

Presentation on Divestment and the Pension plan(s) for UTFA Pension Committee, March 11, 2021

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- <https://divestmentandbeyonduoft.ca>



- *Divestment and Beyond* is a group of faculty, staff and students at U of T, formed in response to President Gertler's failure to respond to the report of the *Advisory Committee on Divestment* in 2015:

Report of the President's
Advisory Committee on Divestment from Fossil Fuels

Bryan Karney, Peter Burns, Graham Coulter, Andrew Green,
Matt Hoffmann, Arthur Hosios, Mohan Matthen, Carl Mitchell,
Rita O'Brien, Barbara Sherwood Lollar
University of Toronto

December 15, 2015

5. The Committee recommends that the University of Toronto instruct its investment managers to divest immediately the University's direct holdings in any fossil fuels companies identified in the evaluation of recommendation #4, determining in consultation with the Investment Advisory Committee and others, a well-defined and responsible timeline for achieving this urgent goal.

<https://divestmentandbeyonduoft.ca/take-action/>

- Among other things, *Divestment and Beyond* has organized a [petition](#) calling for the declaration of a climate emergency at U of T and has called for the pension and endowment funds to be fully decarbonized. We meet regularly to discuss and organize on behalf of a socially just climate transition at the University of Toronto.
- In 2020, we organized a series of actions in response to the administration's leading role in the "Investing to Address Climate Change Charter"



U of T Signs Landmark Charter on Investing to Address Climate Change

June 23, 2020

UTAM commends the University of Toronto for spearheading and signing the “Investing to Address Climate Change” charter, which calls on Canadian universities to incorporate ESG factors into their...

This is how the charter begins:

**Investing to Address Climate Change:
A Charter for Canadian Universities**

June 2020

Climate change is now recognized as one of the defining challenges facing humanity. It is already leading to profound social, economic and environmental changes in Canada and around the world. Universities have a responsibility to act constructively to address this challenge.

And this is its big announcement:

“The signatories to this charter pledge to . . . regularly measure the carbon intensity of our investment portfolios and set meaningful targets for their reduction over time.”

Investing to Address Climate Change (2020)

We asked: What, exactly, is “Carbon Intensity”?

UTAM puts it this way:

“...we believe the best measure of a portfolio’s carbon footprint is its carbon intensity as measured by tonnes of CO2 equivalent (tCO2 e) *per million dollars invested.*”

(UTAM)

- Measuring a portfolio's carbon footprint by measuring its carbon ***intensity*** means, among other things, that as long as the total size of the portfolio is increasing, then its intensity can decline, even if overall emissions associated with the portfolio stay the same or increase.
- Our portfolio grows consistently, as the following table shows:

UTAM Portfolio Growth, 2010-2019

PORTFOLIO MARKET VALUES FOR THE LAST 10 YEARS AT DECEMBER 31 IN BILLIONS: 2010 TO 2019

Portfolio	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Pension	\$5.6	\$4.9	\$5.0	\$4.4	\$4.1	\$3.8	\$3.2	\$2.8	\$2.5	\$2.3
Endowment (LTCAP)	\$3.2	\$2.9	\$2.9	\$2.6	\$2.4	\$2.3	\$2.1	\$1.9	\$1.8	\$1.8
EFIP	\$2.5	\$2.2	\$2.0	\$1.8	\$1.5	\$1.4	\$1.2	\$1.2	\$1.0	\$0.9
Total	\$11.4	\$10.0	\$9.9	\$8.8	\$8.1	\$7.4	\$6.6	\$5.8	\$5.3	\$5.0

