE Portfolio, which establishes a benchmark for the risk and return objectives for the Endowment. As we put our investment strategy into action, the Reference Portfolio serves as an objective yardstick for measuring active risk and the value gained or lost through our investment management activities.

The Reference Portfolio is developed jointly by UTAM and the Investment Committee. It is then recommended to the University administration, which must approve its use for the Endowment portfolio.

## Design features of the Reference Portfolio

The Reference Portfolio must have the following characteristics:

- Risk and return attributes consistent with the objectives of the Endowment portfolio
- Simple asset mix – public market asset classes only
- Passive investing approach – no active strategies
- Easy to implement – no need for a large investment team
- Low cost – can be deployed without significant expense

The current Reference Portfolio consists of 60% equity exposure and 40% fixed income exposure.

Reference Portfolio Asset Class	Benchmark	Reference Portfolio Weight	Actual Endowment Weight
<b>Equity</b>		<b>60.0</b>	<b>60.2</b>
Global Equity*	MSCI ACWI Net Total Return Index (50%)	60.0	60.2
	MSCI ACWI Net ex Fossil Fuels Total Return Index (50%) †		
<b>Fixed Income</b>		<b>40.0</b>	<b>39.8</b>

Canadian Government Bonds	FTSE Canada All Government ex Fossil Fuels Bond Total Return Index	20.0	19.8
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\* The Global Equity benchmark is 50% hedged to Canadian dollars for the developed markets component and unhedged for the emerging markets component.

† The Global Equity benchmark is scheduled to fully transition to the MSCI ACWI Net ex Fossil Fuels index by October 1, 2024.

## Asset mix

Table 2 shows the asset class weights for the Reference Portfolio and the Endowment as of December 31, 2022. We calculate the weights on an exposures basis, meaning they reflect the economic exposure of any derivative instruments that may be used to maintain an asset class exposure at the desired weight. We believe that this reporting method best represents the asset class exposures and risks of the investment portfolios. It should also be noted that the asset class weights in Table 2 reflect the impact of mapping investments not in the Reference Portfolio – for instance, private equity and hedge funds – to the most appropriate asset class within the Reference Portfolio.

## Investment flexibility

Although the Reference Portfolio includes only public market asset classes, UTAM has the flexibility to invest in other asset classes and strategies. However, this freedom is tightly controlled with agreed-upon risk guidelines that are monitored and reported on regularly. Investments in any asset class or strategy not represented in the Reference Portfolio are subject to the relevant plan documents and require explicit permission from the Investment Committee. Once approved, UTAM retains discretion to select investments within these approved asset classes and strategies.

Our decisions with regard to the portfolios are governed by an investment management agreement between UTAM and the University, and additionally by the University Funds Investment Policy with respect to both the Endowment and EFIP.

We have the flexibility to deviate from the target Reference Portfolio asset class weights, but the actual weights must be within the allowable bands – that is, within 10% for global equities; within 10% for each fixed income asset class; and up to 10% above or 15% below the Reference Portfolio's total fixed income weight.

In addition to the limits above, we must adhere to various liquidity, concentration and rebalancing constraints.

As well, our investment decisions are framed by a rigorous risk management process and a formal risk budget, which are detailed beginning on page 26.

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# How we choose investment managers

UTAM EMPLOYS A HIGHLY ANALYTICAL APPROACH TO ASSESSING AND selecting external investment managers. Over the years, we've defined a series of clear steps for identifying strong candidates, vetting their investment practices and monitoring long-term performance.



## Active vs. passive

An important part of our manager selection process is determining whether to invest with an active manager or to invest passively. Our default position is to invest passively at the lowest possible cost. In other words, we only pursue active management when we have a high level of conviction that a specific investment manager's approach will outperform passive investment alternatives (net of all fees and expenses) over time.

## Sourcing and assessing managers

We review hundreds of investment managers every year. Primary sourcing methods include drawing on the knowledge and experience of the UTAM team, proactively reaching out to managers and networking with other investors. Secondary methods include attending conferences, responding to inbound inquiries from managers and searching industry databases.

The initial screening process consists of reviewing the manager's marketing materials, and in some cases running a quantitative analysis of returns, to quickly determine if there is a potential fit. If we remain interested after the first pass, we request a call or meeting with the manager to better understand the organization and investment team, their investment philosophy and process, their investment performance, the level of transparency they are willing to provide and the terms of the investment (including the fee structure). When a manager seems potentially well matched to our investment beliefs and objectives, we conduct extensive in-depth research and analysis.

## Investment due diligence (IDD)

For managers who make it to this stage of the process, we focus on the four P's: people, philosophy, process, performance. We also add a fifth P, portfolio fit, which takes into account how the manager's strategy fits with the other managers and strategies across the rest of the relevant portfolio. We also look at the alignment of interests between the investment manager and the investors in their strategies. Our IDD process includes both a qualitative assessment of the manager's organization and its people, and a quantitative review of historical portfolio holdings (where available) and returns.

Moreover, we discuss and evaluate the manager's responsible investing approach across various dimensions, including decision-making, active ownership, reporting and disclosure. Where relevant, we also evaluate the ESG-related characteristics, carbon footprint, and material ESG risks of the manager's investment portfolio. We summarize our findings in a proprietary ESG integration rating for each manager and investment strategy that we invest in.

As an institutional investor, we expect a great deal of transparency from potential and current managers – far more than a typical individual investor would receive. This level of transparency is necessary for UTAM's team to effectively evaluate active managers. For example, in reviewing public equity strategies, managers typically provide historical month-end holdings, which UTAM runs through sophisticated analytical tools to produce reports that include performance and risk attribution; factor exposures (e.g., value, growth and momentum); risk exposures; ESG scores, including carbon footprints; sector and country exposures; the trading history of each position; and more. This information helps us better understand the manager's investment process and allows us to ask more targeted questions when interviewing the manager's investment team about their strategies. ►

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## How we choose investment managers

◀ We believe that leveraging quantitative tools, while essential for a best-in-class manager selection process, is not sufficient on its own. We therefore complement our rigorous quantitative insights with qualitative judgment and experience, working as a team to make optimal manager choices that we expect will benefit our client over the long term.

### Operational due diligence (ODD)

Once there is a reasonable probability that the Investment team will recommend investing with a particular manager, we conduct a similarly rigorous review of the firm's business operations, focusing on people and processes, including corporate practices such as equity, diversity and inclusion policies. We must be confident that a manager not only offers a promising investment opportunity but also operates a sound, well-run business.

### Risk analysis

In addition to our investment and operational due diligence processes, our Risk and Research team runs a risk analysis that includes calculating the expected risk contribution of the potential new investment to the overall portfolio risk. Armed with this comprehensive and independent analysis, we can make more informed decisions about prospective managers and strategies, focusing on those that offer the highest expected return for the amount of risk being taken.

### Manager recommendation

All material allocations must be approved by UTAM's Management Investment Committee. To help the Committee evaluate investment recommendations, formal IDD and ODD reports are prepared by the Investment team and the Operational Due Diligence team, respectively.

The IDD report is a detailed account of the IDD process and findings. The ODD report describes the review undertaken and its findings, and also includes a detailed account of key operational risks and mitigations (if any), as well as specific ESG considerations within its scope, such as proxy voting and equity, diversity and inclusion policies and practices. It provides a conclusion on whether the manager's operations are sufficiently sound and indicates any operational improvements identified as necessary conditions for investment. In addition to the IDD and ODD reports, for all new investments, the Committee also receives and considers risk, legal and tax diligence reports. After reviewing and discussing each of these reports, the voting members of the Committee decide whether to approve the allocation.

### Ongoing monitoring

After an investment has been made, the IDD and ODD teams follow continuous monitoring and reporting processes. The Investment team typically connects at least quarterly with each manager. The focus of the monitoring process remains on the five P's of our IDD review. The process includes an assessment of performance, taking into account the market environment and how we expected the manager to perform in that environment. We also conduct regular reassessment of operational risk to consider any relevant changes.

Alongside our ongoing investment and operational discussions, we continue to discuss and evaluate ESG and responsible investing practices with our managers, as we look for continued commitment to responsible investing and ongoing evolution of the manager's approach.

For UTAM, choosing to work with an investment manager is not a one-time decision – it's a continuous process of analysis, evaluation, dialogue and renewal.

# Responsible investing manager spotlight

## Generation Investment Management LLP

As a manager of managers, UTAM seeks out external investment managers whose values and approach align with our own. A case in point is our relationship with UK-based Generation Investment Management LLP. In 2022, we added Generation’s Global Equity Fund to the Endowment portfolio. Like UTAM, Generation uses a sustainability lens in its investment research, and it believes that sustainability factors can materially affect long-term business profitability and investment returns.

We invited Generation to review key building blocks of its sustainability-focused process for evaluating, monitoring and engaging the companies it invests in.

[www.generationim.com](http://www.generationim.com)

Generation Investment Management LLP was founded in 2004 with a clear mission: proving the business case for an integrated investment approach that considers both sustainability and fundamental financial analysis. Generation’s assets under management as at December 31, 2022, were US\$30.1 billion across both private and public equities. The University of Toronto’s Endowment invests in our Global Equity Fund, a concentrated, long-only global equities strategy that embeds stewardship and sustainability into its investment process.

### Investment philosophy

At Generation, we believe that investment results for equity strategies are maximized by setting a long-term investment horizon. Numerous studies have shown that most of a company’s value is determined by its long-run performance. We recognize that sustainability factors have a direct effect on long-term business profitability, and we’ve made this central to our investment philosophy. In our view, the interests of shareholders will be best served over time by companies that maximize financial performance through strategically managing their economic, social and environmental performance.

We believe that maximizing financial performance requires that current earnings not borrow from future earnings or from the future well-being of society. A company’s long-term sustainability is further enhanced if its business thrives by directly meeting some of the world’s pressing challenges. Generation aims to buy high-quality businesses with effective management teams and securities that are attractively priced to deliver excess returns over the long term.

### Investment process

Sustainability is integrated throughout each stage of Generation’s investment process; like UTAM, we do not have separate teams of sustainability/ESG analysts and investment analysts. This core

competency underpins our ability to generate sustainable, long-term returns. Equally important, each investment analyst, supported by two stewardship professionals, is responsible for undertaking proxy voting and engagement for the companies under their coverage.

