Laurier's Investment Decarbonization Claims: WLUFA Responds

Laurier says it has met its 40% carbon footprint reduction target for the Endowment Fund almost a decade ahead of schedule. We're skeptical.

By the WLUFA Climate Action Committee (Lead Author: Derek Hall), 22 April, 2024

In June 2021, Laurier's Board of Governors approved a carbon footprint reduction target for the university's Endowment Fund. This target was announced publicly in a 9 November 2021 news release as a commitment "to reduce the greenhouse gas emissions associated with the university's endowment fund by 40 per cent by 2030", and was then re-stated in Laurier's 2021-22 Responsible Investment Report (RIR) as "a 40% reduction in the carbon footprint (intensity) for equities held within the University Endowment Fund, to be achieved by the end of 2030 (based on levels as at December 31, 2019)." Laurier claimed in the 2021-22 RIR that this target had been achieved as of the end of 2021, and repeated the claim in the Sustainability Action Plan 2023-2028 (p.2). Indeed, figures in Appendix B of the 2022-23 Responsible Investment Report indicate not just that the Endowment fund equities' 'carbon intensity' as of December 31, 2022 was 62% below the end-2019 figure, but that as of December 31, 2020 it had already fallen by nearly 40%. Laurier, that is, seems to have met its carbon footprint reduction goal not just 10 years ahead of schedule but before the goal was approved and almost a year before it was publicly announced.

> The WLUFA Climate Action Committee was established by the WLUFA Executive Committee in 2020. Currently, the committee has eight members. Our aim is to help the WLUFA membership to participate effectively in shaping climate policies and action at Laurier.

The WLUFA Climate Action Committee welcomes Laurier's commitment to decarbonizing the endowment fund, and the university's claimed 'carbon intensity' reductions are certainly impressive. The CAC has also, however, raised questions about Laurier's approach to investment decarbonization, and in October 2022 we gave an invited presentation to the Board of Governors' Joint Finance, Investment Property and Pension Committees. While Laurier's 2022-23 RIR has more information about the university's commitments than the previous one, we still have many concerns and queries. We thus decided it was time to take the conversation public. We have three major critiques of the university's carbon footprint commitments and reporting.

- FIRST, the restriction of the 40% reduction target to equities held in the Endowment Fund means that the commitment's coverage extends to only around 5% of the overall value of the investments Laurier reports on in the Responsible Investment Reports (the Pension, Endowment, Lazaridis and Sinking funds). **The commitment**

should thus be expected to have little impact on the university's overall investment behaviour.

- SECOND, the university has **not clearly explained what the commitment means**, and it has released **very little information about the data and methodology** used to calculate the carbon footprint numbers. **We will not accept Laurier's claim to have met the 40% target until it provides enough clarity and disclosure to persuade a reasonable observer that it has done so.**
- THIRD, investment "carbon footprint" commitments of the type Laurier is pursuing have been subjected to sharp critiques on the grounds that they are potentially misleading, exclude crucial categories of greenhouse gas emissions, and may not contribute meaningfully to climate action. **We thus think that even if the university were to demonstrate that it has met the 40% target, the commitment's usefulness as a response to the climate crisis would still be debatable.**

This post is the first of a three-part series. Below, we briefly explain what investment carbon footprint reduction commitments are and how they differ from other kinds of climate finance commitments. Our second post will look in detail at the first two concerns listed above, offering a critique of the clarity and transparency of Laurier's communications and reporting. The final installment will address the third concern, taking us into wider questions about the actual impacts of investment carbon footprint reductions.

We have tried to make the posts accessible to people with no background in climate finance, keeping jargon to a minimum and explaining it clearly when its use is unavoidable. We ourselves are not climate finance experts, though we have worked hard to develop sufficient understanding to respond seriously to Laurier's commitments and claims. These posts draw on a longer WLUFA CAC report that more fully develops our arguments and provides more information on how other Canadian universities are approaching this issue.

In this series we respond mainly to information that Laurier has made publicly available about its climate investment commitments. The key documents, as far as we can tell, are the November 2021 press release, the 2021-22 and 2022-23 Responsible Investment Reports (RIRs), a briefing note on responsible investing that was presented to the June 2021 Board of Governors meeting (available in the agenda package archived here), and the Statement of Investment Policies and Procedures of Laurier's new Fossil Fuel Free Endowment Fund. We hope that we have not missed other relevant public materials. We have also received limited additional information from the university in response to our queries, but mostly do not draw on it here.

