



# Carleton University Responsible Investing Report

**November 2025**

**Carleton**  
University



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A group of five people (three men and two women) are sitting around a table in a modern office or meeting room. They are engaged in a discussion, with some looking at laptops. The room has large windows that look out onto a dense forest of trees with vibrant autumn foliage in shades of orange, yellow, and green. The interior features a white, curved architectural element and a glass railing with wooden posts. A red curved shape is visible in the bottom right corner of the page.

## **Carleton University Endowment and Operating Funds Responsible Investing Report – Year end 2024**

This report covers the Combined Funds' Responsible Investing (RI) approach and performance for the period January 1, 2024 – December 31, 2024. Within this report, the terms “the Funds”, “the Fund”, “the portfolio” or other similar terms refer to the Combined Funds, made up of the Endowment Fund and Non-Endowed Operating Funds.





*The backbone to this commitment is strong governance*

## Reaffirming our Commitment

Carleton University (“the University”) maintains an Endowment Fund (\$422M) and Non-Endowed Operating Funds (\$747M), referred to collectively as the Combined Funds (“the Combined Funds”), in order to meet, or to supplement, expenditure requirements. The income generated by the Endowment Fund supports student aid (such as scholarships and grants); the Non-Endowed Operating Funds support campus initiatives such as infrastructure refurbishment and transition, and a variety of other campus goals.

The objective of the Combined Funds is to provide a flow of income while maintaining the real value of the capital to ensure that the University is able to continue to fund the above-described activities. We believe that consideration of environmental, social and governance (“ESG”) factors can have a positive effect on long-term financial performance. Full descriptions of the Combined Funds’ approaches to Responsible Investing (“RI”) are available in the Endowment Fund Responsible Investing Policy and Non-Endowed Funds Responsible Investing Policy (“the Policies”).

**As part of Carleton’s commitment to RI, the University participates in leading investor collaborations and coalitions:**



The [PRI](#) is the world’s leading proponent of responsible investment and works to support investor signatories in incorporating ESG factors into their investment and ownership decisions.



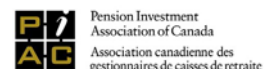
[UNIE](#) is a shareholder engagement program for university endowments and pension plans, leveraging their power as institutional investors to address climate change-related risks. Carleton is a founding member.



[ACPM](#) is the leading advocacy organization for retirement plan sponsors and administrators in Canada who manage plans for millions of plan members.



[CPBI](#) fosters professional development of Canadian pension and benefits industry via networking and educational content and bring people together to build relationships and exchange ideas in a safe, respectful and inclusive environment.



[PIAC](#) is a forum for pension plans to share information and knowledge. It is made up of over 130 of the largest pension plans in Canada.

# Governance of Responsible Investing

## Governance

The University's Board of Governors provides ultimate oversight of the Combined Funds' approach to Responsible Investing. As part of this responsibility, the Board of Governors approves the Funds' Responsible Investing Policies every three years or more frequently as required, based on the recommendation of the Finance Committee. The University Investment Committee is responsible for providing oversight and monitoring the implementation of the policies every quarter, including ensuring appropriate internal and external resources are available for successful execution. Fiduciary duty is at the forefront of the decision making to ensure the objectives of the Combined Funds are met.

## Management

The Pension Fund Management ("PFM") office is responsible for the day-to-day implementation of the Policies and provides quarterly reporting to the Investment Committee. The PFM team's responsibilities include developing and implementing frameworks for incorporating ESG factors, including risks and opportunities related to climate change. These factors are incorporated into external manager selection and monitoring processes. The Combined Funds' investments are managed by external investment managers, with 95% of the public equities in pooled funds. This limits the University's ability to influence the selection of individual investments and/or undertake direct stewardship with investees.

## Monitoring

The PFM Office monitors responsible investing through a structured approach that combines due diligence, monitoring, and proxy voting analysis. Annual ESG questionnaires require external managers to disclose ESG integration and stewardship practices, enabling thorough review and validation. Compliance is reinforced through quarterly reporting on engagement activities and ESG controversies, while proxy voting records are scrutinized to ensure alignment with Carleton's RI policies and values. This multi-layered process ensures transparency, accountability, and continuous improvement in external manager practices.