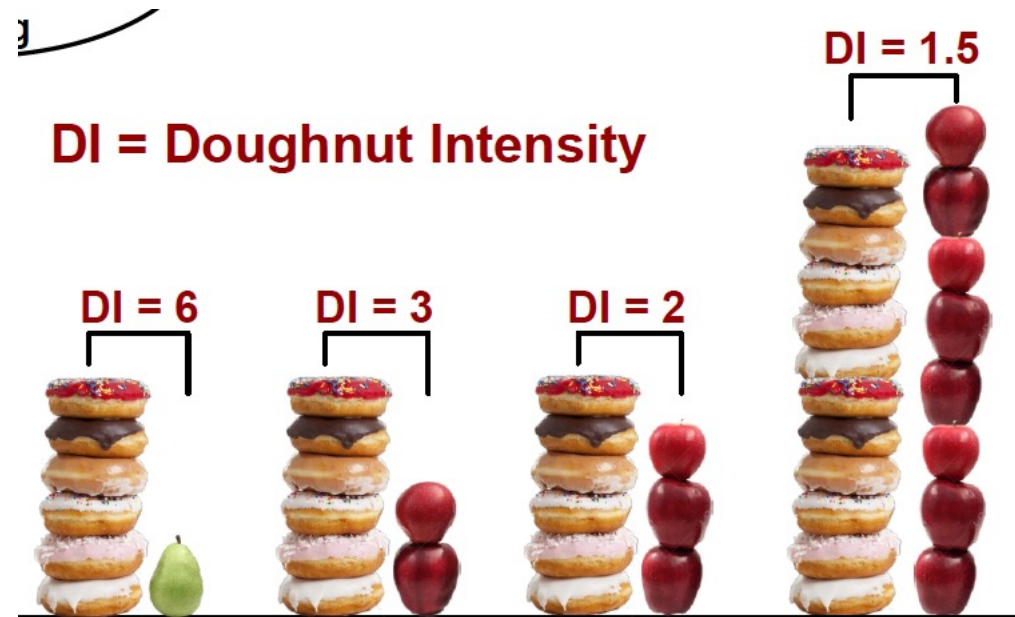
(*) Totals may not add due to rounding.

- Here's another way to understand why measuring *intensity* is a scam.
- If I am eating too many donuts, and my dentist asks me to cut back, I can tell her that I will reduce the intensity of my donut consumption. Intensity is a relative measurement. In the case of U of T's investments, carbon emissions are measured relative to the overall value of the portfolio ((tCO₂ e) *per million dollars invested*).
- In the case of my donut consumption, I could measure the intensity of donuts to apples:

The Magic Trick of Carbon Intensity

or How to Sell Hot Air as a CO₂ Reduction Plan

Doughnut Intensity = Doughnuts per apple consumed



eating more doughnuts still produces a 75% decrease in Doughnut Intensity

- If we run the actual numbers provided by UTAM, we will see that measuring *absolute* CO2 emissions gives a much lower figure than if we use the *intensity* metric. That's why UTAM prefers the intensity metric.

“Carbon Intensity” Vs. Absolute Carbon Reduction

- **UTAM claims a 21.5% reduction in intensity** from 2017-2019.
- Intensity in 2019 was 109.3 tons/million dollars
- In 2017 the intensity was 139.2 tons/million dollars
- BUT what happens if we factor in the total size of the portfolio in 2017 compared to 2019:
- Tons of Co2 in 2017 was 139.2×9900 (\$millions in portfolio) = **1,378,000 tons**
- Tons of CO2 in 2019 was 109.3×11400 (\$millions in portfolio) = **1,246,020 tons**
- Reduction in **absolute** emissions 2017-2019 is therefore $1,246,020/1,378,000 = .904$ **or just under 10% reduction.**

- After we pointed out the deception involved in using the intensity metric, President Gertler agreed and publicly acknowledged that “absolute CO2 emissions could go up even as the intensity decreased.” He also instructed UTAM to report absolute emissions as well as intensity going forward. However, if you look for that absolute emissions number in UTAM’s published reports, you will have a hard time locating it, because it is surrounded by pages and pages of graphics and text celebrating the use of the intensity metric:

Formula for calculating the carbon footprint

The carbon footprint has been calculated by determining the Pension portfolio's share of GHG emissions (Scopes 1 and 2) for equity and equity-like Included Investments (as defined below) and dividing it by the total market value of the Included Investments. The portfolio's share of GHG emissions has been calculated using the ownership method, which takes the market value of the portfolio's investment in a company and divides it by the total market capitalization of the company.

Carbon emissions (tonnes CO₂e) per CAD \$million invested

$$\left(\frac{\sum_{i=1}^n \frac{\$ \text{ investment}_i}{\text{Total market cap of issuer}_i} \times \text{Scope 1 and Scope 2 carbon emissions in tonnes}_i}{\text{Market value of Included Investments in millions}} \right)$$



Targeting a 40% carbon footprint reduction

In order to take decisive action on climate change, we are pleased to announce that we are committing to reduce the carbon intensity of the Pension and Endowment investment portfolios by 40% compared to 2017 by the end of 2030. This is an ambitious target and exceeds the national reduction target of 30% set by the Government of Canada.

