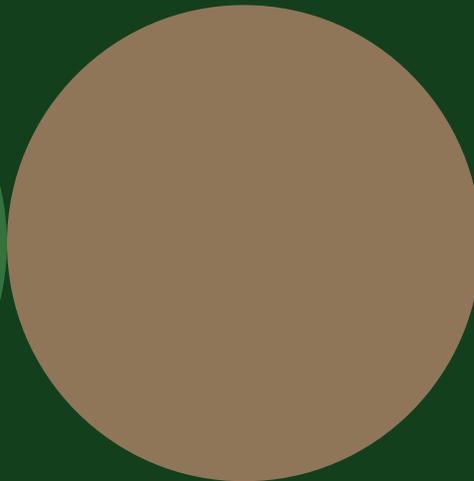
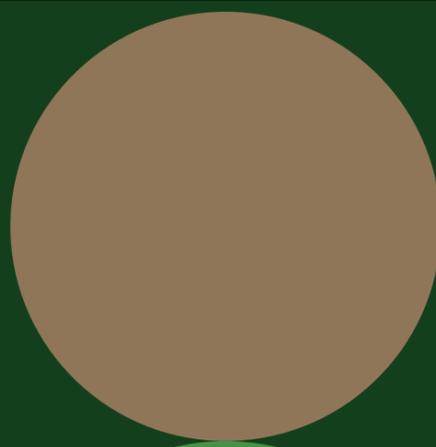


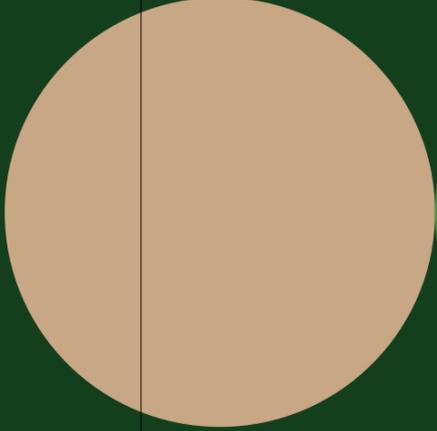
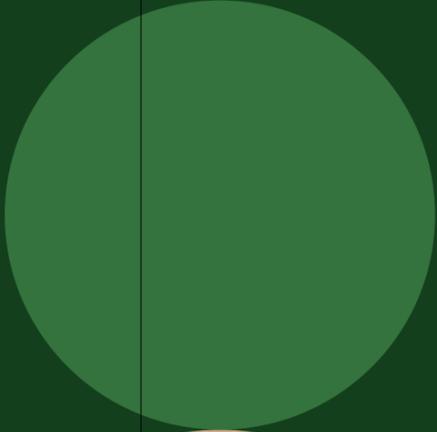
A Closer Look

Applying an ESG lens to our
investment decisions





As we manage the Pension, Endowment and short-term financial assets of the University of Toronto, UTAM is increasingly taking a leadership role in responsible investing, committing to follow and promote best practices.



We rigorously assess the managers we invest with, and a key part of that evaluation takes into account how our current and potential investment partners consider material environmental, social and governance (ESG) factors in their investment processes. As we work to generate sustainable returns for the university's Pension, Endowment and short-term working capital assets, we consistently apply an ESG lens to our analysis and decision-making.

Message from the University of Toronto's President

Progress and leadership

I am pleased to offer this opening message for the University of Toronto Asset Management Corporation's third annual Responsible Investing Report. UTAM's strong commitment to responsible investing is evidenced throughout this report, which clearly documents impressive progress in the systematic application of environmental, social and governance (ESG) factors.



THE UNIVERSITY OF TORONTO COMMUNITY has reason to be proud of UTAM's recent accomplishments. This past year, UTAM participated in its first formal assessment by the United Nations-supported Principles for Responsible Investment (PRI). The organization awarded UTAM top marks that exceeded the median scores in every relevant category of performance. This is a striking achievement and one of the highlights of this report, which confirms UTAM's role as an emerging leader in responsible investing – not just among universities, but among all institutional investors in Canada.

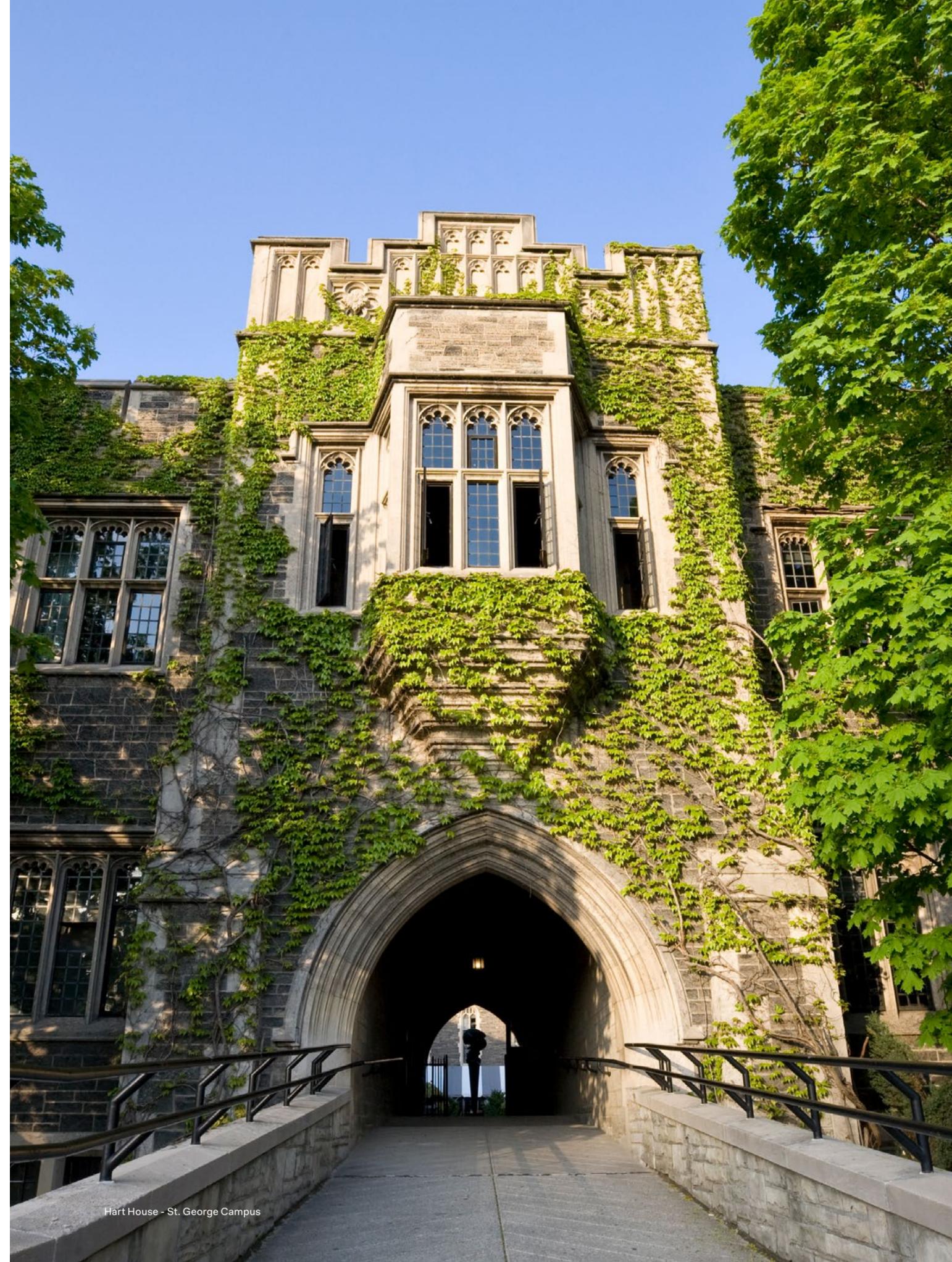
Several members of UTAM's senior management have assumed leadership or advisory roles on various professional committees, boards and associations devoted to promoting responsible investing. On behalf of the university, UTAM has continued to support noteworthy international initiatives, such as the 2018 Global Investor Statement to Governments on Climate Change. UTAM has also deepened its commitment to transparency and accountability – for example, by publishing its first Carbon Footprint Report – and it has expanded its engagement with companies, both directly and through its service provider.