The Global Equity Team’s investment process has three stages. It begins with research: analysts investigate factors driving sector and global trends, allowing the team to identify sustainability issues that are relevant and material to particular sectors.

Analysts then dive deeper into companies they view as being most likely to thrive in the context of these sector and global trends. Applying a framework that includes sustainability among its key criteria, the team analyzes Business Quality (BQ) and Management Quality (MQ). Analysts present their BQ and MQ assessments to the broader team for discussion and debate. Eligible companies are then added to Generation’s “Focus List.”

In the final stage, portfolio construction begins. The relevant analyst conducts a detailed valuation for each company on the Focus List, and establishes a target price and a range for the target price. The team builds a concentrated portfolio of high-conviction names based on its view of upside relative to fair-value determination. The size of the entry position is similarly based on conviction, which is a function of BQ, MQ, potential upside and analytical “edge.”

### Engagement

Generation invests in businesses that we believe are of high quality and run by management teams focused on the long term. Our aim is not to use engagement as a tool to fundamentally change a business. However, because no company is perfect, we do engage with companies as necessary. ►

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## Responsible investing manager spotlight

### Generation Investment Management LLP

◀ Our analysts interact several times a year, at the board and management level, with all the companies for which they are responsible. We conduct a company-specific engagement when an analyst’s research and monitoring identify factors that could create material risks – or that could, in contrast, offer significant opportunities to enhance the company’s performance.

We usually engage individually with companies. To communicate expectations to a group of Focus List or portfolio companies, the Global Equity Team undertakes an engagement program. We currently have three such programs: climate change; equality, diversity and inclusion (EDI); and, as of 2022, deforestation. These are issues that entail systemic challenges and require accelerated action across industries. In 2022, we engaged most extensively on climate change.

#### Climate engagement

Since Generation’s founding, consideration of climate change outcomes, with their associated risks and opportunities, has been central to our investment philosophy and to how we integrate sustainability factors into our investment process. Leadership on the climate crisis is critical, and managing climate risk and opportunity is inseparable from our fiduciary responsibility. Generation therefore committed in 2021 to aligning all the investment portfolios we manage with net zero emissions by 2040.

As well, we set a goal of 60% science-based target coverage across the Global Equity Fund portfolio by 2025. This goal requires a more orderly and ambitious plan for our climate change engagement with Focus List companies. At the end of 2020, Generation began creating a framework (see page 24) recognizing four levels of performance on climate change that we expect companies to achieve as quickly as possible:

**Level 1:** Companies disclose their greenhouse gas emissions either to CDP (formerly the Carbon Disclosure Project) or in annual reports.

**Level 2:** Companies disclose on climate-related risk and opportunity, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

**Level 3:** Companies set targets through the Science-Based Target initiative (SBTi).

**Level 4:** Companies actively demonstrate leadership on climate action.

From September 2020 to December 2022, we saw the percentage of Focus List companies participating in the SBTi or setting 2040 net zero commitments – or both – increase from 25% to 56%. Over the same period, the percentage of companies at Level 0 declined from 28% to 9%.

To encourage the adoption of science-based targets, our general practice now will be to vote against the re-election of the Chair of a Focus List company that is not participating in the SBTi.

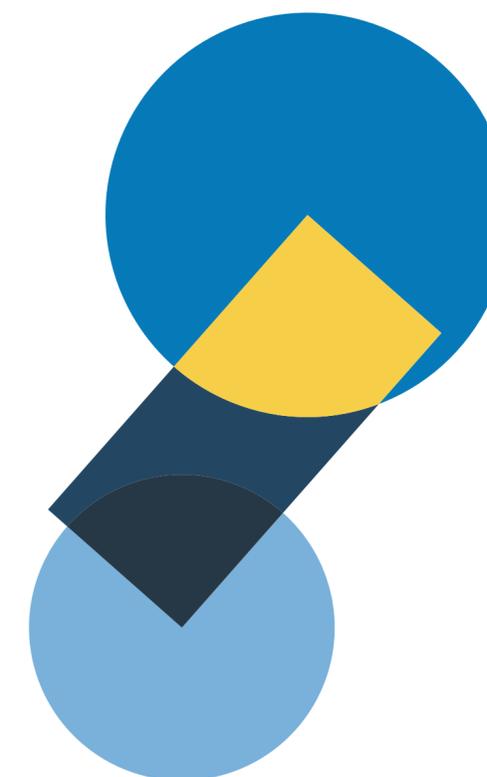
#### Climate advocacy

We’re proud of the progress Generation has made with our Focus List companies. However, the climate crisis requires much more to be done at the global level, including a transformation in capital allocation, if we are to achieve net zero in the desired timeframe.

Back in 2016, Generation was among the founding members of the TCFD, a key partner in advocating for tools and frameworks to standardize disclosure. Additionally, in partnership with the Institutional Investors Group on Climate Change (IIGCC), the Principles for Responsible Investment (PRI) and a group of founding asset managers, Generation has worked to establish the Net Zero Asset

Managers initiative – a coalition of like-minded managers committed to net zero emissions by mid-century.

**Generation is a relatively small firm with big aspirations. We will continue to focus, motivate and collaborate with others to fulfill our vision of mitigating systemic climate risk.**



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## Responsible investing manager spotlight

### Generation Investment Management LLP

#### Generation's climate change performance framework

We want companies to do *all* of these things. It's not a question of moving up a level and dispensing of the previous one

01

- Minimum standard of climate disclosure**
- Discloses Scope 1 and 2 emissions
  - *(Strongly encouraged)* Discloses to CDP and fully discloses Scope 3 emissions



02

- Desired climate disclosure**
- Discloses in line with TCFD recommendations, including for Scope 3 emissions
  - *(Strongly encouraged)* A public supporter of TCFD



03

- Minimum standard of climate action**
- Science-based target, including for Scope 3 emissions in line with SBTi methodology
  - Committed to net zero emissions no later than 2050, including for Scope 3 emissions in line with SBTi methodology
  - *(Strongly encouraged)* 1.5°C science-based target

04

- Desired climate action**
- Committed to net zero emissions no later than 2040, including for Scope 3 emissions in line with SBTi methodology
  - Net negative goal, investing in nature-based solutions
  - Allocating capital and setting management incentives in line with net zero
  - Providing/innovating products and services that are net zero-enabling and climate-resilient
  - Collaborating with peers
  - Actively allocating public policy to realize the Paris goals



# A total risk management framework

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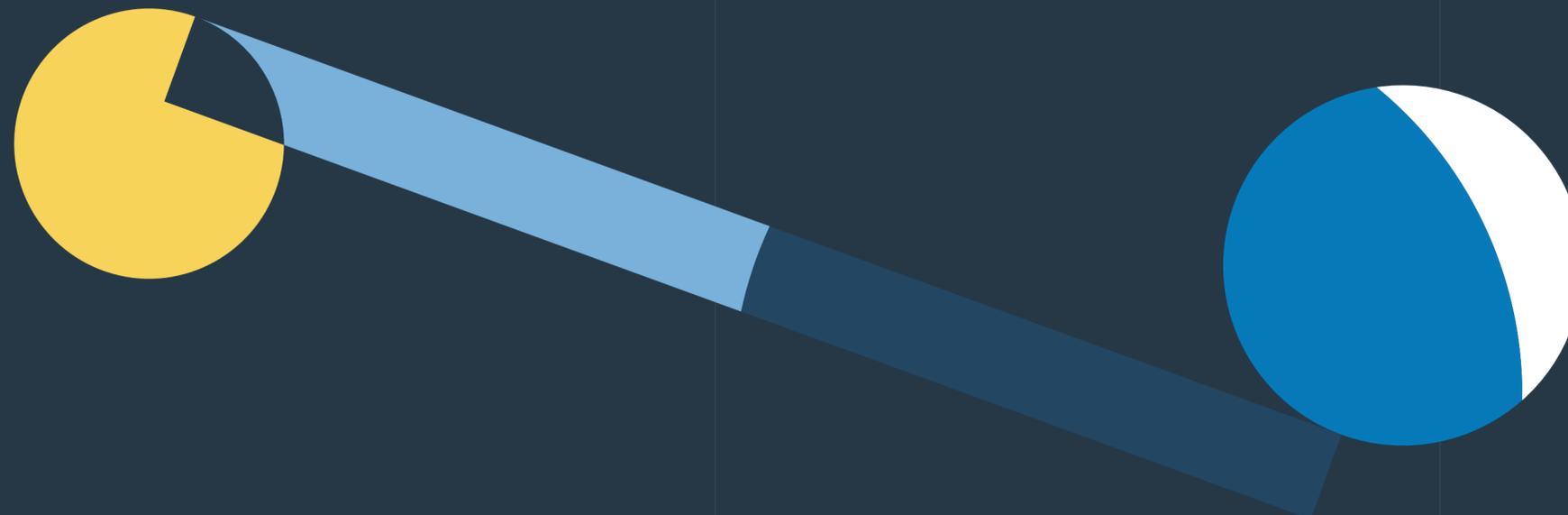
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**UTAM'S DISCIPLINED, METHODOICAL APPROACH TO ASSESSING AND** managing investment risk is designed to bring an added measure of confidence to the investment process.

Our Risk and Research team, guided by our Chief Risk Officer (CRO), spearheads efforts that are both wide-ranging and precisely targeted, gauging the potential investment impacts from active risk, counterparty concentration, liquidity needs and specific ESG-related factors, as well as the long-term effects of climate change. The direction and focus of our dedicated risk management team is a defining feature of UTAM among university asset managers.

Over the past decade our CRO has guided the evolution of UTAM's risk measurement, asset allocation modelling and broader investment research beyond specific manager-related investigations. These efforts contribute to the stability of our overall investment management approach – and therefore our ability to achieve and potentially exceed the University's long-term return expectations while adhering to its risk tolerance constraints.



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A WELL-STRUCTURED, MULTI-LENS RISK MANAGEMENT APPROACH IS important in normal times but even more so in periods of market stress. This was certainly evident in 2022, as we saw very volatile market performance in contrast to the relative stability and strong gains of 2021.

As many economies reopened after multiple rounds of pandemic lockdowns, demand largely outstripped supply. Inflation, which had already begun rising with the global recovery, shot up significantly. In Canada, for example, inflation peaked in June at just above 8%, year over year, and ended 2022 at slightly more than 6%. Around the globe, central banks quickly took action to control the level of inflation, raising interest rates from previously historic lows.