For the reduction target, we will include equity and equity-like⁵ investments and define carbon intensity as greenhouse gas (GHG) emissions (tonnes of carbon dioxide equivalent (tCO₂e)) per million dollars invested. Consistent with the Task Force on Climate-related Financial Disclosures (TCFD), we refer to this measure as a portfolio's carbon footprint.

In order to achieve our carbon reduction goal, UTAM expects to deploy a variety of tools, including

May 2020, UTAM Responsible Investing Report (Page 8)

we regularly report on the progress of advocacy efforts.

CLIMATE CHANGE

Climate change is one of the most significant issues facing society and the global economy, and will significantly impact the value of many investments. Therefore, we have committed to take decisive action on climate change by undertaking the following activities:

Commitment to Reduce Carbon Intensity by 40%

In consultation with our client, we have set a carbon intensity reduction target for the equity and equity-like⁵ asset classes within the Pension and Endowment investment portfolios. By the end of 2030, we will strive to reduce the carbon intensity of these portfolios by at least 40%, compared to 2017 levels. We define carbon intensity as greenhouse gas (GHG) emissions (tonnes of carbon dioxide equivalent (CO₂e)) per million dollars invested.

And here is the **one** reference to absolute emissions (as opposed to intensity) in UTAM's latest responsible investing report. See if you can spot it...(extra prize for anyone who can do the math and figure out the difference between the annual absolute emissions reduction and the intensity reduction for 2019-19)

We're pleased to announce the release of our fourth annual responsible investing report, titled *Guiding Principles*. The report includes a detailed account of how we weigh the potential impacts of environmental, social and governance (ESG) factors in our investment activities – including in our decision-making, active ownership, and reporting and disclosure – as we manage the University of Toronto's Pension, Endowment and short-term working capital assets.

The report discusses a number of important initiatives, activities and achievements during 2019–2020. Here are a few of the notable highlights:

- We remain committed to taking decisive action on climate change. We have made significant progress toward the ambitious goal we announced earlier this year: to reduce the carbon footprint of the Pension and Endowment portfolios (“the portfolios”) by at least 40% compared to 2017 levels by the end of 2030. As of December 31, 2019, the carbon footprint was 109.3 tonnes of CO₂ equivalent per million dollars invested, a reduction of 19.7% from 2018 and 21.5% from 2017. Importantly, the absolute emissions in the portfolios have also decreased by 12.9% since 2017.
- In early 2020, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). U of T was the first Canadian university to make this endorsement with respect to its Pension and Endowment funds. For the first time, we are providing disclosures in line with the TCFD recommendations. We have included them in this report.
- We received the results from the second and third assessments of our responsible investing activities by the Principles for Responsible Investment (PRI): in 2019, five A+ marks and one A, and in 2020, six A+ marks. We scored above median in all categories in both years.
- We continued to collaborate with like-minded institutional investors and take on advisory and leadership roles in organizations relevant to responsible investing. Our President and CIO, Daren Smith, was appointed to the board of the Canadian Coalition for Good Governance in 2019, and this year he became Vice-Chair of the organization's Environmental & Social Committee. In 2020, we joined the

Meanwhile...UTAM is very good at reporting all the different organizations and initiatives it has signed on to in an effort to *appear* concerned about the climate crisis. UTAM will sign on to any environmental or ESG initiative except one that encourages organizations *not to invest* in the very industries that are destroying our planet and perpetuating climate injustice and inequality...



UTAM Endorses CCGG's Stewardship Principles

SEPTEMBER 18, 2020

UTAM has publicly endorsed the Stewardship Principles of the Canadian Coalition for Good Governance (CCGG), along with more than 20 other institutional investors. The CCGG's Stewardship Principles...

[Read Full Post](#)

Benefits Canada Spotlights UTAM's Approach to Responsible Investing

SEPTEMBER 24, 2020

Benefits Canada, a magazine for pension, benefits and investment, recently interviewed Daren Smith, UTAM's President and Chief Investment Officer, for an article about his team's approach...

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UTAM Signs the RIA's Investor Statement on Diversity & Inclusion

OCTOBER 1, 2020

UTAM is pleased to be one of the 10 founding signatories of an investor statement on diversity and inclusion developed by the Responsible Investment Association (RIA). Signatories to the statement...