The case studies in this report illuminate UTAM's approach to responsible investing. For example, the Beacon Capital Partners study nicely demonstrates how taking ESG factors into consideration can not only generate impressive returns for the university's invested assets, but it can also produce sustainability benefits for society.

To conclude, this is another excellent annual report. I am delighted that UTAM continues to embrace the principles and practices of responsible investing with enthusiasm, integrity and leadership. I extend my congratulations to Daren Smith and his entire team on another successful year.

A handwritten signature in black ink that reads "Meric Gertler".

Meric Gertler
President, University of Toronto



Hart House - St. George Campus

Message from the President and CIO

In 2018, UTAM's approach to responsible investing continued to evolve, as we built on our existing commitments to this important global initiative while seeking new opportunities to share best practices and promote collaboration among like-minded institutional investors.



IN REVIEWING OUR INVESTMENT ACTIVITIES through an ESG lens for this third annual Responsible Investing Report, we've reinforced UTAM's support for the United Nations-supported Principles for Responsible Investment (PRI), to which we became a signatory in 2016 on behalf of the University of Toronto.

During the past year, we participated in our first formal assessment by the PRI. The evaluators examined a broad array of indicators, gauging our progress in implementing responsible investment over time, across asset classes and in comparison to peers at the national and global levels. We were gratified by the results: UTAM received four A+ marks and one A for our responsible investing activities in the management of the university's Pension and Endowment assets, scoring higher than the median PRI signatory in all relevant categories.

Assuming leadership roles

In support of UTAM's growing leadership in responsible investing, our senior management team contributes insights and expertise to a number of key initiatives. Doug Chau, our Chief Risk Officer, is a member of the PRI's Asset Owner Advisory Committee, which provides advice and support to investors implementing the PRI and also engages with industry stakeholders – including existing and potential PRI signatories – on responsible investment practices.

Similarly, Lisa Becker, UTAM's Chief Operating Officer, serves on the Board of the Responsible Investment Association, which brings together Canadian asset managers, mutual fund companies, financial institutions and other stakeholders who believe that integrating ESG factors into investment management can yield superior returns and effect positive social impact. Lisa also sits on the Investor Stewardship Committee of the Pension Investment Association of Canada, which reviews standards and best practices in areas such as proxy voting and corporate engagement, while also advocating for responsible investing with policy-makers and standard-setters.

Addressing climate change

In July 2018, we published UTAM's first Carbon Footprint Report, which accounted for greenhouse gas emissions from public equity investments within the Pension and Endowment portfolios. Our analysis included an in-depth review of carbon emissions by sector, country, asset class, investment manager and individual company. For each of these variables, we looked at both its absolute contribution to the carbon footprint and its relative contribution compared to the Reference Portfolio, which is the benchmark for all of our investment activities.

The intensive analysis underlying our Carbon Footprint Report equips us to have more focused conversations with investment managers on how they consider carbon emissions in their decision-making. It's another important dimension of our responsible investment strategy, reflecting the University of Toronto's commitment to take decisive action on climate change.

Active on many fronts

As UTAM's expertise in this area deepens, we see opportunities to add our voice and in some cases lead the efforts of asset owners and investors seeking to effect positive change across the ESG landscape. We selectively participate in initiatives that align with our approach, as evidenced by these three examples from the past year:

In June 2018, UTAM joined 128 institutional investors that invest in the Canadian market – collectively managing \$2.3 trillion in assets – in urging the Government of Canada to enact legislation that will help investors and companies better address the global problems of slavery and child labour. The proposed law would require all companies operating in Canada to report annually on their efforts to prevent and mitigate risk in this regard.

UTAM also signed, on U of T's behalf, the "2018 Global Investor Statement to Governments on Climate Change," again joining a group of investor alliances and organizations including the CDP (formerly the Carbon Disclosure Project) and the PRI. Endorsed by over 300 investors representing more than US\$28 trillion in assets, the statement asked G7 and G20 leaders to take specific actions set out by the Paris Agreement "with the utmost urgency."

Reinforcing our efforts to strengthen diversity and inclusion, I am now a proud member of the 30% Club Canada. The Club comprises leaders who share the belief that gender balance on boards and in senior management encourages better leadership and governance – and more generally that fostering diversity contributes to better all-round board performance and ultimately yields superior financial results for companies and their shareholders. As a member of the Club's Canadian Investor Group, UTAM supports the collective goal of having women attain at least 30% representation on the boards and executive teams of S&P/TSX-listed companies by 2022.

Additionally, in December 2018 we updated UTAM's Responsible Investing Policy to include definitions of ESG factors and provide further guidance on proxy voting and engagement. A refinement of the original policy document published a year earlier, our revised policy guides all relevant decision-making at UTAM, from how we manage internal processes and systems to our conduct of proxy voting and ESG-related engagements.

The journey continues

As U of T President Meric Gertler notes in his opening message for this report – and as we've stressed in all of our communications around responsible investing – this is not a one-time pledge. UTAM is committed to constantly adapting and evolving our approach as new insights, models and best practices are developed and shared – in all sectors, across Canada and worldwide.

That journey continues, as we collaborate regularly with the university's leadership to refine and strengthen our approach. As always, our ultimate goal is to deliver the best possible returns to the Pension and Endowment portfolios, as well as the short-term working capital pool. We'll do so by acting transparently and with clear accountability while upholding the fundamental values of a university that has long been a leader in social and environmental responsibility.

Daren M. Smith, CFA
President and Chief Investment Officer

Our responsible investing commitment

UTAM's formalized approach to responsible investing is consistent with our fiduciary duty and complements our overall investment strategy for the university's Pension, Endowment and short-term working capital assets. By considering the relevant ESG dimensions of potential investments, we're able to make better-informed decisions and, we believe, achieve superior results for beneficiaries of U of T's portfolios over the long term.