As a result, bond markets suffered along with equities: both saw double-digit losses during the year. Canadian government bonds (as measured by the FTSE Canada All Government Bond Index) dropped 12.3%, and the MSCI All-Country World Index (USD) declined by 18.4%. These losses made investment diversification challenging, as many asset classes moved in tandem with bonds. In short, 2022 was a turbulent year for investors and clearly demonstrated the importance of robust risk management.

UTAM's investment risk management framework is anchored by three risk categories: market, concentration (including credit and counterparty) and liquidity. The main portfolio risk limits, such as the active risk limit, are approved by various groups, including the University administration and the Investment Committee. We incorporate these limits into our processes to ensure that any risk we take in the attempt to earn returns in excess of the Reference Portfolio is managed in a thoughtful and efficient manner. To that end, we manage the risk of the Endowment portfolio, for example, against its active risk budget and incorporate several limits on exposure, concentration and liquidity. The risk limits and associated policies are crucial in ensuring that the risk profiles of both the Endowment and EFIP portfolios remain within acceptable ranges. UTAM's governance

process ensures that risk results are regularly reviewed and discussed with relevant staff – both internally via our risk committee and externally with the University's Investment Committee. These discussions help to further reinforce the robustness of our risk management program.

## We evaluate many dimensions of investment risk

At UTAM, we believe it's important to assess risk using different lenses. Insights gained from different risk angles help us to better monitor and manage each portfolio's forward-looking risk profile. This multi-faceted strategy is the anchor of our investment risk framework. The following sections provide an overview of our approach for the Endowment portfolio.

### Market risk

Using a third-party holdings-based risk system, UTAM identifies, measures and monitors a variety of risks – either on a point-in-time basis (e.g., as of December 31) and on a trend basis (i.e., over time). A combination of available investment holdings and proxies (where holdings are not available) is loaded into the risk system to facilitate the analysis.

Once the risk system is populated with holdings and proxies, we measure active, or relative, risk (i.e., portfolio risk versus Reference Portfolio risk) and total, or absolute, portfolio risk. In both cases, we identify specific risk contributors by asset class, investment strategy, investment manager and position. We also monitor the exposures of the investment portfolios to different sectors, geographical regions, credit-ratings and ESG score categories.

In addition to the risks noted above, we also assess the sensitivity of the investment portfolios to potential changes in market risk factors such as equity market shocks, shifts in interest rates and credit spreads, and adverse movements in foreign exchange rates. To complement our risk factor stress analysis, we run the portfolios

through historical stress periods, such as the 2008 global financial crisis, and the 2020 COVID-19 pandemic. Our risk management process also involves assessing implications of future stress scenarios and current market events. All of these analytics are integrated through simulation analysis to assess, quantitatively, the possible portfolio impacts and sensitivities to different capital market regimes and scenarios. Finally, we also have the capability to run our own asset liability modelling using a dynamic scenario generator. This allows us to analyze the behaviour of the assets and liabilities of the portfolio across different plausible forward-looking scenarios and over multiple business cycles.

Overall, our analysis provides insights into key risk exposures and identifies markets, factors and regimes to which the Endowment portfolio is most vulnerable. The output of this analysis is discussed at regular meetings of our Management Investment Risk Committee and informs our decision-making on how these risks should be managed going forward.

### ESG and climate risks

ESG and climate risk analysis is integrated within our market risk analysis. We take a two-fold risk measurement approach, looking first at country and sector exposures and then supplementing that analysis with specific scenario-based tests. In monitoring sector (or country) exposures to ESG risks, we employ several data sources (e.g., MSCI ESG industry risk intensity scores). These allow us to view the risk profile of the portfolios using different lenses. For climate risk in particular, we use risk indexes and scores that capture a country or sector's current state and its readiness to adapt to a low-carbon economy. These metrics, which can be connected back to individual asset classes, provide information on which areas of the investment portfolios could be most susceptible to ESG and climate-based risk shocks on both a stand-alone and relative basis (i.e., relative to the Reference Portfolio). ►

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### ◀ Liquidity and counterparty risk

Our liquidity analysis work continues to be a critical component in our risk management process. The tools we’ve developed enable us to model the potential liquidity needs of the Endowment portfolio under stressed market conditions. This helps ensure that adequate cash and other sources of liquidity are available to meet all cash needs over an extended stress period. The analysis includes a point-in-time evaluation of the portfolio’s liquidity profile and provides information on how it could change over different scenarios. This approach to liquidity modelling ensures that we are able to rebalance the Endowment portfolio back to the Reference Portfolio target asset class weights even in a stressed market environment, without being forced to sell assets at potentially significant discounts. With these liquidity tools and policies in place, the Endowment portfolio has not faced any liquidity challenges, including during the COVID-19 drawdown in March 2020 and the challenging capital market environment realized in 2022 where both equity and fixed income investments traded considerably lower during the year.

Counterparty risk management, on the other hand, involves monitoring and managing the concentration risk to various assets held. The Endowment portfolio has credit exposures to individual counterparties through security holdings in the equity and bond markets. We also generate credit exposure through the use of derivatives, which are mainly used to hedge foreign exchange exposures, to obtain passive exposure in markets where we believe active management is challenging, and to rebalance the Endowment portfolio back to the target asset class weights of the Reference Portfolio. We establish fixed limits for individual counterparties that we monitor regularly. These limits ensure that the investment portfolios are not overexposed to negative shocks from any single counterparty. We have the ability to run exposure reports on a daily basis, which provides up-to-date information on the portfolios’ credit exposures.

### A continuous process

We believe that a sophisticated and disciplined risk management framework is critical to the long-term success of an active investment program. In every area of risk assessment, as we analyze data on underlying positions and historical returns, we gain deeper insights into the risks in our investment portfolios and those of our investment managers. It’s a continuous process that starts right from the initial due diligence phase of our manager selection process and continues as part of our manager and portfolio-level monitoring activities.

### UTAM’s risk framework

The amount of risk that UTAM is permitted to use in the Endowment portfolio is measured by the active risk of the Endowment portfolio relative to the Reference Portfolio, and it is constrained by the “traffic light” risk framework shown below. Active risk is the expected risk, as defined by volatility, in the Endowment portfolio minus the risk in the Reference Portfolio (i.e., volatility difference). For example, the “green zone” extends from taking 0.50% less risk than the Reference Portfolio to 1.50% more risk than the Reference Portfolio.

#### Active risk budget

	Active Risk Zone	Active Risk
	<b>Green (“Normal”)</b>	-0.50% ≤ Active Risk ≤ 1.50%
	<b>Orange (“Watch”)</b>	1.50% < Active Risk ≤ 1.75%
	<b>Red (“Reduce”)</b>	Active Risk > 1.75%

## TCFD reporting

TO PROVIDE TRANSPARENCY TO OUR CLIMATE-RELATED REPORTING, UTAM follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In announcing support of these recommendations in 2020, the University of Toronto became the first Canadian university to adopt the TCFD recommendations for reporting on its long-term assets, including the Endowment.

TCFD Report disclosures focus on climate-related risks and opportunities, as identified and managed through governance, strategy and risk management. The reports also require disclosure of the metrics used to assess climate risk, targets set, and performance against targets.

UTAM’s full 2022 TCFD Report is available at [utam.toronto.ca/reports](https://utam.toronto.ca/reports).

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# Investment impact

“There has to be a way that we can level the playing field.”

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**The David Asper Centre for Constitutional Rights fosters learning, research and advocacy on a range of contemporary constitutional law and litigation issues in Canadian society, focusing particularly on vulnerable individuals and groups seeking access to constitutional justice.**

On April 16, 1992, David Milgaard was released from Manitoba's Stony Mountain Institution after serving 23 years for a murder he didn't commit. The team that had worked for years to overturn his wrongful conviction – now seen as a landmark decision in Canadian legal history – included David Asper, a young Winnipeg defence lawyer taking on his first case. It was an auspicious beginning to a career that soon broadened to include legal education, business, philanthropy and, in 2007, the founding of the David Asper Centre for Constitutional Rights at the University of Toronto.

Housed within U of T's Faculty of Law, the David Asper Centre is devoted to advancing advocacy, education and research on all aspects of constitutional rights in Canada. Its cornerstone is a unique legal clinic where students, faculty and members of the bar intervene on significant constitutional cases. The only institution in Canada that brings together constitutional scholarship, teaching, policy development and advocacy under one roof, the Asper Centre joins with other law schools around the world engaged in constitutional inquiry, while sharing Canadian perspectives and experiences.

### Protecting fundamental rights

Practising law since he was called to the Manitoba bar in 1986, David Asper has also

held several executive positions at CanWest Global Communications Corporation, the media conglomerate founded by his late father, Izzy Asper. David's wide-ranging philanthropic efforts include support for many community initiatives and charities in his home province, as well as his family's donation, in 2018, of \$2.5 million to the Canadian Olympic Foundation – the largest-ever single donation to Olympic sport in Canada.

In 2006, David decided to further his legal education, enrolling in the master's program at U of T's Faculty of Law. His academic pursuits were driven by a keen interest in the constitutional protection of Canadians' rights and freedoms. As he remarked in a speech that year: “There has to be a way that we can level the playing field with respect to fighting for our *Charter* rights [other] than the present system, where no one individual, except the most wealthy and foolhardy, could stand up and defend themselves.”

Graduating with an LLM degree the following year, and deeply concerned by cuts to federal government funding for constitutional court challenges, David generously donated \$7.5 million to the Faculty of Law to fund the centre that now bears his name. Half of the gift is an endowment that supports a variety of innovative programs, including workshops, fellowships, student

internships and the litigation clinic, along with the Asper Centre's day-to-day operations. The balance went toward the construction of dedicated teaching spaces, meeting rooms and offices. To complement this initial investment – at that point the largest-ever donation by an individual to a Canadian law school – in 2018 David provided the Centre with an additional \$2.5 million in funding.

### “I will continue in that advocacy.”

In addition to chairing the non-profit Asper Family Foundation and pursuing various business interests, David continues to seek out opportunities to champion human rights, justice and the rule of law, notably serving as chair of the Manitoba Police Commission. When David Milgaard died in May 2022, his former lawyer and long-time friend paid tribute, in a CBC interview, to their shared passion for ensuring all Canadians receive equal treatment under the law: “He was resolute in his advocacy. And to honour him, I will continue in that advocacy.”