# Responsible Investing Approach

## ESG Expectations of External Managers

The Combined Funds' Responsible Investing Policies set out expectations for external managers, including requirements to incorporate ESG through:

**Integration:** All external managers publish details of their RI approach, including their responsible investing policies. They are required to integrate consideration of material ESG risks and opportunities into the investment decision-making process, alongside financial considerations. Ensuring that ESG factors are systematically embedded into investment analysis and decision-making helps identify material ESG risks and opportunities that could affect the long-term investment performance.

**Proxy Voting:** Undertake proxy voting on behalf of the Funds for listed equity holdings, taking ESG considerations into account. Proxy voting serves as a direct mechanism to influence corporate behavior in alignment with the values and long-term interests of the Combined Funds, and is a key accountability tool that allows Carleton to influence governance and sustainability outcomes through formal shareholder rights.

**Engagement:** Engaging with portfolio companies where significant ESG concerns are identified reflects Carleton's commitment to active ownership by encouraging companies through our external managers to improve ESG practices. This engagement is essential for driving positive change in portfolio companies.

## External Manager Case Studies

### Economic Development – Case Study

Our Fixed Income manager met with an Indigenous organization regarding its potential role in a liquified natural gas project. While the organization's bond program had strong reporting, it did not meet International Capital Markets Association's (ICMA) labelled bond standards. The team discussed the economic and social benefits of energy infrastructure ownership for Indigenous communities, as well as related credit risks and mitigants. They advocated for clear funding streams, such as an ESG-labelled bond framework to expand access to capital.

### Climate Transition – Case Study

Our Global Equity manager actively engaged with Linde, a leading industrial gas company, to better understand its true environmental impact. Through in-depth research and direct dialogue, they uncovered that Linde's products and technologies enabled clients to avoid more carbon emissions than the company produced, over 90 million metric tons avoided, versus 38.8 million emitted. This engagement helped shift the focus from headline emissions figures to the broader positive impact Linde has on global decarbonization, demonstrating the value of investor involvement in driving sustainability outcomes.

## PFM Engagements

Through PFM's annual ESG questionnaire, PFM collects detailed disclosures on ESG integration, stewardship, proxy voting, trending issues (such as the use of AI), and alignment with university priorities. External managers are asked to report on company engagement activity and progress. Reporting of meetings with company executives and boards often occurs where the analysis prompted strategic dialogue or identified governance concerns. A structured escalation process reinforces accountability, including formal letters and collaborative resolutions.

The PFM questionnaire also ensures alignment with Carleton's RI priorities—such as climate change, Indigenous rights, and DEI—and supports quarterly reporting on ESG activities and controversies. This engagement model exemplifies best practices in active ownership and ensures managers uphold Carleton's values.



UNIE Engagement

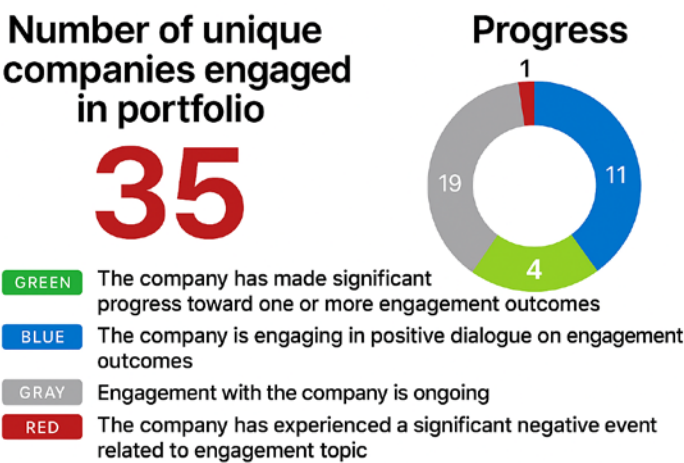
A final engagement approach is through our industry partner, [University Network for Investor Engagement \(“UNIE”\)](#). UNIE leverages the collective power of university endowments and pension plans to engage directly with publicly traded companies held in member portfolios. UNIE members like Carleton gain access to specialized engagement services, including direct dialogue with corporate leadership on climate-related risks and governance practices. This coordinated approach allows universities to set measurable goals, advocate for changes in corporate policy and strategy, and when necessary, file shareholder proposals to push for action.