ESTABLISHED AS A SEPARATE CORPORATION by the University of Toronto in 2000, UTAM invests funds according to objectives and guidelines set out by the university administration, as well as by the Pension Committee, the Business Board and the Investment Committee. Our mandate is clear: to serve as a strategic and disciplined manager, realizing the highest possible returns while respecting our sole client's risk tolerance, policy constraints and guiding values.

Collaborating closely with U of T's administration and the Investment Committee, we focus exclusively on investing university-owned assets, which we manage in three portfolios:

- Pension – the assets of the university's employee pension plan, officially called the University of Toronto Master Trust.
- Endowment – known formally as the Long-Term Capital Appreciation Pool and consisting primarily of certain Endowment assets, but also including other funds invested for the long term.
- EFIP – or Expendable Funds Investment Pool, consisting of university funds that can be invested over the short to medium term, and principally comprising the university's working capital.

In fulfilling our mandate, UTAM typically does not make direct investments in traded securities. Rather, we follow what is known in the investment industry as a manager of managers approach. We select investment managers that we believe are best in class, empowering them to invest directly on our behalf. As part of our evaluation process, we consider each manager's approach to ESG integration, as we believe that applying this additional lens to our investment process will lead to better outcomes for our client over the long term.

Responsible investing timeline

The following timeline shows significant events in UTAM's responsible investing journey.





“Data and analytics play a critical role in all areas of asset management – and the insights they yield have become all the more important with the growing financial relevance of ESG information. In considering potential ESG risks and opportunities, UTAM utilizes our ESG research and tools to ensure its due diligence is supported by rigorous research and analysis.”

LINDA-ELING LEE
HEAD OF ESG RESEARCH, MSCI

Our responsible investing commitment cont'd

Why do we practice responsible investing?

We define responsible investing as the incorporation of environmental, social and governance (ESG) factors into investment decision-making processes, active ownership – through proxy voting and engagement – and disclosure.

UTAM pursues a responsible investing approach because we believe that material ESG factors can have a significant impact on investment returns. ESG considerations are an integral part of our investment analysis and decision-making processes, particularly in our selection of investment managers. In our public equity portfolios, we cast our proxy votes where possible, applying an ESG-focused policy. We've developed ways to engage with companies, both directly and through various organizations, to help ensure ESG-related risks are effectively addressed and managed. Moreover, we disclose our responsible investing activities on a regular basis, via this report and on our website. We believe that integrating this ESG lens into our activities allows us to make better-informed decisions and ultimately results in better outcomes for the Pension, Endowment and short-term working capital assets that we manage on the university's behalf.

Turning principles into policy

In December 2016, UTAM became a signatory, on behalf of the university, to the United Nations-supported Principles for Responsible Investment (PRI) – a set of shared commitments adopted by institutional investors around the globe as they work to integrate an ESG perspective into their investment processes. Consistent with our fiduciary obligation to the beneficiaries of the university's assets, we have embraced the initiative's six core Principles (see pages 12 and 13). As part of that commitment, all PRI signatories agree to annual assessments of their ESG framework and the degree to which they have integrated ESG into their investment processes. As you will read later in this report, in our first PRI assessment we received high marks in all applicable categories. While we are pleased with these initial results, there's more to do, and we are committed to evolving our practices and demonstrating leadership in responsible investing.

The PRI framework guided us in crafting our Responsible Investing Policy, which was first published in December 2017 and further updated in December 2018. This policy applies to all assets under our management and underpins the deliberations of our Responsible Investing Committee. This committee of senior leaders at UTAM meets regularly to consider all matters relating to the development and implementation of our responsible investing practices.



Putting our principles into action

UTAM is a signatory, on behalf of the University of Toronto, to the United Nations-supported Principles for Responsible Investment (PRI) – a set of commitments adopted by institutional investors around the globe as they integrate ESG considerations into their investment processes. The PRI framework has guided the development of our Responsible Investing Policy and informs the regular deliberations of our Responsible Investing Committee.



ESG factors defined



Environmental

Factors relating to a company’s interactions with the physical environment. These include (but are not limited to) climate change; greenhouse gas emissions; biodiversity loss; deforestation; air, water or resource depletion or pollution; waste management; change in land use; and ocean acidification.



Social

Factors relating to business practices that have an impact on the rights, well-being and interests of people and communities. These include (but are not limited to) human rights; labour standards in the supply chain; child, slave and bonded labour; workplace health and safety; freedom of association and freedom of expression; human capital management and employee relations; diversity; relations with local communities (including indigenous communities); activities in conflict zones; health and access to medicine; consumer protection; and controversial weapons.



Governance

Factors relating to the governance of a company. These include (but are not limited to) board structure, composition, size, diversity, skills and independence; executive pay; shareholder rights; stakeholder interactions; transparency; business ethics; bribery and corruption; internal controls; and conflicts of interest.



“UTAM’s leadership in the responsible investing space was an important factor in our decision to become a signatory to the UN-supported Principles for Responsible Investment. It has long been our view that a manager’s fiduciary responsibility can only be fully met by considering material ESG factors. Through our collaboration with UTAM, we found a like-minded partner who shares our belief in the importance of responsible investing.”

MICHAEL QUINN
CHIEF INVESTMENT OFFICER, RPIA

Putting our principles into action

cont'd

Guided by the PRI framework in our approach to responsible investing, UTAM undertakes, where relevant and material, the following non-exhaustive list of actions:

<p>01</p> <p>PRI Principle</p> <p>We will incorporate ESG issues into investment analysis and decision-making processes.</p> <p>UTAM Actions</p> <ul style="list-style-type: none"> • Evaluate ESG-related risks across all portfolios. • Integrate consideration of ESG factors into our investment and operational due diligence policies, and into other policies. • Incorporate ESG considerations into our manager selection and monitoring processes. • Support development of ESG-related tools, metrics and analyses. • Encourage academic and other research on ESG integration. • Provide and promote ESG training for our investment professionals. 	<p>02</p> <p>PRI Principle</p> <p>We will be active owners and incorporate ESG issues into our ownership policies and practices.</p> <p>UTAM Actions</p> <ul style="list-style-type: none"> • Adopt a proxy voting policy that integrates ESG considerations and, where possible, apply this integrated policy to all public equity segregated account mandates, as well as to public equity funds in which our client's portfolios are the only investors. • Encourage our investment managers to adopt voting policies that integrate ESG considerations. • Support corporate and regulatory proposals that contribute to improved governance practices and more effective boards. • Participate in collaborative engagement initiatives. 	<p>03</p> <p>PRI Principle</p> <p>We will seek appropriate disclosure on ESG issues by the entities in which we invest.</p> <p>UTAM Actions</p> <ul style="list-style-type: none"> • Discuss ESG risks in our managers' portfolios and in relation to particular securities that those managers hold. • Ask managers to undertake and report on ESG-related engagements with companies in their portfolios. • Ask managers to report on ESG incidents in their portfolios. • Support collaborative initiatives promoting ESG disclosure by companies. 	<p>04</p> <p>PRI Principle</p> <p>We will promote acceptance and implementation of the Principles within the investment industry.</p> <p>UTAM Actions</p> <ul style="list-style-type: none"> • Encourage managers to become signatories to the PRI. • Communicate our ESG expectations to managers. • Support the development of tools for benchmarking ESG integration. • Support regulatory or policy developments that enable implementation of the Principles. 	<p>05</p> <p>PRI Principle</p> <p>We will work together to enhance our effectiveness in implementing the Principles.</p> <p>UTAM Actions</p> <ul style="list-style-type: none"> • Support and participate in networks and information platforms in order to share tools and pool resources. • Address relevant emerging issues collectively with other asset owners and managers. • Identify and support appropriate coalitions whose beliefs are aligned with the Principles. 	<p>06</p> <p>PRI Principle</p> <p>We will each report on our activities and progress towards implementing the Principles.</p> <p>UTAM Actions</p> <ul style="list-style-type: none"> • Disclose how ESG issues are integrated within our investment process. • Disclose active ownership activities (e.g., voting, engagement and policy dialogue). • Communicate with stakeholders on ESG issues and the Principles. • Report on progress and achievements relating to the Principles. • Make use of reporting to raise awareness among a broader group of stakeholders.
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Our first PRI scorecard