*The investment fund that generates ongoing financial support for the David Asper Centre for Constitutional Rights is among more than 6,900 individual funds within the Endowment portfolio managed by UTAM.*

***A total of \$550 million was allocated to academic programs in the year ending April 30, 2022 – about 17% of the total \$3.2 billion in endowment funds held by the University during that period.\****

\*The “Endowment portfolio” managed by UTAM – also called the Long-Term Capital Appreciation Pool – comprises the University's endowment funds plus other investment assets. As of April 30, 2022, U of T's fiscal year-end, the total value of the Endowment portfolio was \$3.9billion, including \$3.2 billion of endowment funds plus \$0.7 billion of other long-term assets. (At UTAM's year-end – December 31, 2022 – the Endowment portfolio was valued at \$3.8 billion)

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**UTAM ENGAGES WITH CORPORATE BOARDS AND SENIOR** management teams on many issues. One important objective is to ensure we're aligned on ESG-related issues and on the strategic steps required to pursue a net zero future. In engaging with companies, we collaborate with other institutional investors that share our commitment to responsible investing. We also work with specialized providers of engagement services to extend our domestic and global reach. Whatever engagement avenues we pursue, the goal is the same: to hold companies accountable on matters affecting risk management, ongoing operations and long-term performance.

To complement these engagement efforts, we leverage our client's proxy voting rights for the public equity securities in our portfolios, aiming to influence management policies and practices that give appropriate weight to ESG factors. By working to understand companies' assumptions while providing our perspective, we believe we can improve how ESG risks and opportunities are managed.



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# Engaging effectively with companies

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ONE OF THE PILLARS OF A BEST-IN-CLASS ACTIVE OWNERSHIP APPROACH is engagement with the management and boards of companies on ESG considerations. We believe that engagement influences corporate management teams to more effectively manage ESG risks and opportunities, which is essential for long-term outperformance.

Given our size and our practice of investing through third-party investment managers, we more often participate in collaborative engagement groups and initiatives. We believe that the collective influence of like-minded investors with substantial combined holdings will typically lead to better outcomes than we could achieve on our own. For an overview of UTAM's contributions to responsible investing organizations and initiatives, please see page 32.

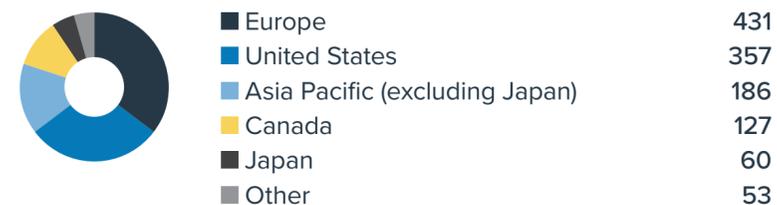
We augment these efforts with the services of specialized engagement service providers. By adding these services to our multi-pronged engagement approach, we leverage the influence of a larger asset base and extend the reach of engagement to represent our ESG concerns to issuers globally.

The following charts summarize our 2022 engagement activities by our engagement service provider and through collaborative initiatives including the University Network for Investor Engagement, the Canadian Coalition for Good Governance, CDP, Climate Action 100+ and 30% Club for companies in the Endowment portfolio.

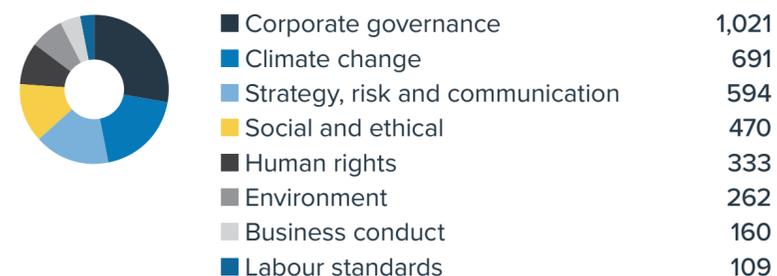
## Scope of engagement

Companies engaged 1,214  
Countries covered 65

## Companies engaged by country/region



## Companies engaged by issue



EOS at Federated Hermes is one of the stewardship service providers that UTAM works with. EOS's engagement activities enable long-term institutional investors such as UTAM to be more active owners of the assets they own or manage, through dialogue with public companies on ESG issues. EOS takes a collaborative approach, seeking client input in setting priorities and providing opportunities to participate in select engagements and learn from their experienced engagement professionals.

For 2022, EOS identified four priority themes:

**Climate change action:** Many of the world's largest emitters have made net-zero commitments but don't have short- and medium-term emissions targets or targets aligned with the Paris Agreement goals. EOS emphasized matching long-term commitments with a Paris-aligned strategy and targets.

**Human and labour rights:** COVID-19 has exacerbated social inequalities, increasing the risk of modern slavery and limiting access to food and medicines. EOS also focused on indigenous and community rights, and high-risk regions such as disputed territories or conflict areas.

**Human capital:** EOS pressed companies to provide fair wages and benefits, and emphasized the importance of diversity, equity, inclusion and representation.

**Board effectiveness and ethical culture:** EOS pressed boards to make improvements to ethnic diversity in line with recent progress on gender diversity. Boards should aim to achieve representation that is reflective of the diversity of the stakeholders they serve.

# Our voting record as a responsible investor

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PROXY VOTING IS ONE OF THE MOST IMPORTANT RIGHTS AVAILABLE TO public equity investors. UTAM’s approach to proxy voting reflects our fiduciary duty to act in the best interest of our client. We also expect our third-party investment managers to act in the best interest of their clients when voting proxies. To that end, we routinely review the proxy voting practices of our public equity investment managers as part of our due diligence reviews. As a responsible investor and PRI signatory, UTAM has adopted the Institutional Shareholder Services (ISS) Sustainability Proxy Voting Guidelines, and we apply these guidelines wherever possible.

The ISS Sustainability Guidelines are consistent with the objectives of investors who take an integration approach to responsible investing. Investment managers have traditionally analyzed topics such as board accountability and executive compensation to mitigate risk; incorporating ESG performance into investment decisions provides a more comprehensive understanding of the overall risk profile of investees. On ESG-related matters, ISS sustainability policies promote recognized global governing bodies that encourage sustainable business practices advocating for environmental stewardship, fair labour practices, non-discrimination, and human rights protections. On matters of corporate governance, executive compensation and corporate structure, these policy guidelines aim to create and preserve economic value and to advance principles of good corporate governance.

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## Our proxy voting record

In 2022, UTAM and its investment managers of funds in which the Endowment was invested cast proxy votes at over 6,400 meetings, representing over 88,000 proposals and agenda items put forward by either management or shareholders. In just over 9% of cases, votes were cast against management’s recommendations.

These proxy voting statistics are for public equity mandates where either the ISS Sustainability Guidelines were applied in 2022 or, as in the majority of cases, where our third-party investment managers provided proxy voting information for the pooled funds in which Endowment assets were invested.

### Meetings by country/region\*



\*Numbers may not add up to 100.0% due to rounding.

# Working with other responsible investors

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## UTAM COLLABORATES WITH OTHER INSTITUTIONAL INVESTORS

through various responsible investing organizations and initiatives, taking a leadership role in establishing best practices in Canada and worldwide. We take on a wide range of board and committee roles with respected organizations in this area, helping to develop and evolve best practices. Over the past year, we once again made presentations at industry events and contributed our perspective on investing responsibly to forums of leading institutional investors. We also collaborated on advocacy initiatives and policy-related discussions in Canada and around the world.

Through these collaborations, we share insights and experiences that we feel will benefit other investors while evolving our own policies and processes. We also encourage better responsible investing practices among the companies we invest in and the managers we work with. And by forging productive alliances with like-minded institutional investors, we magnify our collective impact.

## Principles in action: select affiliations and partnerships

UTAM plays an active role in a variety of national and international organizations. Many are focused on promoting ESG awareness and action among investors and companies; membership allows us to work with peers in more effectively engaging company boards and management on ESG and other issues. Our participation in other investment organizations reinforces UTAM's commitment to the highest standards of governance, stewardship and disclosure. Some of the key organizations and initiatives we've joined are briefly detailed below; [a full list](#) is available on our website.

## Climate Action 100+

UTAM, on behalf of the University of Toronto, is a founding participant in Climate Action 100+, an investor-led initiative to ensure corporate greenhouse gas emitters take necessary action on climate change. The initiative has identified over 160 focus companies accounting for up to 80% of global corporate industrial greenhouse gas emissions.

Climate Action 100+ engages directly with these companies, which are key to driving the global net zero emissions transition. UTAM, with other members, takes part in investor-led engagements with a number of focus companies, encouraging them to recognize and address carbon risk in the management of their operations.

## International Corporate Governance Network

As a member since 2020 of the International Corporate Governance Network (ICGN), a leading authority on global standards of corporate governance and investor stewardship, we have endorsed the ICGN Global Stewardship Principles. These Principles set out ICGN's view of best practices in relation to investor stewardship obligations, policies and processes. For the past three years, UTAM was shortlisted for an ICGN Global Stewardship Disclosure Award.

In June 2023, ICGN will hold its Annual Conference in Toronto. UTAM is pleased to partner with ICGN to host its companion Stewardship Fundamentals course on the University's St. George campus.

## United Nations–convened Net-Zero Asset Owner Alliance

The Net-Zero Asset Owner Alliance is an international group of institutional investors transitioning their investment portfolios to net zero greenhouse gas (GHG) emissions by 2050. The Alliance has established a framework to guide its members towards the net zero objective. The framework includes setting ambitious five-year targets, and members must report regularly on their progress towards these targets. UTAM's membership in the Alliance on behalf of the University's Endowment made U of T the first university in the world to join.

## University Network for Investor Engagement (UNIE)

In early 2021, UTAM became a founding participant of the University Network for Investor Engagement (UNIE), a coalition of Canadian university endowments and pension plans. UNIE's corporate engagement program is coordinated by Shareholder Association for Research & Education (SHARE), a not-for-profit organization helping institutional investors become active owners, and develop and implement responsible investment policies and practices.