Case Study: Decent Work in Branded Operations

A shareholder proposal was filed asking the board of a specific branded company to adopt and disclose a Non-interference Policy upholding the rights to freedom of association and collective bargaining in its operations, as reflected in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. The proposal went to a vote at the company’s June 2024 AGM and received 30.4% support from independent shareholders, indicating strong interest from institutional investors. Suggestions were also provided to the company regarding alignment of its human rights policies, but the company has been non-responsive. The proposal was re-filed with 13 co-filers in December 2024 ahead of the company’s 2025 AGM.

Case Study: Climate Change

In 2024, UNIE engaged on 35 issues, including 21 on climate change, which Carleton held a combined equity value of \$35.9 million. That engagement work focused on: Scope 3 Emissions, Net Zero Targets, Science-Based Targets (SBTi), Methane Reduction, Disclosure and Transparency, Just Transition, and Capital Allocation. UNIE was successful in moving several companies to approve SBTi targets and make Net Zero commitments. Some companies declined meetings or were unwilling to commit to targets. There was also regulatory uncertainty (Bill C-59) that led to the removal of ESG disclosures, which created barriers to transparency. Many companies are in the process of follow-up meetings with UNIE for 2025 to provide updates on their climate progress.



# Climate Change

## Approach to Climate Change

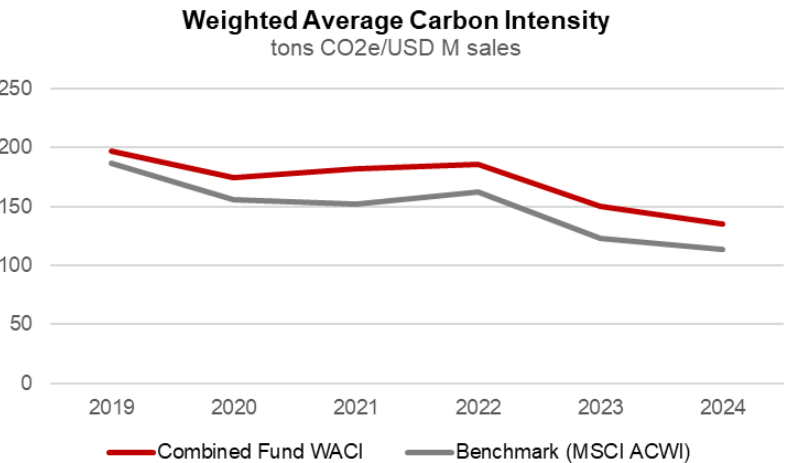
The University recognizes that climate change is one of the ESG factors with the most significant potential to impact the value of investments across all sectors through risks and opportunities associated with both the physical impacts of climate change and the transition to a low-carbon economy. The University believes that climate-related risks can be mitigated by adopting a portfolio decarbonization strategy. The Combined Funds are therefore committed to pursuing portfolio decarbonization by measuring and disclosing the portfolio carbon footprint and setting targets for reducing portfolio carbon emissions aligned with global climate goals.

The University seeks to align its reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Created by the Financial Stability Board, the goal of the TCFD is to improve and increase the reporting of climate metrics.

## Setting Targets for Climate Change

As part of the University's commitment to decarbonization, the Combined Funds have set a target for the portfolio carbon footprint to reach net zero by 2050 and an interim target to achieve a 50% reduction in WACI by 2030 using 2019 WACI as a baseline. 2019 was selected as the baseline year because it offers the greatest level of confidence in the underlying data and it pre-dates the pandemic when fossil fuel use was at full capacity.

As of the end of 2024, the Combined Funds had a WACI of 136. In comparison, the benchmark, the MSCI ACWI Index, had a WACI of 114. The Combined Funds WACI has declined 31% since 2019. The higher WACI relative to the benchmark is a function of the higher exposure to Canadian Equities which are more resource intensive than the global benchmark.



**Weighted Average Carbon Intensity (WACI):** expressed in tons of CO<sub>2</sub> equivalent per million dollars in revenue (tCO<sub>2</sub>e / \$M revenue). WACI is a portfolio carbon footprint metric that describes a portfolio's exposure to carbon-intensive assets.