We appreciate that Laurier, like other Canadian universities, is new to carbon footprint accounting and is learning as it goes. We also acknowledge that Laurier is continuing to develop policy on investment and climate change, including through the Board's June 2023 approval of the creation of a new Climate Risk Management Working Group. We propose, however, that if it is too soon for Laurier to provide adequate public explanations and disclosure regarding its carbon footprint reduction efforts, it is too soon for it to claim that it has achieved its 40%

reduction target. Other Canadian universities have done a much better job of clarification, disclosure, and acknowledgment of methodological limitations regarding their investment decarbonization commitments than Laurier has, and we draw on their examples throughout this series.

We hope these posts will be useful for WLUFA members, Laurier's administration, and other members of the university community, re-opening a public debate over how Laurier should adjust its investment policies for a time of climate emergency. We see our posts as part of a conversation about these difficult questions, and welcome comments, critique, corrections and questions.

Investment carbon footprint reduction commitments: a quick introduction and comparison

Commitments to reduce the carbon footprint of an investment portfolio are different from other kinds of climate-related investment commitments. While there is substantial inconsistency in the way that "carbon footprint" and related terms are used in the literature and by Canadian universities, the commitments we discuss in these posts generally work as follows:

- The institution making the commitment identifies some set of its investments to which the commitment applies (for Laurier, equities in the Endowment Fund).
- The carbon emissions associated with those investments are calculated. For equities, the calculation might involve finding out the greenhouse gas emissions of each of the companies in which the institution holds shares, working out what percentage of each company the institution holds, multiplying the two numbers (emissions and % ownership) for each company, and summing the results. (For an example that shows its math, see the [Queen's University Responsible Investing Annual Report 2023](), p.16).
- That figure is used, perhaps together with other figures, to report the "carbon footprint" of the investments according to one or more specific metrics. Carbon footprint metrics are frequently conceptualized and reported in absolute terms as quantities of emitted greenhouse gases measured in tons of carbon dioxide equivalent (tCO2e). In climate finance reporting, however, they can also be reported in "normalized" or "intensity" terms, that is, as emissions divided by some other number. The most common normalized/intensity metric used by the Canadian universities we reviewed is tCO2e/$million invested. This kind of figure facilitates comparison of the carbon-intensity of investment portfolios by normalizing for portfolio size.
- A reduction target for the carbon footprint is set. These targets are usually percentage reductions measured against a baseline year — in Laurier's case, a 40% reduction from the carbon footprint (intensity) as of December 2019.

Carbon footprint reduction targets aren't the only approaches to investment climate action being pursued at Canadian universities. In a second approach, *divestment*, institutions commit to withdrawing all investment from fossil fuels companies (however defined). While carbon footprint commitments apply to all a portfolio's investments (for Laurier's Endowment Fund, all the equities it holds in any kind of company), divestment commitments apply only to a subset of high-emitting firms. Laurier's Board of Governors rejected the idea of divesting from fossil fuels in 2021. The university has, however, created a new Fossil-Fuel Free Fund (FFFF) to which donations to the university can be channeled. The 2022-23 RIR states that this fund launched in October 2022 and was valued at $5.1 million as of June 30, 2023. It is thus roughly 5% of the size of the Endowment fund. The 2022-23 RIR also contains a 3-page Appendix A from investment manager Jarislowsky Fraser, providing information on the composition and 'carbon intensity' of the three funds in which Laurier's FFFF is invested. We focus on Laurier's Endowment fund commitment rather than the new FFFF in these posts.

The third approach, *impact investing*, involves directing investment specifically to "green" or sustainability-oriented companies. Such investments aim not just at avoiding something negative (fossil fuels, greenhouse gas emissions) but at making positive contributions to climate action and sustainability. McGill University provides an example of a Canadian university taking this approach. While Laurier's Responsible Investment Reports discuss the FFFF under the heading of the goal of creating a "fossil free/impact investment endowment fund", as far as we can tell the funds in which the FFFF is invested do not have the specific goal of investing in sustainability-oriented companies.

It is important to note that investment-related climate commitments are distinct from an institution's own emissions reporting. This series does not address Laurier efforts to reduce greenhouse gas emissions in its own operations or in the products and services it consumes to do its work as a university.

In our next blog, we delve into Laurier's investment carbon footprint reduction commitments and reporting in more detail. Please tune in again on April 29!