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# Governance: collaboration and oversight

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**FROM OUR FOUNDING IN 2000, UTAM HAS BEEN A SEPARATE** corporation with accountability to the University of Toronto in our investment activities on its behalf. The University’s leadership also selects the independent Investment Committee, which oversees our investment strategy and risk management framework. We regularly revisit our governance structure and policies to ensure they reflect the best practices of other leading institutional investors – while also supporting UTAM’s collaborative culture and our core values.

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# Governance structure

## Roles and responsibilities

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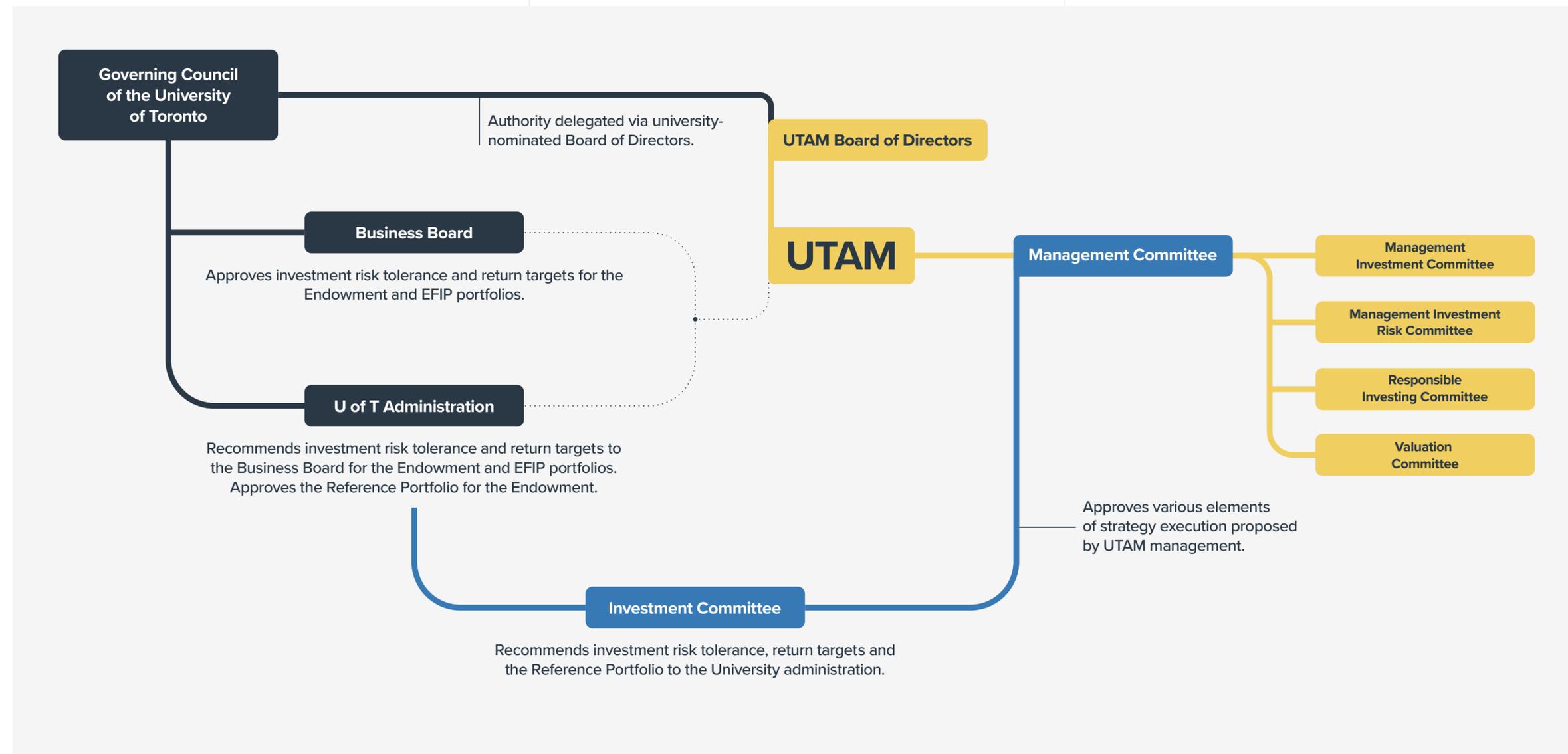
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### Legend

— Direct relationship    ··· Reporting relationship

# Governance Committees

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## UTAM Board of Directors

A corporation without share capital, UTAM is governed by a Board of Directors whose members are nominated by the University of Toronto. The Board approves our annual corporate budget and certain key policies (e.g., our Responsible Investing Policy) and oversees matters such as regulatory compliance, enterprise risk and executive compensation. While it does not guide investment strategy (that is the mandate of the University's Investment Committee), the Board is focused on ensuring that UTAM has developed an effective investment management infrastructure and organization in order to fulfill the responsibilities delegated to it by the University of Toronto.

### Members

#### Richard B. Nunn (Chair)

Independent Director

#### Meric S. Gertler

President, University of Toronto

#### Trevor Rodgers

Chief Financial Officer, University of Toronto

#### Alan D. White

University of Toronto Faculty Association (UTFA) Appointee Professor, Rotman School of Management (emeritus)

#### Chuck O'Reilly

President and Chief Investment Officer, UTAM

## U of T Investment Committee

The five members of the Investment Committee (IC) are all appointed by the President of the University of Toronto. They bring a wealth of senior-level investment industry experience to their oversight of UTAM's efforts to grow the University's investment assets managed by UTAM.

The IC's responsibilities include:

- recommending investment strategy, including explicit risk and return objectives, to the University administration
- approving various elements of strategy execution proposed by UTAM's management
- overseeing our investment activities and monitoring performance
- providing input on the hiring, compensation and evaluation of UTAM's senior leadership team

The IC reports directly to U of T's President and collaborates extensively with the University administration and UTAM's Board. The IC is empowered to provide direct input to UTAM's management team, conveying the President's objectives and instructions, and acting on his behalf with regard to all relevant investment-related activities.

UTAM meets formally with the IC every quarter, with ad hoc interactions to discuss emerging issues and seek expert advice. We're extremely fortunate to have such distinguished and highly qualified volunteer advisors actively engaged in overseeing our investment management activities. The University and its stakeholders benefit immeasurably from the IC members' insights and experience.

### Members

#### Craig Rimer (Chair)

#### Brent Belzberg

#### Heather A. T. Hunter

#### M. George Lewis

#### Poul A. Winslow

The University of Toronto's President and its Chief Financial Officer, as well as the Chair of UTAM's Board of Directors, are ex officio observers of the IC.

## Other U of T oversight

UTAM's relationship with the University of Toronto is governed by a formal delegation of authority, which empowers us to act as the University's agent, and by an investment management agreement specifying the services to be provided by UTAM. Within that framework, we collaborate formally and informally with many areas of the University administration. We value this mutually supportive relationship, and we're committed to serving the University and its stakeholders with the utmost diligence and care.

### University Administration

UTAM's President and CIO typically meets with U of T's Chief Financial Officer every two weeks, and with the President quarterly. UTAM works closely with the University's Financial Services Department, collaborating on cash and expense management, stakeholder reporting, the audit of the University's investment portfolios, and other aspects of UTAM's operations.

### Business Board

Established by the University's Governing Council, the Business Board approves investment risk tolerance and return targets for the Endowment and EFIP portfolios, delegating approval of asset allocation to U of T's President, who in turn relies on the advice of the Investment Committee. UTAM reports to the Business Board on the management and performance of all portfolios every six months.

## UTAM compliance

### Investment Compliance

UTAM is registered as a Portfolio Manager under securities legislation and is regulated by the Ontario Securities Commission. Consistent with our fiduciary duty, stewardship obligations and applicable regulatory requirements, we have implemented a comprehensive program of policies, procedures, processes, controls and monitoring designed to achieve compliance with applicable regulations, client investment guidelines and internal policies. Our Chief Compliance Officer works closely with UTAM's President and CIO, and reports regularly to our Board of Directors.

### Code of Ethics

UTAM's Code of Ethics, administered by our Chief Compliance Officer, sets out clear standards of professional behaviour and guides how we manage actual and potential conflicts of interest. For example, all employees are required to:

- place the interests of UTAM's client first
- protect confidential information
- avoid taking inappropriate advantage of their positions (adhering, for example, to stringent policies on personal trading, as well as on the acceptance of gifts and entertainment)