IN 2018, WE PARTICIPATED IN our first formal assessment as a signatory of the PRI. Responding to a series of asset-specific modules in the PRI's reporting framework, we provided data on UTAM's activities relative to various responsible investing indicators. The resulting report evaluated our progress in implementing responsible investing practices over time, across asset classes and compared to peers at the national and global levels.

As the scorecard below shows, UTAM received four A+ marks and one A for our responsible investing activities in managing the University of Toronto's Pension and Endowment assets. We scored higher than the median PRI signatory in all relevant categories.

Module Name	Our Score	Median Score
Strategy & Governance	A+	A
Indirect – Manager Selection, Appointment & Monitoring		
Listed Equity	A+	B
Fixed Income – Supranational, Sub-Sovereign and Agency	A+	B
Private Equity	A+	B
Direct and Active Ownership Modules		
Listed Equity – Active Ownership	A	B

Our complete transparency and assessment reports for the Pension and Endowment portfolios are available on our website.

Montréal Carbon Pledge



In September 2017, UTAM joined more than 120 global investors – collectively responsible for over US\$10 trillion in assets under management – in signing the Montréal Carbon Pledge. Aligned with the Paris Agreement on climate change, the pledge reinforces our commitment to measure and disclose the carbon footprints of the University of Toronto's Pension and Endowment portfolios. In 2018, we published our first Carbon Footprint Report for the Pension and Endowment public equity portfolios.

SIGNING THE MONTRÉAL CARBON PLEDGE and publishing the carbon footprint of the Pension and Endowment portfolios is another example of putting our principles into action. In addition, we now take into account carbon emissions, where relevant, in evaluating potential managers and monitoring the performance of existing managers.

The table below shows the carbon footprint of the Pension investment portfolio and the Reference Portfolio, which is the benchmark that UTAM and the university use for all of our investment activities in the Pension and Endowment portfolios. The table indicates that the carbon emissions for the Pension portfolio were 13.1% higher than the Reference Portfolio as of September 2017, based on carbon emissions per million dollars invested. However, the Pension portfolio had about the same carbon intensity (-0.3%) as the Reference Portfolio and was more carbon-efficient based on its lower weighted average carbon intensity (-5.7%). The full Carbon Footprint Report for 2018 (based on holdings as of September 2017) and a detailed explanation of the terms used in the table below and the methodology applied in the calculations are available on our website.

	Carbon Emissions Per \$Million Invested (in tonnes CO ₂ e / \$million invested)	Carbon Intensity (in tonnes CO ₂ e / \$million sales)	Weighted Average Carbon Intensity (in tonnes CO ₂ e / \$million sales)
Pension	184.7	269.4	242.7
Reference Portfolio (pension weights)	163.3	270.2	257.4
Difference vs Reference Portfolio	21.4	-0.9	-14.6
Difference vs Reference Portfolio (%)	13.1%	-0.3%	-5.7%

The table shows the carbon footprint of the Pension investment portfolio. The Endowment's carbon footprint is substantially similar. Due to rounding, some values in the table may differ from the results of simple subtraction.

Selecting our investment managers

As UTAM's approach to responsible investing has evolved, we've become more systematic in weighing ESG considerations when we evaluate, select and monitor our investment managers. Our process for manager selection and monitoring is outlined in our 2018 Annual Report. The following summary offers a more granular view of the many ESG-related factors that we take into account:

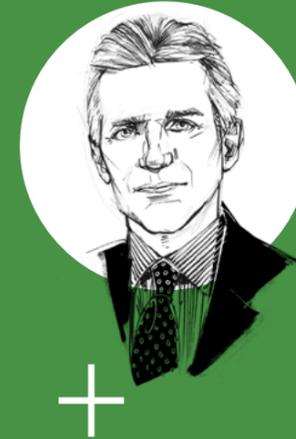
Investment manager selection

- Complete an ESG due diligence questionnaire with managers.
- Review the manager's responsible investment policies.
- Meet with staff members who are focused on responsible investing in order to assess their skills and competence.
- Discuss current governance and management of the firm's responsible investing activities.
- Assess any collaborative initiatives or direct engagements with the management teams of companies in the investment portfolio.
- Evaluate the quality of the manager's investment policy and its reference to ESG.
- Assess how ESG implementation is enforced.
- Review how the manager evaluates ESG materiality.
- Examine the process for defining and communicating ESG incidents.
- Review the manager's proxy voting policy and processes (in cases where UTAM would not direct voting).
- Determine whether the manager is a signatory to the PRI and/or other relevant initiatives and organizations.
- Review responsible investment reporting to clients and/or the public.
- Communicate our expectations for future ESG reporting.

- Evaluate the coverage and quality of the firm's ESG-related research.
- Assess current strategies for incorporating ESG factors, as well as the manager's ability to identify and manage ESG-related issues.
- Review ESG-related characteristics of the investment portfolio.
- Investigate the impact of ESG factors on specific investment decisions and, where relevant, subsequent stock and portfolio performance.
- Discuss securities in the manager's portfolio that appear to have material ESG risks.
- Incorporate a review of ESG considerations in our internal manager recommendation memos, including rating the manager's ESG capabilities.

Investment manager monitoring

- Complete an ESG due diligence questionnaire with managers annually.
- Include responsible investing as a standard agenda item at annual performance review meetings.
- Highlight examples of good practices by other managers in the area of responsible investing.
- Encourage the manager to join responsible investing initiatives or organizations, and to participate in collaborative projects with other investors.
- Review the manager's responsible investment reporting.
- Meet with staff members who are focused on responsible investing to discuss current research and review any changes in the manager's approach since the last meeting.
- Review ESG-related characteristics of the investment portfolio.
- Request details of the integration of ESG factors in specific investment decisions.
- Discuss securities in the manager's portfolio that appear to have material ESG risks.
- Incorporate a discussion of ESG considerations in our internal manager review memos, including rating the manager's ESG capabilities.



“Among the factors that differentiate Beacon's commercial real estate portfolio is our focus on environmental impact and sustainability, particularly through our award-winning energy-efficiency programs. In choosing to invest with us, UTAM knows that we share a common perspective on the importance of managing assets responsibly.”