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UTAM Supports CDP's Science-Based Targets Campaign

OCTOBER 16, 2020

UTAM has joined fellow investor signatories of CDP in supporting the organization's Science-Based Targets Campaign, which aims to accelerate the corporate sector's adoption of science-based reduction targets for greenhouse gas (GHG) emissions. This...

CANADIAN INVESTOR STATEMENT ON DIVERSITY & INCLUSION

- Proud Signatory -



UTAM Named a Finalist for Canadian Investment Review's Sustainable Investing Award

OCTOBER 15, 2020

UTAM is honoured to be one of the three finalists for Canadian Investment Review's first Pension Leadership Awards in the category of Sustainable Investing. The awards celebrate pension plan sponsors...

[Read Full Post](#)

UTAM are also very good at reporting on the prizes and awards they have received from other inside-the-industry organizations:



ICGN MEMBER
Inspiring global governance standards
www.icgn.org

UTAM Shortlisted for ICGN Global Stewardship Award

AUGUST 6, 2020

UTAM is pleased to announce that we have been shortlisted for an International Corporate Governance Network (ICGN) 2020 Global Stewardship Award. The awards recognize individuals and organizations...

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UTAM Receives Excellent PRI Scores

AUGUST 7, 2020

We are pleased to report that UTAM has received high scores – our strongest yet – in the PRI's annual assessment of our responsible investing approach. We received A+ marks in all six categories that...

[Read Full Post](#)

UTAM's ESG Activities Included in Best Practices Compilation

June 23, 2020

We are very pleased to announce that the Institutional Limited Partners Association (ILPA) has included UTAM in its ESG Roadmap and Resources ("the Roadmap"). The Roadmap includes a compilation of...

How does UTAM invest your pension dollars?

- UTAM uses a “manager of managers” approach.
- The asset managers at UTAM farm out our pension and endowment dollars to around 40 or so separate asset management firms.
- Those firms then invest in baskets of stocks and shares.
- Among those firms are the following:

<https://www.utam.utoronto.ca/investments/investment-manager-relationships/>

ARROW
GLOBAL

ARBOURLANE

ARES



ARROWSTREET
CAPITAL



ARTISAN PARTNERS

ATALAYA
CAPITAL MANAGEMENT LP



BAYVIEW®
ASSET MANAGEMENT

BRIDGEWATER
Brookfield
CFM

INSIGHT. DATA. CLARITY.

CIFC Asset Management

CITADEL
CLEARLAKE

Sculptor
CAPITAL MANAGEMENT

SELECT EQUITY
springs
capital

STEPSTONE
inside private markets

TD
Triton
TRUSTBRIDGE
摯信資本
2σ TWO SIGMA

TYBOURNE
CAPITAL MANAGEMENT

VOLORIDGE
INVESTMENT MANAGEMENT

YORK CAPITAL
MANAGEMENT

And my favourite...



CONUNDRUM

Conundrum Capital Corporation

- Using all these third-party managers has a number of consequences:
- It can be harder for anyone, including (apparently) UTAM, to determine exactly which corporations we are investing in
- It is very hard for UTAM to know exactly how much of our pension and endowment funds are invested in nefarious or climate-damaging corporations
- It is very hard for UTAM to act as a “responsible” and “activist” shareholder (as they claim to do)
- More third-party managers means more investment fees and less transparency

-
- We tried to see which fossil fuel companies some of these asset managers are invested in
- We looked, for example, at the holdings reported (to the US government) by Arrowstreet Capital:



ARROWSTREET CAPITAL

	Ticker	Security	Current Market Value	versus Previous Filing	versus Previous Quarter	Data of Most	Shares Outstandi ng	Investor's Equity Portfolio	Reported their holding	2020 Q3 Market Value	Change vs. Previous Quarter	MV Δ
2	BP US	BP PLC-SPC	200.7M	138.0M	43.3M	#####	0.27	0.27	13F	157.4M	92.6M	64.8M
3	COP US	CONOCOPH	151.3M	87.5M	35.3M	#####	0.33	0.2	13F	116.0M	54.0M	62.0M
4	SLB US	SCHLUMBE	137.6M	82.0M	44.4M	#####	0.43	0.18	13F	93.2M	49.0M	44.2M
5	PBR US	PETROLEO I	123.3M	-17.4M	45.5M	#####	0.29	0.17	13F	77.8M	-24.3M	102.0M
6	APA US	APACHE CO	101.4M	-4.2M	40.8M	#####	1.7	0.14	13F	60.6M	-29.2M	89.8M
7	BKR US	BAKER HUG	96.9M	71.4M	37.7M	#####	0.66	0.13	13F	59.2M	41.4M	17.9M
8	MRO US	MARATHON	96.5M	430.1k	40.2M	#####	1.75	0.13	13F	56.3M	-27.6M	83.9M
9	OVV US	OVINTIV IN	93.5M	7.2M	41.7M	#####	2.46	0.13	13F	51.8M	-3.9M	55.6M
0	PBR/A US	PETROLEO I	92.4M	20.4M	33.8M	#####	0.3	0.12	13F	58.7M	6.9M	51.8M
1	DVN US	DEVON ENE	80.8M	-7.5M	33.1M	#####	1.33	0.11	13F	47.7M	-12.7M	60.4M
2	FTI US	TECHNIPFM	78.0M	18.2M	28.0M	#####	1.76	0.1	13F	50.0M	8.4M	41.6M
3	EOG US	EOG RESOU	67.3M	29.7M	21.9M	#####	0.22	0.09	13F	45.4M	9.9M	35.5M
4	HFC US	HOLLYFROF	65.2M	55.2M	15.7M	#####	1.57	0.09	13F	49.5M	38.4M	11.1M
5	TRGP US	TARGA RES	62.5M	-6.0M	31.7M	#####	0.97	0.08	13F	30.8M	-17.3M	48.1M
6	XEC US	CIMAREX EI	58.4M	-2.4M	23.3M	#####	1.42	0.08	13F	35.1M	-5.9M	40.9M
7	CLR US	CONTINENT	55.5M	1.7M	16.0M	#####	0.88	0.07	13F	39.5M	-15.2M	54.7M
8	EQT US	EQT CORP	54.1M	-9.8M	2.7M	#####	1.43	0.07	13F	51.4M	-4.4M	55.8M
9	COG US	CABOT OIL	52.9M	-12.4M	-732.6k	#####	0.78	0.07	13F	53.6M	-11.5M	65.1M
0	RDS/B US	ROYAL DUT	52.0M	-6.7M	17.8M	#####	0.08	0.07	13F	34.3M	-13.9M	48.2M
1	PAA US	PLAINS ALL	42.1M	13.7M	14.3M	#####	0.66	0.06	13F	27.9M	714.3k	27.2M
2	MUSA US	MURPHY U	35.3M	4.9M	1.1M	#####	0.94	0.05	13F	34.3M	8.3M	25.9M
3	SNP US	CHINA PETE	34.9M	6.9M	3.9M	#####	0.31	0.05	13F	31.0M	5.2M	25.8M

- And at RWC Asset Managers:



1	Ticker	Security	Current Market Value	Previous Filing	Previous Quarter	Data of Most	Total Shares Outstanding	Equity Portfolio	repo hold
2	PBR US	PETROLEO BRA	33.9M	-10.3M	12.5M	2020-09-30	0.08	0.55	ULT-)
3	BP/LN	BP PLC	29.9M	0	19.9M	2020-10-30	0.04	0.48	ULT-)
4	RDSB LN	ROYAL DUTCH	29.2M	0	27.4M	2020-11-17	0.04	0.47	ULT-)
5	TLW LN	TULLOW OIL PI	19.1M	2.9M	5.1M	2020-10-12	3.13	0.31	REG
6	600583 CH	OFFSHORE OIL	13.6M	0	-225.0k	2020-06-30	0.47	0.22	ULT-)
7	DCC LN	DCC PLC	11.1M	0	8.1M	2020-11-10	0.15	0.18	ULT-)
8	BRDT3 BZ	PETROBRAS DIS	9.3M	66.7k	1.8M	2020-09-30	0.18	0.15	ULT-)
9	RIL IN	RELIANCE INDU	8.0M	5.7M	-1.0M	2020-09-30	0	0.13	ULT-)
10	FP FP	TOTAL SE	7.3M	0	1.7M	2020-06-30	0.01	0.12	ULT-)
11	BKR US	BAKER HUGHES	4.3M	-48.7k	1.7M	2020-09-30	0.03	0.07	ULT-)
12	ENI IM	ENI SPA	4.3M	0	1.1M	2020-06-30	0.01	0.07	ULT-)
13	MOH GA	MOTOR OIL (HE	1.4M	0	266.7k	2020-06-30	0.09	0.02	ULT-)
14	SBO AV	SCHOELLER-BL	1.1M	0	267.2k	2020-06-30	0.19	0.02	ULT-)
15	VVO LN	VIVO ENERGY P	612.8k	299.2k	353.6k	2020-11-22	0.04	0.01	ULT-)
16	LEK LN	LEKOIL LTD - D	460.2k	-86.2k	-210.9k	2020-11-11	3.63	0.01	ULT-)
17	CVX US	CHEVRON COR	392.9k	392.9k	78.6k	2020-09-30	0	0.01	ULT-)
18	COP US	CONOCOPHILL	367.1k	367.1k	85.7k	2020-09-30	0	0.01	ULT-)
19	PGS NO	PGS ASA	264.6k	0	120.0k	2020-06-30	0.13	0	ULT-)
20	ENOG LN	ENERGEAN PLC	131.5k	0	22.1k	2020-06-30	0.01	0	ULT-)
21	GTE US	GRAN TIERRA E	101.1k	0	38.0k	2020-09-30	0.07	0	ULT-)

- These investors, and many others used by UTAM, invested **more** in fossil fuel companies in the last quarter of 2020 than in the previous quarter.
- How does this square with UTAM's and President Gertler's claims to be committed to addressing "the greatest challenge facing humanity today" (Gertler)?

- *Divestment and Beyond* would like President Gertler to:
- ***commit to a timeline for eliminating fossil fuel investments from the portfolio and achieving a net-zero carbon portfolio.***

- **And, we would like the new University Pension Plan to include a progressive SIPP (Statement of Investment Policies and Procedures):**

- **Proposed Climate Investment Framework for inclusion in the University Pension Plan (UPP) statement of investment policies and procedures (SIPP):**
- The University Pension Plan (UPP) formally commits to fully align the UPP investment strategy with the goals of the *Paris Agreement*.
- We recognize that a reasonable chance of achieving those goals requires global greenhouse gas emissions to reach zero by 2050. In order to ensure a rapid decarbonization and protect pension capital, the UPP will set a target for decarbonizing the UPP fund by 2030 at the latest.
- In support of this goal, UPP establishes:
 - An investment screen on new oil, gas and coal related finance and investment comparable to those already in place for tobacco and weapons.
 - A clear and measurable timeline for eliminating direct fossil fuel investments from the portfolio by 2025.
 - A timeline for seeking the long-term decarbonization of all other held assets, with the goal of achieving a net-zero carbon portfolio by 2040.
 - Clear climate-related engagement criteria for owned companies (i.e. forbidding participation in and funding of lobbying activities which contradict company policy and undermine ambitious climate policy, company reduction timelines for achieving zero-emissions, linking executive compensation to measurable emissions reduction goals)
- Full transparency in reporting direct and indirect investments in the fossil fuel industry...

- The University of Toronto may not be a big investor, but it has an enormous national and international reputation, and it should use that reputation to help further the fight against climate injustice and climate destruction.
- Please join Divestment and Beyond in asking President Gertler to announce divestment from the fossil fuel industry.
- <https://divestmentandbeyonduoft.ca>

The evidence that climate change is posing unprecedented risks to our livelihoods is overwhelming. Atmospheric concentrations of carbon dioxide (CO₂) have reached the highest levels in 800,000 years. Over the last three decades, the number of registered severe weather events has tripled. The cost of weather-related insurance losses has increased eightfold over the past decade, to an average of US\$60 billion; and average uninsured losses from weather events have increased sevenfold.

Still, these effects pale in significance compared to what might come. If the world continues on its current

Mark Carney and Janet Yellen, Co-Chairs, Working Group on Climate Change and Finance, October 2020.

- “[The effects of climate change] are often unequal, disproportionately impacting populations who have contributed the least to the problem. This fact reveals a deeper question of justice, whereby climate change interacts with existing social and economic inequalities and exacerbates longstanding trends within and between countries.”
- **(The 2020 report of The *Lancet* Countdown on health and climate change)**