# A focus on long-term performance

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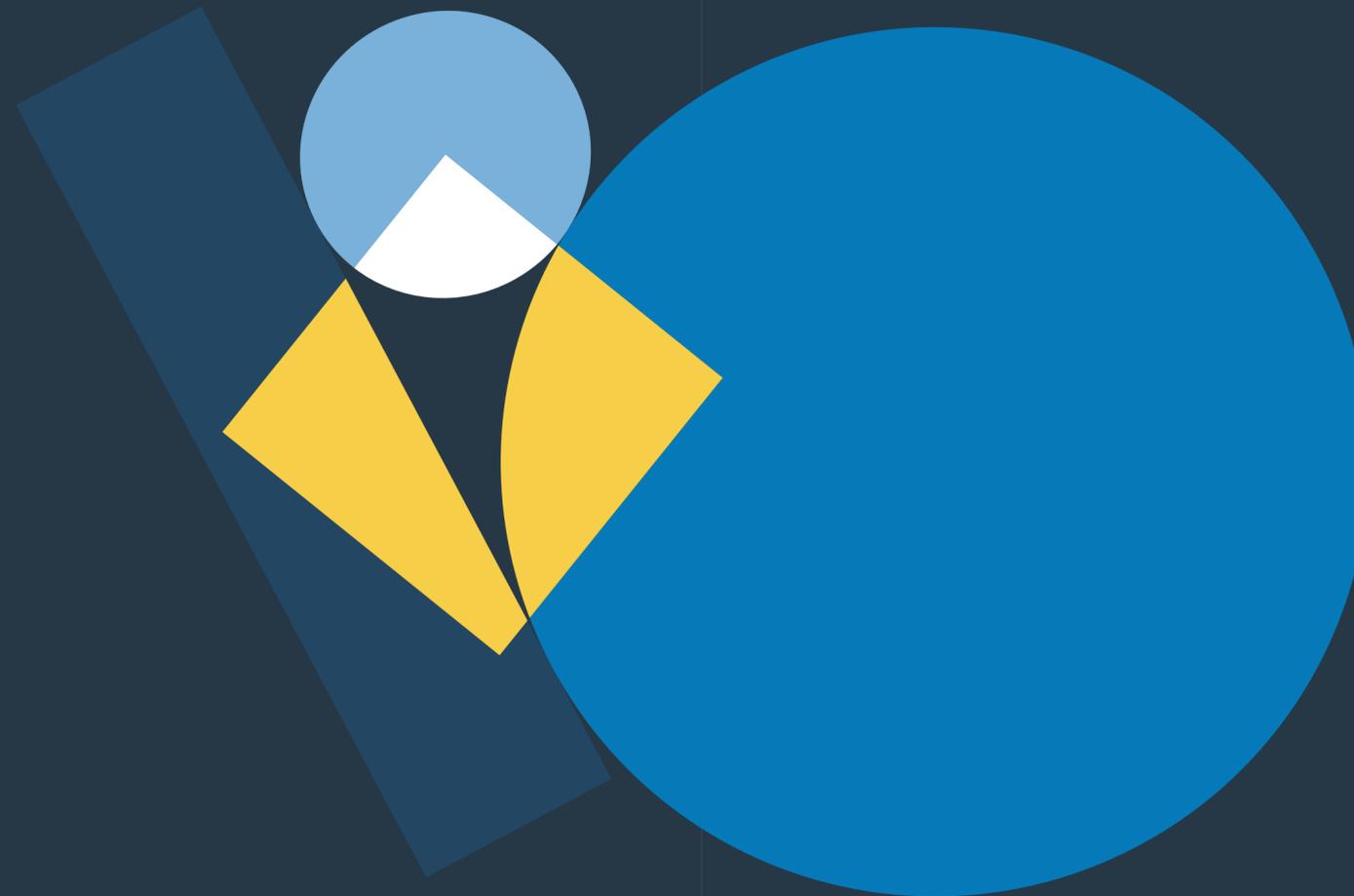
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**FOR UTAM, SUCCESS IS MEASURED NOT BY YEAR-OVER-YEAR**

results but through carefully evaluating performance over a longer time horizon. In our regular reporting to the University of Toronto and its stakeholders, we detail performance metrics relative to clearly defined investment goals and objective benchmarks – which reflect the broader strategic priorities of the University.

As of December 31, 2022, the Endowment portfolio delivered an annualized net return of 8.2% over the previous 10 years, exceeding U of T’s target return of 6.4%. Our active management approach outperformed the passive Reference Portfolio benchmark for the same period by 1.9 percentage points annually, net of all fees and expenses, as UTAM’s investment management generated outperformance in all active investment programs.

Over the same 10-year period, the EFIP portfolio generated returns of 1.4% per annum, outperforming its target return of 1.1% by 0.3 percentage points annually, net of all fees and expenses.

As part of our investment review process, we systematically analyze our performance results to see not only where and why we’ve executed well but, just as importantly, to understand which parts of the portfolio may have underperformed. These cumulative insights enable us to refine and enhance our processes and ultimately improve risk-adjusted returns over the long term.

**Explore our full reporting**

To access UTAM’s annual reports and most recent financial statements, along with our suite of reports covering other key areas – including responsible investing, carbon footprint, PRI and TCFD – please visit the Reports section of our website: [utam.utoronto.ca/reports](https://utam.utoronto.ca/reports).

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**DURING THE PAST YEAR, THE ENDOWMENT PORTFOLIO GENERATED A** return of -8.9% (net of all fees and expenses). This exceeded the benchmark Reference Portfolio return of -13.0% for the same period. More importantly, as we’ve discussed elsewhere in this annual report, the returns UTAM has achieved over a longer time span remain strong. On an absolute basis, actual net returns for the Endowment have been 8.2% (annualized) over the past 10 years. And on a relative basis, the Endowment’s annualized 10-year return has exceeded the University’s target return and the Reference Portfolio benchmark return by 1.8 and 1.9 percentage points, respectively.

## Reference Portfolio performance

After realizing very strong overall performance in 2021, we saw volatility creep back into global capital markets in 2022 as participants digested the impacts of geopolitical unrest, rising inflation and aggressive interest rate tightening by major economies’ central banks. These forces drove double-digit negative returns for most public equity and fixed income markets globally during the calendar year.

The Reference Portfolio, which is focused on public markets, was not spared: 2022 represented what would have been its second worst calendar-year performance over the past 30 years, based on our backtesting. The Global Equity component of the Reference Portfolio returned -18.5% in US dollar terms. Reflecting the significant increase in interest rates in 2022, the two fixed income benchmarks in the Reference Portfolio also realized large negative returns during the calendar year: the Government of Canada benchmark index returned -12.3% and the Canadian investment-grade corporate bond index returned -9.9%.

Table 3 summarizes the returns of the Endowment and the Reference Portfolio, and the University’s target return (4% real). It reinforces the importance of evaluating the Endowment’s actual net returns vs. target returns over the long term.

	2022	5-Year Annualized (2018–2022)	10-Year Annualized (2013–2022)
Reference Portfolio return	-13.0%	3.9%	6.3%
UTAM value added vs. Reference Portfolio (percentage points)	4.1	1.4	1.9
UTAM value added (millions)	\$171*	\$283	\$523

Returns are net of all fees and expenses.

\*UTAM value added is calculated on a monthly basis. The total for each period is the sum of the monthly values.

## Endowment performance by asset class

As shown in Table 4 on page 38, the Endowment portfolio outperformed the Reference Portfolio in 2022, with strong active performance across all asset classes. UTAM’s public equity and private equity programs both outperformed during the year. A case in point: the Global Equity portfolio, which consists of both public and private equities, outperformed its benchmark by 2.9 percentage points.

The fixed income portfolios performed particularly well compared to their Reference Portfolio benchmarks in 2022. The Canadian Corporate Bond portfolio outperformed by 5.6 percentage points, while the Canadian Government Bond portfolio (which includes the Absolute Return hedge fund portfolio) outperformed by 6.2 percentage points.

Taking a more detailed look at the Canadian Corporate Bond asset class, it’s important to note that the Endowment investments in this category are not solely invested in public market Canadian Corporate Bonds; the portfolio also comprises alternative credit strategies, including private credit opportunities. The rest of the portfolio is invested in investment-grade corporate bonds, a market where we

believe it is difficult for traditional, long-only active credit managers to outperform the benchmark (after fees). For this reason, UTAM invests with only one traditional active corporate bond manager in this part of the portfolio; the remainder is invested passively to track the Reference Portfolio benchmark. ►

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◀ **Table 4**  
**2022 Endowment Performance by Asset Class**

Reference Portfolio asset class	Assets (millions) Dec. 31, 2022	Endowment Return	Benchmark Return	Value Added (percentage points)
<b>Equity</b>				
Global Equity	\$2,276.2	-15.6%	-18.5%	2.9
<b>Fixed Income</b>				
Canadian Corporate Bonds	755.1	-4.3%	-9.9%	5.6
Canadian Government Bonds	751.4	-6.2%	-12.3%	6.2
<b>Total Plan</b>	<b>\$3,782.7</b>	<b>-8.9%</b>	<b>-13.0%</b>	<b>4.1</b>

Returns are net of all fees and expenses. All returns are in local currency except for total plan returns, which take into account currency effects and are in Canadian dollars. Values and returns within the Reference Portfolio reflect the impact of mapping asset classes and strategies not in the Reference Portfolio to the most appropriate asset classes. The only exception is cash, which is included in Canadian Government Bonds but not included in the returns for Canadian Government Bonds. Total plan value added includes effects such as currency and asset class mismatches versus the Reference Portfolio not captured elsewhere in the table.

As with the Canadian investment-grade corporate bonds, we believe it is difficult for active managers investing solely in Canadian Government Bonds to outperform the benchmark (after fees). UTAM therefore does not use any active traditional managers with Canadian Government Bond mandates. Instead, we obtain all of the Reference Portfolio Government Bond exposure passively using derivatives, while also investing a portion of the assets in a customized portfolio of absolute-return hedge fund strategies. (The latter, by design, are not expected to have material sensitivity – i.e., beta – to equity or fixed income markets over time.) We refer to the combination of passive Government Bond exposure and absolute-return hedge fund strategies as “portable alpha.” During 2022, this portable alpha strategy drove the outperformance in the Government Bond asset class.

### EFIP performance

The Expendable Funds Investment Pool (EFIP), which represents short-term working capital of the University, is constructed with two portfolios that each have investable and objective benchmarks. The dollar allocation to each portfolio is determined annually based on the total EFIP net asset balance at April 30.

The performance of EFIP was challenged in 2022 by the impact of rising interest rates, which drove negative returns for the fixed income instruments that comprise both EFIP portfolios:

- The Short-Term Portfolio consists of short-term Canadian government and corporate bonds as well as cash and cash equivalent investments. As at December 31, 2022, the Short-Term Portfolio comprised 76.5% of the EFIP portfolio managed by UTAM. The benchmark for the Short-Term Portfolio is a combination of the returns of the FTSE Canada Short-Term Bond Index and 1-month Canadian Bankers' Acceptances.
- The Medium-Term Portfolio was established in 2020 with a longer-term time horizon and a higher risk tolerance than the Short-Term Portfolio. As at December 31, 2022, the Medium-Term Portfolio comprised 23.5% of EFIP. The benchmark for the Medium-Term Portfolio is the FTSE Canada Corporate BBB Bond Index.

	2022	5-Year Annualized (2018–2022)	10-Year Annualized (2013–2022)
Actual net return	-2.9%	1.1%	1.4%
UTAM value added (percentage points)	0.1	0.2	0.3
UTAM value added (millions)	\$2	\$27*	\$56+

\*Cumulative value added over 5-year period.

+Cumulative value added over 10-year period.

All returns are in Canadian dollars and include the impacts of currency hedges. All numbers are rounded.

In 2022, EFIP returned -2.9% (net of all fees and expenses), outperforming its benchmark return of -3.1% by 0.1 percentage points. Over the past 10 years, EFIP has generated an annualized return of 1.4%, outperforming its benchmark return by 0.3 percentage points per annum and adding \$56 million in cumulative value (net of all fees and expenses).