FRED SEIGEL

PRESIDENT AND COO, BEACON CAPITAL PARTNERS

Manager spotlight

Beacon Capital Partners' approach to responsible investing

BEACON

CAPITAL PARTNERS

DISTINCTIVE WORKPLACES

To illustrate the kinds of investment managers we work with and the value they add to our portfolios, we asked one of our real estate managers, Beacon Capital Partners, to contribute the following case study. It highlights Beacon's focus on environmental impact and sustainability as the firm invests responsibly in commercial real estate.

A KEY COMPONENT of Beacon's investment strategy is to make capital investments that not only transform the property's physical attributes to better attract today's office tenants, but also enhance the building's energy efficiency, sustainability, technology and security. All of Beacon's environmental and sustainability programs share a common commitment to encourage sustainable buildings and to reduce greenhouse gas emissions.

Beacon's efforts have resulted in the company being recognized for the seventh consecutive year with the EPA ENERGY STAR Partner of the Year Award for Sustained Excellence – Energy Management for commercial real estate owners. Beacon has achieved Leadership in Energy and Environmental Design (LEED) certification from the U.S. Green Building Council, with over 48 million square feet of office property certified to date in the United States, and it is committed to obtaining Gold or Platinum LEED Certification for all of its properties.

Prior to acquiring a new investment, Beacon completes a thorough due diligence analysis, including evaluation of a property's health, safety, comfort and operating practices, and savings opportunities in energy, water and solid waste management.

Beacon Capital Strategic Partners 8 (BCSP 8) Case Study

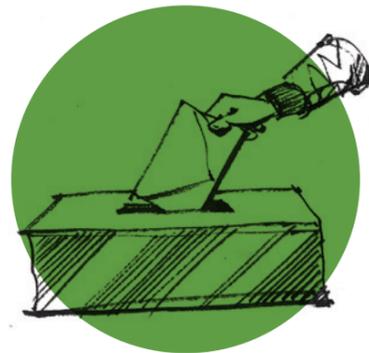
UTAM's client portfolios are investors in Beacon's most recent value-add office fund, Beacon Capital Strategic Partners 8. The fund is in the early stages of investing and has acquired four office properties to date, with Beacon's sustainability initiatives under way at each property. 160 West Santa Clara provides a good example of these efforts.

- **160 West Santa Clara** is a 229,000-square-foot, 15-storey office building located in the heart of San Jose, California. Beacon has started a range of initiatives and capital improvements to enhance the building to drive leasing activity and improve operations, a key component of which is sustainability.
- After acquiring the building in April 2018, Beacon instituted a green cleaning program and an advanced recycling program. Moreover, it is organizing programs to encourage tenants to reduce energy and water consumption, increase recycling and adopt more sustainable work practices.
- Beacon installed and colonized beehives on the rooftop. The hives contribute to the health of the local ecosystem, and Beacon shares harvested honey with building tenants.
- To conserve energy, Beacon is retrofitting the building's HVAC equipment and system controls. Beacon also performs real-time analysis on the building's electricity usage to better control HVAC start-up and shutdown times, and to identify opportunities for energy savings.
- An elevator modernization program is under way. It includes new regenerative drives that will reduce elevator electricity use by 20%.
- Beacon has established a water treatment program that involves new water softeners that will save energy and reduce water and chemical usage by 50%.
- The building is currently ENERGY STAR certified by the EPA, and Beacon is working on obtaining LEED certification.



Voting with an ESG lens

UTAM, as an active owner, brings a responsible investing view to the exercise of shareholder voting rights. The public equity securities in our Pension and Endowment portfolios typically extend the option to participate in proxy voting. In the past, we delegated this responsibility to our investment managers and reviewed their voting records and policies annually. Now, where possible, we direct the voting and require ESG factors to be taken into account.



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 interests of our client. We also expect our third-party investment managers to act in the best interests of their clients when they vote 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 Guidelines for proxy voting. These guidelines are consistent with the objectives of investors who take an integration approach to responsible investing. We apply these guidelines wherever possible.

The guidelines, updated annually by ISS and disclosed on our website, reflect the following considerations:

ISS recognizes the growing view among investment professionals that sustainability or environmental, social, and corporate governance (ESG) factors could present material risks to portfolio investments. Whereas investment managers have traditionally analyzed topics such as board accountability and executive compensation to mitigate risk, greater numbers are incorporating ESG performance into their investment-making decisions in order to have a more comprehensive understanding of the overall risk profile of the companies in which they invest to ensure sustainable long-term profitability for their beneficiaries.

ISS has developed proxy voting guidelines that are consistent with the objectives of sustainability-minded investors and fiduciaries. On matters of ESG import, ISS’ Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labor practices, non-discrimination, and the protection of human rights.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.



In the following section, we provide a summary of proxy voting statistics for public equity mandates where the ISS Sustainability Guidelines were applied in 2018.

Our proxy voting record

In 2018, we voted at over 350 meetings representing over 3,400 proposals and agenda items in 20 countries. Management put forth over 3,302 of the voting proposals. In 11% of cases, we voted against management.

Meetings voted by market



Proposals voted by category



In 2018, shareholder proposals were focused on governance matters. We voted on 102 shareholder proposals, in most cases supporting them; 28% of shareholder proposals were passed.

Examples of shareholder proposals supported

Voting Matter	Number of Shareholder Proposals	Our Position
Votes to encourage disclosure on environmental and social matters	17	We voted to support proposals for increased accountability and disclosure on environmental matters and increased board diversity.
Proxy access and other voting matters	19	We voted to support proposals that give shareholders a meaningful say in director nominations.
Independent board chair	8	We voted to support proposals that reinforce strong board leadership.
Votes to address compensation matters	14	We voted in favour of proposals that would improve compensation disclosure and alignment of interests between executives and shareholders.

Engaging with companies on ESG issues

UTAM also brings an ESG perspective to our engagement with public companies, whether in direct consultation with boards and management or – more typically, given the scale of our assets under management – through formal and informal collaborations with other institutional investors. Our overarching goal is to deepen accountability on ESG-related issues, which is increasingly vital to companies' effective operations, risk management and long-term performance.

ONE OF THE PILLARS of a best-in-class active ownership approach is engagement with the management and boards of equity and fixed income issuers on ESG considerations. The objectives of engagement include seeking a better understanding of a company's position on various issues and communicating our views with the goal of improving management of ESG risks and opportunities at portfolio companies. We believe that sound management of ESG risks and opportunities is essential for long-term outperformance.

Given our size and our practice of investing through third-party investment managers, we typically undertake engagement activities as part of formal and informal collaborative groups. We believe that the combined influence of like-minded investors with substantial combined holdings will typically lead to better outcomes than we could achieve on our own.

Since 2008, we have worked in collaboration with other institutional investors through our membership in the Canadian Coalition for Good Governance, which promotes sound governance practices to the boards and management of issuers in Canada.

Following our commitment in 2018 to the 30% Club Canada (see page 26), an initiative to promote the inclusion of women on the boards and at the executive management level of public companies, we will participate in engaging with companies on this topic.

