



October 27, 2021

Letter to the Community: Divestment, Net Zero and a Climate Positive Campus

Dear Members of the University of Toronto community:

The Climate Crisis

The evidence of a climate crisis is now incontrovertible. The most recent report of the Intergovernmental Panel on Climate Change adds further urgency to the need for individuals, businesses, institutions and governments to act swiftly to respond to this global threat, using every tool available to them. World leaders will begin gathering in Glasgow at the end of this month for the COP26 meeting, where progress in the fight against climate change will be assessed and new strategies to avert a climate catastrophe will be considered.

As owners of financial assets such as endowments and pension funds, universities have both an economic imperative and a moral obligation to manage these assets in ways that encourage carbon emission-reducing behaviour in the wider economy. With the increasing financial risks associated with fossil fuel production – as well as those downstream economic activities that rely heavily on fossil fuels as their energy source – there is a strong motivation for universities to shift their financial capital away from carbon-intensive sectors and firms, and towards those businesses that are leveraging the shift to green energy and carbon-conserving technologies.

Investing to Combat Climate Change: UTAM's Track Record

Since the release of the University's 2016 White Paper *Beyond Divestment: Taking Decisive Action on Climate Change*, the University of Toronto Asset Management Corporation (UTAM) has managed our endowment and pension assets using an approach that applies an Environmental, Social and Governance (ESG) framework to, among other things, assess the climate-related risks of its long-term investment portfolios. This approach has aimed to reduce climate-related risk in our endowment and pension funds by shifting investments away from higher-risk holdings, and by employing active engagement – individually and through consortia of institutional investors – to exert pressure on firms to adopt more sustainable practices.¹

This strategy has worked. In early 2020, UTAM formally adopted a goal of reducing the carbon footprint² of the University's long-term investment portfolios by 40 percent by the end of 2030, relative to 2017 levels. In its most recent annual report, UTAM noted that it had succeeded in reducing the carbon footprint by 37 percent, well ahead of schedule. Moreover, it reported that absolute carbon emissions of the investments held in the long-term portfolios were 21.1 percent

¹ See UTAM's latest [Responsible Investing Report](#) for further details.

² Defined as tonnes of CO₂ equivalents per million dollars invested.

lower than 2017 levels. It achieved these reductions by integrating ESG considerations into its evaluation of investments in all sectors of the economy, not just the energy sector. This makes considerable sense as a decarbonization strategy, given that sectors such as transportation, construction and manufacturing account for a very large share of Canada's – and the world's – total carbon emissions. At the same time, the University's investments in fossil fuel companies have also declined steadily; they comprised approximately 1.62 percent of the value of our long-term investments at June 30, 2021.³

Having achieved such substantial and rapid progress towards our original goals, and in light of the increasing urgency of the climate crisis, this is an opportune moment to commit to even more ambitious carbon reduction goals for the University's long-term investments.

Divesting from Fossil Fuels and Committing to Net Zero Carbon Emissions

Accordingly, I am announcing three significant new measures today.

First, UTAM will divest from investments in fossil fuel companies in the endowment fund⁴⁵ beginning immediately. Within the next 12 months, it will divest from all direct investments in fossil fuel companies. For those investments made indirectly, typically through pooled and commingled vehicles managed by third-party fund managers, UTAM will divest from its investments in fossil fuel companies by no later than 2030, and sooner if possible.

Second, UTAM will commit to achieving net zero carbon emissions associated with the endowment portfolio by no later than 2050. Moreover, UTAM has recently joined the [UN-convened Net-Zero Asset Owner Alliance](#), *making the University of Toronto the first university in the world to join this group of institutional investors*. Membership in the Alliance compels signatories to achieve progressively demanding targets every five years en route to net zero, ensuring achievement of this ambitious objective in a transparent and accountable way.

Third, UTAM will allocate 10 percent of the endowment portfolio to sustainable and low-carbon investments by 2025. Based on the current size of the endowment, this represents an initial commitment of \$400 million to such investments.

Why are we announcing these new commitments now?

First, the growing severity of the climate crisis now demands bold actions that have both substantive and symbolic impact. When a large institution like the University of Toronto decides to take such steps, it is our belief that this will both accelerate the transition to a low-carbon economy and inspire other investors to do the same. We hope it will also encourage government actors at home and abroad to intensify their efforts to tackle the challenge of climate change.