The Short-Term Portfolio returned -0.7% and outperformed its benchmark by 0.3 percentage points in 2022, while the Medium-Term Portfolio returned -10.0% and underperformed its benchmark by 0.15 percentage points. The underperformance of the Medium-Term Portfolio relative to the Short-Term Portfolio was driven by higher interest rate duration in the Medium-Term Portfolio, as rates rose significantly during the calendar year.

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**INVESTORS CAN EXPECT TO SEE CONTINUED UNCERTAINTY THROUGHOUT 2023** as the global economy is shaped by a wide range of factors, from geopolitical events like the invasion of Ukraine to central banks’ interventions to bring inflation rates down. In a changing environment that can present both challenges and opportunities, UTAM is focused, as always, on the long term.

Over the past three years, as the world has grappled with the extraordinary disruption of the pandemic, we’ve taken advantage of lessons learned to further enhance UTAM’s investment systems and processes, building on a two-decade legacy of continuous improvement. We remain committed to our investment approach, working to balance capital protection with long-term growth potential in the Endowment and EFIP portfolios, guided by the risk/return objectives of our client for each of these portfolios. At the same time – and to the same end – we continue strengthening UTAM’s integrated approach to responsible investing, advancing the University of Toronto’s commitment to reduce ESG-related impacts and support global action on climate change.

Two additional factors drive UTAM’s sustained progress: our success in selecting best-in-class managers that bring further diversification to our portfolios and deliver differentiating performance; and more fundamentally, the capabilities of a team whose knowledge, skills, experience and discipline are grounded in the proven strengths of our investment processes.

As trusted stewards of U of T’s investment assets, we help a leading global centre of learning and research pursue its ambitious vision by staying constantly focused on our own: *to be one of the world’s leading university investment managers.*

This integrated annual report is part of a broader suite of timely, transparent communications aimed at illuminating all dimensions of the work UTAM does. Please visit our website, [utam.utoronto.ca](http://utam.utoronto.ca), for current and archived reports, news updates and other information of interest to the University of Toronto community and our wider circle of stakeholders.

*UTAM’s financial statements for 2022, along with the independent auditor’s report, can be viewed or downloaded as a stand-alone document at [utam.utoronto.ca/reports](http://utam.utoronto.ca/reports).*





# University of Toronto Asset Management Corporation

Financial statements  
December 31, 2022



# Independent auditor's report

To the Directors of  
**University of Toronto Asset Management Corporation**

## Opinion

We have audited the financial statements of **University of Toronto Asset Management Corporation** ["UTAM"], which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of net income, comprehensive income and changes in net assets and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UTAM as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards*, for financial statements delivered by registrants.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of UTAM in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter – basis of accounting and restriction on use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist UTAM in complying with the requirements of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for UTAM and the Ontario Securities Commission, and should not be used by parties other than UTAM or the Ontario Securities Commission. Our opinion is not modified in respect of this matter.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards*, for financial statements delivered by registrants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing UTAM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate UTAM or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing UTAM's financial reporting process.



### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTAM's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UTAM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UTAM to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
March 27, 2023



# University of Toronto Asset Management Corporation

## Statements of financial position

As at December 31

	2022	2021
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	1,187,675	1,457,074
Due from University of Toronto <i>[notes 6[a] and [e]]</i>	—	328,472
Accounts receivable	38,344	7,126
Prepaid expenses	580,139	496,695
<b>Total current assets</b>	<b>1,806,158</b>	<b>2,289,367</b>
Capital assets, net <i>[note 4]</i>	606,327	564,273
	<b>2,412,485</b>	<b>2,853,640</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Due to University of Toronto <i>[notes 6[a] and [e]]</i>	12,029	—
Accounts payable and accrued liabilities <i>[notes 6[g]]</i>	1,456,425	1,884,746
<b>Total current liabilities</b>	<b>1,468,454</b>	<b>1,884,746</b>
Deferred capital contributions <i>[note 5]</i>	606,327	564,273
Deferred incentive bonuses <i>[note 6[f]]</i>	261,040	308,383
Deferred lease costs	76,664	96,238
<b>Total liabilities</b>	<b>2,412,485</b>	<b>2,853,640</b>
<b>Net assets</b>	<b>—</b>	<b>—</b>

See accompanying notes

On behalf of the Board:

Director

Director

## University of Toronto Asset Management Corporation

### Statements of net income, comprehensive income and changes in net assets

Years ended December 31

	2022	2021
	\$	\$
<b>Expenses</b> <i>[note 6]</i>		
Staffing	9,391,834	8,959,509
Communications and information technology support	1,201,917	1,496,105
Occupancy	279,014	277,403
Professional fees	232,848	252,770
Consulting fees	159,299	252,222
Amortization of capital assets	141,762	186,912
Office supplies and services	65,450	88,861
Travel	55,606	1,783
	<b>11,527,730</b>	11,515,565
<b>Recoveries and other income</b>		
Recoveries from University of Toronto <i>[note 6[a]]</i>	11,385,968	11,328,653
Amortization of deferred capital contributions <i>[note 5]</i>	141,762	186,912
	<b>11,527,730</b>	11,515,565
<b>Net income and comprehensive income for the year</b>	—	—
Net assets, beginning of year	—	—
<b>Net assets, end of year</b>	—	—

See accompanying notes

# University of Toronto Asset Management Corporation

## Statements of cash flows

Years ended December 31

	2022	2021
	\$	\$
<b>Operating activities</b>		
Net income and comprehensive income for the year	—	—
Add (deduct) items not involving cash		
Amortization of capital assets	141,762	186,912
Amortization of deferred capital contributions	(141,762)	(186,912)
Deferred incentive bonuses	(47,343)	14,648
Deferred lease costs	(19,574)	2,976
Changes in non-cash working capital balances related to operations		
Due to/from University of Toronto	340,501	(84,615)
Accounts receivable	(31,218)	(7,032)
Prepaid expenses	(83,443)	80,155
Accounts payable and accrued liabilities	(428,322)	1,365,986
<b>Cash provided by (used in) operating activities</b>	<b>(269,399)</b>	<b>1,372,118</b>
<b>Investing activities</b>		
Purchase of capital assets	(183,816)	(38,524)
<b>Cash used in investing activities</b>	<b>(183,816)</b>	<b>(38,524)</b>
<b>Financing activities</b>		
Deferred capital contributions to fund purchase of capital assets	183,816	38,524
<b>Cash provided by financing activities</b>	<b>183,816</b>	<b>38,524</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(269,399)</b>	<b>1,372,118</b>
Cash, beginning of year	1,457,074	84,956
<b>Cash, end of year</b>	<b>1,187,675</b>	<b>1,457,074</b>

See accompanying notes

# University of Toronto Asset Management Corporation

## Notes to financial statements

December 31, 2022 and 2021

### 1. Relationship with the University of Toronto

University of Toronto Asset Management Corporation ["UTAM"] is a corporation without share capital incorporated on April 25, 2000, by the Governing Council of the University of Toronto [the "Governing Council"] under the *Corporations Act* (Ontario) in Canada. The *Not-for-profit Corporations Act* (Ontario) was proclaimed into force on October 19, 2021, and replaces the *Corporations Act* (Ontario). UTAM is updating its incorporating documents to bring itself into compliance with the *Not-for-profit Corporations Act* before the end of the statutory transition period on October 19, 2024.

UTAM is a non-profit organization under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes. UTAM is registered under the *Securities Act* (Ontario) as a portfolio manager in Ontario.

UTAM is domiciled in the Province of Ontario, Canada, and its registered office address is 777 Bay Street, Suite 2502, Toronto, Ontario, Canada.

UTAM was formed by the University of Toronto ["U of T"] to engage in professional investment management activities to manage the investment assets of U of T, which currently comprise its Long-Term Capital Appreciation Pool [i.e., the Endowment portfolio and other long-term investment assets of U of T], its Expendable Funds Investment Pool, and, prior to July 1, 2021, U of T's Registered Pension Plan ["RPP"], through a formal delegation of authority and investment management agreement between UTAM and U of T. On July 1, 2021, the assets and liabilities of the RPP were transferred to the University Pension Plan Ontario ["UPP"], and an agreement was executed between the Governing Council and UPP to appoint the Governing Council as an agent of UPP and, accordingly, to retain the services of UTAM to manage the transferred assets of the RPP until the end of the agency appointment. The agency appointment ended on March 31, 2022, as anticipated, and UTAM no longer manages pension-related assets.

The financial statements of UTAM were authorized for issue by the Board of Directors on March 20, 2023.

### 2. Basis of accounting

The financial statements have been prepared in accordance with the financial reporting framework specified in paragraph 3.2(3)(a) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants [the "framework"]. This framework requires the financial statements be prepared in accordance with International Financial Reporting Standards ["IFRS"], except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in IAS 27, *Consolidated and Separate Financial Statements*. The financial statements have been prepared by management to meet the requirements of National Instrument 31-103, *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, and as a result, the financial statements may not be suitable for another purpose.

These financial statements present the financial position, financial performance and cash flows of UTAM as a separate legal entity. The securities representing the investments of the funds of U of T are held on behalf of U of T in the names of such trustees or nominees as may be directed by UTAM, but not in the name of UTAM.

# University of Toronto Asset Management Corporation

## Notes to financial statements

December 31, 2022 and 2021

UTAM manages U of T's Endowment Fund and Expendable Fund, through a formal delegation of authority and investment management agreement between UTAM and U of T.

The financial statements of UTAM have been prepared on a going concern basis and on the historical cost basis. UTAM's presentation currency is the Canadian dollar, which is also its functional currency.

### 3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are summarized as follows:

#### Critical accounting estimates and judgments

The preparation of financial statements in conformity with the framework requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of recoveries and expenses during the reporting period. Actual results could differ from those estimates.

UTAM based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of UTAM. Such changes are reflected in the assumptions when they occur.

#### Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics or UTAM's designation of such instruments. UTAM has classified all of its financial assets as loans and receivables, and all of its financial liabilities as other financial liabilities. All of UTAM's financial instruments are carried at either cost or amortized cost and are short-term in nature. Unless otherwise noted, it is management's opinion that UTAM is not exposed to significant risks arising from these financial instruments.

UTAM's management has established a control environment that endeavours to ensure significant operating risks are reviewed regularly and that controls are operating as intended, including assessing and mitigating the various financial risks that could impact UTAM's financial position and financial performance.