Additionally, through our 2017 commitment to Climate Action 100+ (see page 27), an initiative to directly engage with some of the world's largest corporate greenhouse gas emitters, we are active participants in encouraging companies to recognize and address carbon risk in the management of their operations.

We augment these efforts – particularly with regard to issuers outside Canada – by adopting reo®, the responsible engagement “overlay” service provided by BMO Global Asset Management. This service identifies ESG risks and opportunities in select companies within its clients' equity portfolios, then initiates dialogue with the companies' leaders to help ensure these risks are effectively managed. Through constructive dialogue, reo® works to drive changes in policies and behaviours to optimize long-term investment performance.

The reo® service comprises:

- **PRIORITY ENGAGEMENTS** – in-depth, frequent interactions with companies that have significant ESG risks.
- **THEMATIC ENGAGEMENTS** – aimed at improving ESG practices in specific areas across groups of companies. Examples of recent themes include executive remuneration, US pharmaceutical pricing and the impacts of water, food and energy shortages.
- **REACTIVE ENGAGEMENTS** – responding to current controversies or breaches of the UN Global Compact on human rights, labour, environmental protection and anti-corruption.

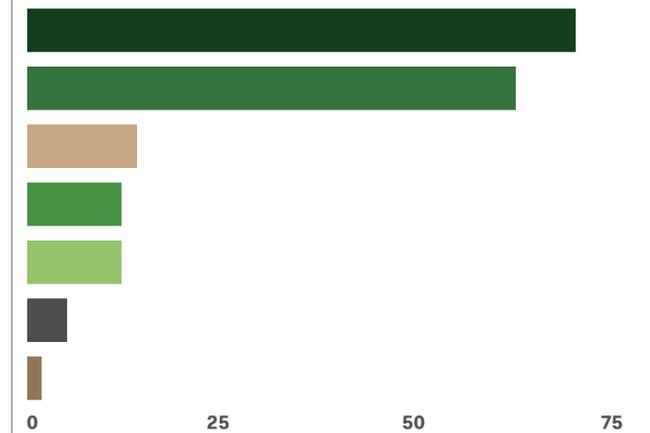
By adding reo® to UTAM's multi-pronged engagement approach, we leverage the influence of a larger asset base, extending the reach of responsible engagement to represent our ESG concerns to issuers globally.

Companies engaged via reo® on our behalf in 2018

The goal of the reo® engagement approach is to drive companies' behavioural change with regard to ESG-related issues and risks. Successful outcomes are noted as “milestones” – changes in corporate policies or behaviours following engagement. The following graphics summarize reo® engagement activities with companies in the Pension and Endowment portfolios during 2018.

506 Companies engaged
178 Milestones achieved
39 Countries covered

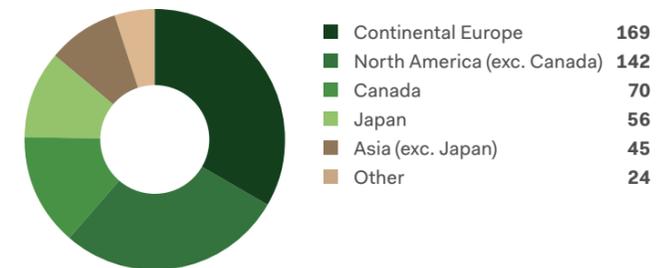
Milestones achieved by issue



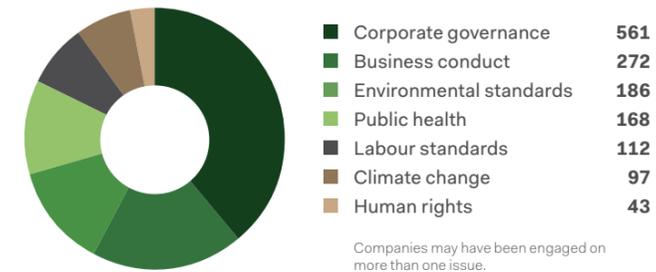
- Corporate governance
- Climate change
- Labour standards
- Environmental standards
- Business conduct
- Human rights
- Public health



Companies engaged by country



Companies engaged by issue



Companies may have been engaged on more than one issue.

A reo® Case Study

AES Corp

Sector: Utilities

Industry group: Utilities

Engagement focus: Environmental

Background

AES has power generation and distribution assets across 15 countries. Its US business is the largest source of revenue, representing one-quarter of total cash flow, with the majority of the remainder coming from South America. With 33% of its power generation provided by coal, and a further 37% by gas, AES is exposed to risks associated with the shift to lower-carbon energy. The company has, however, already announced that it will retire 30% of its coal fleet, and it states that future growth will be heavily weighted toward wind, solar and gas. In pursuance of this goal, AES has made two significant transactions: the purchase of sPower, a large US solar developer, and a joint venture with Siemens to create Fluence, an energy storage technology. AES is not a leader in disclosure in this area – but this is set to improve, as it has become the first US electric utility to announce its support for the Task Force on Climate-related Financial Disclosures (TCFD).

Action

[The reo® team] has supported collaborative investor initiatives for some years, but they stepped up their engagement in 2018. They used the opportunity of the AGM to request a dialogue, and they had a detailed one-on-one teleconference with several members of the AES team, led by the company’s General Counsel. The company’s support for the TCFD was welcomed, and some recommendations on what investors would like to see in their report were given. Specifically, AES was called upon to use a credible two-degree scenario, such as one from the International Energy Agency; and to consider physical as well as transition risks, given AES’ wide geographic exposure. In terms of the company’s strategy, plans to expand renewable energy were discussed. Whereas fellow US energy firm Duke Energy has expressed views about limits on renewable energy growth, AES is more bullish, particularly given its position in energy storage, which it believes will be key in addressing issues of intermittency. Finally, the discussion touched on the pace of coal withdrawal. AES said coal withdrawal will slow somewhat in 2020–2030 following the shutdowns recently announced. Its plans have been unaffected by the current US administration’s pro-coal positioning.

Verdict

The tone of the teleconference with AES was frank and open, with the company giving anecdotes and insights into some of the practical challenges it is facing in planning how it will report against TCFD recommendations, such as the resources involved in undertaking detailed mapping of future physical climate risks in its South American operations. Management appeared to be genuinely open to thoughts and input in this area, which included pointing them to the recent Duke Energy report, which they were unaware of, and giving feedback on that report’s strengths and weaknesses. Further feedback was offered as AES develops its strategy and reporting. Following the call, the company is seen as one of the more progressive energy firms in the US, with the investments in solar and energy storage looking like strategically significant moves. However, there is a caveat – the pace of AES’ coal shutdowns is slowing, meaning that it remains exposed to the risk that future changes in US state or federal policy could adversely affect this part of its business.

Milestone

The company published the AES Climate Scenarios Report. This report positions AES as one of the global market leaders in the electric utility sector in terms of climate reporting. The scenarios used are based on credible third-party work (IEA and IPPC), and the company is clear in highlighting limitations of the analysis. It also set a new emissions reduction target of cutting 70% from 2016 levels by the year 2030. Previously, the reduction target was 50%.

A reo® Case Study

Mondelez International Inc.