³ Includes exposure to investments in fossil fuel companies in equity (including public equity, private equity, real estate and infrastructure) and corporate bond holdings of the University's endowment (see footnote 5 below).

⁴ On July 1, 2021, the University's pension assets became part of the combined holdings governed by the new University Pension Plan (UPP). From this date forward, decisions with respect to responsible investment of our pension assets are the responsibility of UPP's Board of Trustees.

⁵ 'Endowment' refers to all funds in the UTAM-managed \$4.0 billion Long-Term Capital Appreciation Pool, which includes the University's endowment (\$3.3 billion) and various other long-term investment funds.

Second, in the last few years I have heard from many members of the U of T community who have urged me to deploy every means available to address the existential crisis we now face. None have been more eloquent or impassioned than our students, who have the most at stake. I want to thank them – and other members of our community – for their activism and commitment to this important cause. I would also like to acknowledge the important work of the President’s Advisory Committee on Divestment from Fossil Fuels, whose [report](#) marked a key milestone in the journey towards today’s announcement.

Third, in the five years since UTAM adopted its responsible investing approach, the investment industry has evolved considerably. Demand from investors has encouraged the industry to offer a wider and more diverse range of low-carbon investment vehicles, including fossil fuel-free and lower carbon versions of a growing number of its traditional products. This shift has made it easier for investors like UTAM – which places much of its long-term investments with third-party managers through pooled and commingled investment vehicles that are invested alongside the assets of other investors – to divest from fossil fuels. I sincerely hope that today’s announcement provides further encouragement to the investment industry to accelerate its development of low-carbon offerings.

Fourth, although we are now committing to divest from investments in fossil fuel companies, this alone will not be sufficient to achieve our goal of decarbonizing our long-term investments. By committing to achieve net zero carbon emissions, we will ensure that UTAM’s attention continues to be focused on all sectors in which the endowment has long-term investments. UTAM’s ESG integration approach, including active ownership and engagement, has already proven its effectiveness in this regard. A commitment to achieve net zero is the logical extension of this approach.

A Climate Positive University

Decarbonizing our investments is one important tool among many in the fight to counter climate change. We will also contribute to this goal by changing the way we operate our campuses to reduce our greenhouse gas (GHG) emissions. In 2019, we set an ambitious goal in our [Low-Carbon Action Plan](#), to reduce our GHG emissions by 37 percent by 2030 relative to 1990 levels.

Today, we are taking this commitment to a new level by announcing our goal of achieving a [climate positive St. George campus by 2050](#) – reducing more GHG emissions than we emit, thereby creating a net benefit for our community and the planet. Moreover, we are unveiling a detailed, fully costed plan to guide us towards this objective.

To achieve this goal, we will transform our energy and utility infrastructure, and adopt leading-edge building design and retrofits to reduce our GHG emissions. We will also significantly expand our renewable energy generation, both on and off campus. Working towards this goal, we are building Canada’s largest urban geexchange system, currently under construction as part of the Landmark Project at King’s College Circle.

Local, National and Global Engagement

We will also continue the fight against climate change through our leadership in local, national and global engagement initiatives. In 2020, U of T co-founded with McGill University the national [Climate Charter for Canadian Universities](#), whose signatory universities from coast to

coast commit to reducing the carbon footprint of their investment portfolios in meaningful, measurable and accountable ways. We have also joined the [University Climate Change Coalition](#), a consortium of North American universities committed to concrete actions to tackle climate change. And as a founding member of the [U7+](#) global network of universities, we are spearheading major actions by member institutions to reduce GHG emissions on their campuses, and to encourage their students to acquire a deeper understanding of sustainability principles and practices.

These initiatives are inspired and guided by the work of our own [Committee on the Environment, Climate Change and Sustainability](#), which has pioneered many important initiatives in teaching, outreach and engagement with local partners, and provided the chance for students to learn by taking part in ‘living lab’ projects to enhance sustainability on our campuses.

Looking Ahead

Our University community hopes the discussions at COP26 in Glasgow, and at future global gatherings, will accelerate collective action against climate change. We also hope they will induce governments at home and abroad to adopt ever more impactful policies and programs to speed up the transition to a low-carbon future. The success of our local initiatives – in how we decarbonize our investments and our own operations – will depend on such complementary actions. I very much hope that the announcements we are making today will provide further momentum to this vitally important and urgent process.

Sincerely,



Meric S. Gertler
President