# University of Toronto Asset Management Corporation

## Notes to financial statements

December 31, 2022 and 2021

### *Market risk*

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates and equity prices. A description of each component of market risk is described below:

[i] Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the future cash flows or fair values of financial instruments. As at December 31, 2022 and 2021, UTAM has no significant assets or liabilities subject to interest rate risk.

[ii] Currency risk

Currency risk is the risk that fluctuations in exchange rates will result in losses to the Company on monetary assets and liabilities denominated in foreign currencies. Certain expenses are paid in foreign currencies. As at December 31, 2022 and 2021, UTAM has no significant assets or liabilities denominated in a foreign currency and has no significant exposure to currency risk.

[iii] Other price risk

Other price risk is the risk of gain or loss due to the changes in the price and the volatility of individual equity instruments and equity indices. UTAM is not exposed to other price risk as at December 31, 2022 and 2021.

### *Liquidity risk*

Liquidity risk is the risk that UTAM will encounter difficulties in meeting obligations associated with financial liabilities. UTAM monitors its current and expected cash flow requirements to ensure it has sufficient cash to meet its liquidity requirements. The operations of UTAM are funded by U of T.

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. UTAM does not have a significant exposure to any individual counterparty, except for U of T, which funds its operations. Therefore, credit risk is not a significant risk to UTAM as at December 31, 2022 and 2021.

### **Capital assets**

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	Term of lease
IT infrastructure equipment	5 years
Audio-visual and communications equipment	5 years
Furniture	5 years
Personal computers and software	3 years

## University of Toronto Asset Management Corporation

### Notes to financial statements

December 31, 2022 and 2021

#### **Revenue recognition**

Recoveries from U of T are recorded when expenses are incurred. Recoveries related to the purchase of capital assets are deferred and amortized over the life of the related capital asset.

#### **Employee future benefits**

UTAM's contributions to employee future benefit plans are expensed when due *[note 6[b]]*.

#### **Foreign currency translation**

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at rates prevailing at the year-end. Gains and losses resulting from foreign currency transactions are included in the statements of net income, comprehensive income and changes in net assets.

## University of Toronto Asset Management Corporation

### Notes to financial statements

December 31, 2022 and 2021

#### 4. Capital assets

Capital assets consist of the following:

	Leasehold improvements \$	IT infrastructure equipment \$	Audio- visual and communica- tions equipment \$	Furniture \$	Personal computers and software \$	Total \$
<b>Cost</b>						
Balance, December 31, 2020	924,706	306,939	56,805	113,505	244,974	1,646,929
Additions	—	14,811	—	—	23,713	38,524
Write-off of fully amortized capital assets no longer in service	—	(177,110)	—	—	(139,660)	(316,770)
Balance, December 31, 2021	924,706	144,640	56,805	113,505	129,027	1,368,683
Additions	—	<b>130,116</b>	<b>30,759</b>	—	<b>22,941</b>	<b>183,816</b>
Write-off of fully amortized capital assets no longer in service	—	<b>(118,336)</b>	<b>(56,805)</b>	<b>(64,403)</b>	<b>(60,192)</b>	<b>(299,736)</b>
<b>Balance, December 31, 2022</b>	<b>924,706</b>	<b>156,420</b>	<b>30,759</b>	<b>49,102</b>	<b>91,776</b>	<b>1,252,763</b>
<b>Accumulated amortization</b>						
Balance, December 31, 2020	362,693	274,020	47,337	59,518	190,700	934,268
Amortization	94,363	27,300	9,468	20,554	35,227	186,912
Write-off of fully amortized capital assets no longer in service	—	(177,110)	—	—	(139,660)	(316,770)
Balance, December 31, 2021	457,056	124,210	56,805	80,072	86,267	804,410
Amortization	<b>94,364</b>	<b>9,715</b>	—	<b>9,820</b>	<b>27,863</b>	<b>141,762</b>
Write-off of fully amortized capital assets no longer in service	—	<b>(118,336)</b>	<b>(56,805)</b>	<b>(64,403)</b>	<b>(60,192)</b>	<b>(299,736)</b>
<b>Balance, December 31, 2022</b>	<b>551,420</b>	<b>15,589</b>	<b>—</b>	<b>25,489</b>	<b>53,938</b>	<b>646,436</b>
<b>Net book value</b>						
Balance, December 31, 2021	467,650	20,430	—	33,433	42,760	564,273
<b>Balance, December 31, 2022</b>	<b>373,286</b>	<b>140,831</b>	<b>30,759</b>	<b>23,613</b>	<b>37,838</b>	<b>606,327</b>

## University of Toronto Asset Management Corporation

### Notes to financial statements

December 31, 2022 and 2021

#### 5. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of recoveries from U of T received in connection with the purchase of capital assets. The amortization of deferred capital contributions is recorded as income in the statements of net income, comprehensive income and changes in net assets.

The continuity of deferred capital contributions is as follows:

	2022	2021
	\$	\$
<b>Balance, beginning of year</b>	<b>564,273</b>	712,661
Recoveries received during the year related to capital asset purchases	<b>183,816</b>	38,524
Amortization of deferred capital contributions	<b>(141,762)</b>	(186,912)
<b>Balance, end of year</b>	<b>606,327</b>	564,273

#### 6. Related party transactions

UTAM is affiliated with and controlled by U of T.

- [a] In accordance with an Investment Management Agreement dated November 26, 2008 and subsequently amended and restated July 1, 2021 and July 26, 2022, between the Governing Council and UTAM [the "Agreement"], U of T will reimburse UTAM for its services an amount which will enable it to recover the appropriate costs to support its operations. As at December 31, 2022, \$12,029 is due to U of T as a result of reimbursement exceeding the actual cost of operations. As at December 31, 2021, \$328,472 is due from U of T as a result of the actual cost of operations exceeding reimbursements.
- [b] Certain eligible employees of UTAM were members of the UPP, and prior to July 1, 2021, of the U of T RPP. The UPP is a defined benefit plan. In 2022, contributions of \$372,711 [2021 – \$257,013] related to this plan have been expensed in UTAM's financial statements. Comparative 2021 expense related to both the U of T RPP and the UPP, as applicable during that fiscal year.
- [c] UTAM obtains certain services from U of T, such as payroll services and some IT services. There is a charge for some of these services, which is reimbursed by U of T in accordance with the Agreement. In 2022, these services totalled \$63,723 [2021 – \$67,418].
- [d] The Governing Council entered into a lease with a term of ten years commencing December 1, 2016, for premises occupied by UTAM. Under this lease, UTAM will incur annual expenses of approximately \$169,000 over the term of the lease, which represents the minimum rent component of the lease obligations.

In addition to the above minimum rent payments, there are additional payments in respect of operating costs that are subject to change annually based on market rates and actual usage. In 2022, these costs totalled \$104,759 [2021 – \$103,240]. These expenses are reimbursed by U of T in accordance with the Agreement.

## University of Toronto Asset Management Corporation

### Notes to financial statements

December 31, 2022 and 2021

- [e] Transactions with U of T are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the parties. Amounts due to/from U of T are non-interest bearing and due on demand.
- [f] UTAM provides an incentive bonus plan for the senior management team whereby the majority of the incentive bonus awards are directly related to, and, vary with, the actual performance of U of T's investment portfolios compared to passive benchmark portfolios, over a four-year measurement horizon. As at January 1, 2022, this calculation no longer includes the actual performance of any pension plan assets managed by UTAM as these are no longer U of T assets. A portion of the incentive bonus is subject to mandatory deferral over a service period and paid at specified dates during that service period. The expense for deferred incentive bonus awards is recognized when paid out to employees that remain entitled to receive them and are remeasured at each applicable date as specified under the incentive bonus plan, with remeasurement gains or losses recognized in net income. Under this incentive bonus plan, a portion of each year's incentive bonus awards is expensed in that year, with the remaining deferred amounts recorded as an expense in future years. As at December 31, 2022, as much as approximately \$261,140, \$764,141 and \$752,089 plus an adjustment for the performance of U of T's investment portfolios could be recorded as an expense in 2023, 2024 and 2025, respectively, under this deferred arrangement on a cumulative basis.

Additionally, participants in the incentive bonus plan have the irrevocable option to voluntarily defer receipt of all or part of their immediate awards in order to receive them at the same defined dates as applied to mandatory deferred awards. These voluntary deferrals are remeasured at each applicable date as defined in the incentive bonus plan with remeasurement gains or losses recognized in net income. As these voluntarily deferred awards vest immediately, they are expensed in the year in which they are earned and reflected as liabilities, adjusted by applicable remeasurement gains or losses during the deferral period, until paid. As at December 31, 2022, \$261,040 [2021 – \$308,383] in incentive bonuses adjusted for remeasurement gains or losses has been deferred under the incentive plan.

- [g] In 2021, UTAM implemented retention arrangements for employees payable on various future dates. Awards under these arrangements have associated terms and conditions variously applicable to employees and to UTAM. UTAM's financial obligations for the first arrangements are recognized evenly over the period in which they were first established to the period in which the obligations crystallize, adjusted for any obligations that lapse under the terms and conditions. Arrangements that apply to subsequent periods will begin to be recognized when earlier arrangements crystallize. As at December 31, 2022, the maximum obligation to be recognized in future periods is \$1,953,400 [2021 – \$2,544,981]. The expense under the retention arrangements was \$575,844 [2021 – \$1,108,269] for the year.

## University of Toronto Asset Management Corporation

### Notes to financial statements

December 31, 2022 and 2021

[h] Transactions with key management personnel

Compensation of UTAM's key management personnel during the year ended December 31 is as follows:

	<b>2022</b>	<b>2021</b>
	\$	\$
Short-term employee benefits	<b>3,765,230</b>	3,573,052
Post-employment benefits	<b>120,091</b>	178,535
Other long-term benefits	<b>6,831</b>	7,755
	<b><u>3,892,152</u></b>	<u>3,759,342</u>

Short-term employee benefits include amounts related to the variable incentive bonus awards [note 6[f]] and to the retention awards [note 6[g]].

#### 7. Capital management

In managing capital, UTAM focuses on liquid resources available for operations. U of T provides funds as required to allow UTAM to meet its current obligations. As at December 31, 2022, UTAM has sufficient liquid resources to meet its current obligations.