Sector: Consumer Staples

Industry group: Food, Beverage & Tobacco

Engagement focus: Environmental

Background

Mondelez is one of the largest food and beverage producers, and it has a number of iconic “Billion-Dollar Brands” within its product portfolio, such as Oreo, Cadbury, Cadbury Dairy Milk, Milka, Trident and Tang, as well as many other household names. The company’s dominant categories include biscuits, chocolate, gum, candy and powdered beverages. As of 2017, the company holds the No. 1 position worldwide in the biscuits and candy categories, and the No. 2 position in chocolate and gum. Over 35% of revenue came from emerging markets in 2017, with the rest coming from North America and Europe. There is reputational risk related to waste and packaging for companies of this scale, and therefore also an opportunity for those that address the issues.

Although engagements were undertaken to address environmental, social and governance issues, this case study focuses on environmental matters.

Action

Around the globe, there are increasing concerns that the pollution linked with plastic-related waste is having a significant impact on the environment and ecosystems. There is evidence that it is causing harm to human health. [The reo® team] wrote to the Chief Executive to highlight their concerns on this issue and encouraged the company to implement the following measures: 1) a strategy and targets to reduce dependency on single-use plastics; 2) increase the proportion of recycled materials in packaging; 3) improve the ability to recycle materials used in packaging and; 4) transparent disclosure of performance. Besides reducing the risk of environmental and social externalities, businesses can benefit from cost-saving opportunities and enhance their brand by implementing a robust approach to plastic-related waste.

Dialogue took place subsequently with the Director of Global Sustainability on the topic of plastic packaging. The company has already set targets relating to a reduction in packaging and waste in general, and now it is also focusing on plastic.

Milestone

Mondelez committed to making all packaging recyclable by 2025. As part of this, the company committed to sustainably sourcing all paper-based packaging by 2020, eliminating 65,000 tonnes of packaging material worldwide by 2020, and providing recycling information in markets around the world by 2025. For the company, these targets are part of a wider corporate strategy towards a circular economy for packaging, and a vision for zero net waste with regards to packaging. Design guidelines will be provided to packaging developers in order to identify materials to use and to avoid, with the circular economy at their core. Around 75% of Mondelez’s packaging is glass, paper or metal and much of it is already made from recycled sources – for example, 70% of its paper-based packaging is made with recycled content. We welcome these initiatives and will continue to monitor their progress on implementing these important changes.

Collaborative action and advocacy

We believe that our impact is magnified when we join forces with like-minded investors. UTAM therefore collaborates with other responsible investors on joint initiatives and advocacy efforts across Canada and around the world. In 2018, we strengthened our existing collaborations in this area and joined three new initiatives.

New organizations that we joined in 2018

Intentional Endowments Network

In June 2018, UTAM, on behalf of the University of Toronto, became a member of the Intentional Endowments Network (IEN). The IEN is a membership organization of like-minded institutions of higher education that collectively seek to advance consideration and implementation of their individual responsible investing initiatives.

The IEN supports organizations in aligning their endowment investment practices with their responsible investing goals without sacrificing financial returns. In doing so, this broad-based, collaborative network strives to make a significant and critical contribution to creating a healthy, just and sustainable society.

Standards Board for Alternative Investments

In November 2018, UTAM became a member of the investor chapter of the Standards Board for Alternative Investments (SBAI). The SBAI is a standard-setting body for the alternative investment industry and acts as custodian of the Standards. It provides a powerful mechanism for creating a framework of transparency, integrity and good governance, which improves how the industry operates, facilitates investor due diligence and complements public policy.

30% Club Canada

In December 2018, UTAM's President, Daren Smith, became a member of the 30% Club Canada, joining a group of like-minded leaders who believe that gender balance on boards and in senior management not only encourages better leadership and governance, but that it also contributes to better all-round board performance and ultimately increases corporate performance for both companies and their shareholders. As a member of the 30% Club Canada, Daren supports and will promote the objectives of this initiative. The 30% Club is an international initiative that originated in the UK and now has chapters around the globe. For more information about the Canadian chapter, visit 30percentclub.org/about/chapters/canada

UTAM has also joined the Canadian Investor Group of the 30% Club Canada, committing our support to the group's Statement of Intent. The Statement of Intent expresses our collective objective to achieve a minimum of 30% women on the boards and at the executive management level of S&P/TSX Composite Index listed companies by 2022. 30% is the level at which critical mass is achieved and contributions of a minority group cease being representative of that particular group and begin to be judged on their own merit.

For more information about the Investor Group and for a copy of the Statement of Intent, visit 30percentclub.org/initiatives/investor-group

Diversity, inclusion, respect and civility are among the University of Toronto's fundamental values, and as the investment manager and an affiliate of the university, UTAM shares these values. We have committed to participating in collaborative engagements with four Canadian companies and to supporting all other engagements of the Canadian Investor Group with companies held in the university's portfolios.

An update on Climate Action 100+

As mentioned in our 2017 report, UTAM, on behalf of the University of Toronto, became a founding participant in Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 "systemically important emitters," accounting for two-thirds of annual global industrial emissions, alongside more than 60 others. Officially launched on December 12, 2017 – the second anniversary of the Paris Agreement – this five-year initiative seeks to secure the following key commitments from the boards and management of the 100+ companies:

- Implement a strong governance framework that clearly articulates boards' oversight of, and accountability for, climate change risk.
- Take action to reduce greenhouse gas emissions across the value chain – consistent with the Paris Agreement objective of limiting global average temperature gains to less than two degrees Celsius above pre-industrial levels.
- Adopt enhanced disclosure practices – based on recommendations from international advisory bodies – that allow investors to assess companies' business plans against a range of climate scenarios.

UTAM has joined with other investors in engagement activities with four of the companies. In 2018, we participated as a collaborative investor, writing letters and having calls with company management.

We have seen great initial progress over the course of the year and into early 2019, with a number of focus companies making both public and private commitments that align with the objectives of this initiative. For example, in December 2018, Shell announced a commitment to reduce its carbon footprint in a joint public statement with Climate Action 100+ investors.

More information on the initiative and its publicly announced progress can be found at climateaction100.org

Other 2018 responsible investing activities

We have undertaken a number of additional activities that reflect our commitment to responsible investing and to becoming carbon-neutral in our corporate operations, a few of which are highlighted below.

UTAM, on behalf of the University of Toronto, signed the "2018 Global Investor Statement to Governments on Climate Change" along with 318 other investors – representing more than US\$28 trillion in assets – in reiterating the need for governments to implement the actions set out by the Paris Agreement "with the utmost urgency." The statement calls upon G7 and G20 governments to do three things:

- Update and strengthen national commitments to the emissions reduction goal of the Paris Agreement, completing the process no later than 2020.
- Accelerate, through specific policy and legislative changes, private sector investment in companies that are driving the low-carbon transition.
- Commit to improve climate-related financial reporting by supporting globally recognized standards and recommendations.

UTAM hosted a workshop, "ESG Integration in Fixed Income," which was a Responsible Investing Week event. Representatives of various credit rating agencies exchanged ideas and views with portfolio managers, responsible investing practitioners and other interested parties.