# Looking Forward

## ESG Shareholder Proposal Trends - Canada

In 2025, ESG proposal volume among TSX 60 companies dropped by nearly 30%, reflecting investor fatigue and regulatory pauses. The Canadian Securities Administrators (CSA) halted progress on mandatory climate and diversity disclosures, contributing to uncertainty. Unlike the U.S., anti-ESG proposals remain rare in Canada, with most withdrawn after voluntary corporate actions. Despite the decline, shareholder activism remains strong, with fewer proposals withdrawn and new themes—such as responsible AI governance—gaining traction. Canada’s regulatory framework, governed by the Canada Business Corporations Act (CBCA), differs from the SEC’s Rule 14a-8, but recent CBCA amendments have influenced shareholder engagement strategies. Our external managers continue to evaluate proposals case-by-case, focusing on materiality, prescriptiveness, and alignment with long-term portfolio value.

## ESG Shareholder Proposals Trends - USA

The volume of ESG-focused shareholder proposals in the U.S. may decline in 2025 due to recent regulatory changes. In February 2025, the SEC issued Staff Legal Bulletin No. 14M, reinforcing the “economic relevance” exclusion under Rule 14a-8. This makes it easier for companies to omit proposals unless proponents can show a significant link to the company’s business. While this may reduce ESG proposals, its impact could be limited due to timing near proxy season. Meanwhile, “anti-ESG” proposals have surged, comprising nearly half of all proposals heading into the 2025 proxy season. Amid this uncertainty, external managers continue to evaluate proposals case-by-case, focusing on materiality, prescriptiveness, and alignment with long-term portfolio value.

## ESG Shareholder Proposal Trends - Europe

Key themes include regulatory shifts and delays, with the EU postponing full implementation of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D), pushing large enterprise reporting to 2028. Despite these delays, EU-listed companies are publishing their first CSRD reports in 2025, focusing on climate risks, double materiality, and stakeholder engagement. Companies are increasingly adopting AI-driven tools for real-time ESG reporting and expanding disclosures to include supply chain practices. Shareholder support for environmental and social proposals has tripled over the past three years, especially outside the UK. Additionally, ESG performance is being tied to executive compensation, reinforcing leadership accountability. Challenges include regulatory complexity due to ongoing revisions to CSRD and CS3D, which create uncertainty for companies preparing ESG disclosures. Early CSRD reports show variability in double materiality assessments and ESG data quality. Some industries also lag in integrating biodiversity and circular economy principles, highlighting sector-specific gaps.

Among the resolved issues, initial CSRD reports have been published by EU-listed companies, and ESG-linked executive compensation is becoming mainstream. However, unresolved issues remain, including the finalization of rules for CSRD and CS3D, and inconsistencies in assurance standards and ESG data comparability across sectors.

## Outcomes

The PFM team continues to integrate ESG considerations in alignment with fiduciary responsibilities and changes in global politics. The team utilizes ESG data providers, external managers, regulators, and artificial intelligence during due diligence and ongoing monitoring of portfolio companies within the Combined Funds. ESG factors remain a key input in the oversight of the Combined Funds and are used to identify material risks and evaluate investment opportunities.



# UN Principles for Responsible Investing (PRI) Scorecard

During the calendar year, PFM submitted a report on the Combined Funds responsible investing activities to the United Nations supported Principles for Responsible Investment (PRI). The report is compulsory and is

required of signatories. The results below assess the Combined Funds' responsible investing initiatives relative to 5,391 signatories representing over US\$121.3 trillion in assets.

## Summary Scorecard

Module score Star score	AUM coverage	0<=25%	>25<=40%	>40<=65%	>65<=90%	>90%
Policy Governance and Strategy ★★★★☆		87				
Indirect - Listed equity - Active ★★★★★	>=10 and <=50%	100				
Indirect - Fixed income - Active ★★★★★	>=10 and <=50%	100				
Indirect - Infrastructure ★★★★★	<10%	100				
Confidence building measures ★★★★★		100				

PRI Median

100

Module Score

Carleton University achieved one of Canada's top UN PRI Scorecards for allocators, reflecting the Investment Committee's effective collaboration with PFM and advisors to establish an integrated ESG framework for due diligence and monitoring.

Signatory of:



Principles for Responsible Investment