UTAM as a corporation is now substantially carbon neutral. Following our purchase of carbon offsets in 2017 to mitigate the impact of staff air travel, we extended the program in 2018 and bought additional offsets to mitigate the carbon footprint of our electricity and gas consumption, as well as our use of paper. Including our travel offsets, we purchased greenhouse gas offsets representing 168.74 tonnes of CO₂ equivalent.

Showing leadership in responsible investing

As UTAM's approach to responsible investing has evolved over time, we've moved from playing catch-up to taking on leadership roles in various responsible investment organizations. We now actively participate in discussions to identify and shape best practices.



AS PART OF OUR COMMITMENT to leadership, senior members of our management team are actively involved in organizations and groups that, we believe, make valuable contributions to advance responsible investing practices.

Our Chief Risk Officer, Doug Chau, is a member of the PRI's Asset Owner Advisory Committee, which provides advice, tools and support to asset owners implementing the PRI, as well as insights into the opportunities offered by incorporating ESG factors into investment decision-making. The Committee also undertakes engagement with industry stakeholders, including existing and potential PRI signatories, about responsible investment practices.

Our Chief Operating Officer, Lisa Becker, is a member of the Pension Investment Association of Canada's (PIAC) Investor Stewardship Committee, which aims to develop, monitor and promote robust standards and best practices for investor stewardship of pensions in Canada. Activities reviewed by the Committee include proxy voting, corporate engagement, governance, integrating ESG factors into the investment process, and advocacy around responsible investing with policy-makers and standard-setters. Additionally, Lisa joined the board of the Responsible Investment Association, chairs its Governance Policy Committee and participates in associated working groups. The RIA believes that the integration of ESG factors into the selection and management of investments can provide superior risk-adjusted returns and positive societal impact.

Our affiliations



30% Club Canada

30% Club Canada members commit to a Statement of Intent that expresses our collective objective to achieve a minimum of 30% women on the boards and at the executive management level of S&P/TSX Composite Index listed companies by 2022.

Although we only joined the 30% Club's Canadian Investor Group in December 2018, we have already identified companies with which we will engage, in collaboration with other Club members.

30percentclub.org/initiatives/investor-group
Member since 2018



CDP

The CDP, formerly the Carbon Disclosure Project, operates a nonprofit global system that enables companies and governments to measure and manage their environmental impacts. Nearly 7,000 companies representing over 50% of global market capitalization and more than 750 cities, states and regions disclosed environmental data in 2018 – an increase of more than 11% over 2017.

Once again, UTAM led engagement initiatives encouraging specific companies to respond to CDP's disclosure requests.

cdp.net
Signatory since 2016



Canadian Coalition for Good Governance

The Canadian Coalition for Good Governance (CCGG) represents the interests of institutional investors in promoting sound corporate governance practices among Canadian public companies.

In 2018, the CCGG published The Directors' E&S Guidebook, which provides practical insights and recommendations for effective board oversight and company disclosure of environmental and social ("E&S") factors. We support the CCGG's efforts to assist boards in developing a robust, principles-based approach to the governance and oversight of E&S factors and to bring a deeper dialogue between companies and investors in this area.

ccgg.ca
Member since 2008



Climate Action 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 "systemically important emitters," accounting for two-thirds of annual global industrial emissions, alongside more than 60 others.

We were a founding participant in the initiative and are working with other investors to engage with four companies on the list.

climateaction100.org
Signatory since 2017

Our affiliations cont'd



Institutional Limited Partners Association

The Institutional Limited Partners Association (ILPA) advances the interests of private equity investors globally through education programs, independent research, development of best practices, and opportunities for networking and collaboration.

UTAM has endorsed ILPA's Private Equity Principles, which stipulate that managers should provide investors with portfolio information on all material risks, including those related to ESG.

ilpa.org
Member since 2002



Montréal Carbon Pledge

By signing the Montréal Carbon Pledge, investors commit to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis. The Pledge was launched in September 2014 at PRI in Person in Montréal, and is supported by the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI).

In 2018, we published the carbon footprint of the Pension and Endowment public equity portfolios.

montrealpledge.org
Signatory since 2017



Intentional Endowments Network

The Intentional Endowments Network (IEN) is a membership organization of like-minded institutions of higher education that collectively seek to advance consideration and implementation of their individual responsible investing initiatives.

We support the work of the IEN and look forward to considering how we can best participate in and contribute to our shared objectives.

intentionalendowments.org
Member since 2018



Pension Investment Association of Canada

The Pension Investment Association of Canada (PIAC) promotes and evaluates sound pension and corporate governance standards and practices.

Our Chief Operating Officer is a member of PIAC's Investor Stewardship Committee, which aims to develop, monitor and promote robust standards and best practices for investor stewardship of pensions in Canada. Activities reviewed by the Committee include proxy voting, corporate engagement, governance and integrating ESG factors into investment processes.

piacweb.org
Member since 2004

Our affiliations cont'd



Principles for Responsible Investment

The Principles for Responsible Investment (PRI) supports a global network of signatories as they incorporate ESG factors into their investment decisions. The PRI acts in the long-term interests of financial markets, economies, society and the environment.

Our Chief Risk Officer is a member of the PRI's Asset Owner Advisory Committee, which provides advice, tools and support to asset owners implementing the PRI. The committee also undertakes engagement with industry stakeholders, including existing and potential PRI signatories, about responsible investment practices.

unpri.org
Signatory since 2016



Standards Board for Alternative Investments

The SBai is a standard-setting body for the alternative investment industry and acts as custodian of the Standards. It provides a powerful mechanism for creating a framework of transparency, integrity and good governance, which improves how the industry operates, facilitates investor due diligence and complements public policy.

We support the work of the SBai and look forward to considering how we can best contribute to this organization.

sbai.org
Member since 2018



Responsible Investment Association

The Responsible Investment Association (RIA) brings together Canadian mutual fund companies, financial institutions, asset managers, advisors, consultants, researchers and individual investors who believe that integrating ESG factors into investment management can yield superior risk-adjusted returns and positive societal impact.

In 2018, Lisa Becker, our Chief Operating Officer, joined the board of the RIA, and she chairs the Governance Policy Committee. We actively contribute to the RIA Toronto Working Group, regularly hosting its meetings.

riacanada.ca
Member since 2016

For more information

This annual report is part of a broader suite of print and web-based materials that reflect our commitment to clear, timely and transparent communications. Maintaining an open dialogue with the University of Toronto and the wider community of UTAM stakeholders is vital to our collective success. We encourage you to visit our website at utam.utoronto.ca to learn more about our responsible investing approach. If you have any questions for our team or comments you'd like to share, please contact us at feedback@utam.utoronto.ca.



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UTAM staff

UTAM is the investment manager of the University of Toronto's Pension, Endowment and short-term working capital assets. UTAM's Board delegates day-to-day investment management activities to UTAM's experienced and qualified staff. Our team of more than 20 professionals works closely with the Board, the expert Investment Committee, the university administration and various governance bodies in our management of the university's assets. UTAM draws upon the expertise and experience of its dedicated staff, who are all committed to excellence in investments, risk management and operations.



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President and Chief Investment Officer

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