



Laurier’s Investment Decarbonization Claims: WLUFAs Responds—Part 2 of 3

Laurier’s investment carbon footprint commitments and reporting have limited applicability, lack of clarity, and minimal transparency.

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

The first post in [this series](#) introduced the WLUFAs Climate Action Committee’s concerns about Laurier’s approach to investment decarbonization and offered a quick primer on climate finance commitments at universities in Canada and elsewhere. This post dives more deeply into our concerns. We examine the limited scope of the investments Laurier has targeted, confusion over the university’s choice of metric to measure progress, the level of disclosure around data and methodology used to track Laurier’s performance, and the explanation offered for Laurier’s purported achievement of its reduction commitment in such a short time.

Laurier’s investment carbon footprint reduction commitments apply to only 5% of the investments Laurier reports on in the Responsible Investment Reports.

We begin by noting that in addition to reporting on the ‘carbon intensity’ of equities in the Endowment fund, Laurier’s Responsible Investment Reports (RIRs) disclose the university’s ‘exposure to the Carbon Underground 200’s list of publicly traded securities, which identifies 200 of the largest coal, oil and gas publicly traded reserve holders globally’. Laurier has not set a reduction target for this exposure, but does monitor it. The university provides this information for four categories of investment: the Pension Plan, the Endowment Fund, the Lazaridis Fund and the Sinking Fund (2022-23 RIR, p.3). Laurier’s ‘carbon intensity’ reduction commitment, however, does not apply to all of these investments, but only to equities held in the Endowment Fund.

The implications are dramatic. As of 31 December 2022, Endowment Fund assets made up about 10.4% of the total value of the investments reported on in the RIRs (the Pension Plan accounted for 85.3%). [University policy states that](#) ‘total equity’ should make up 47% of the Endowment Fund’s investment allocation (the other asset classes targeted are bonds, mortgages, and real assets), and Appendix B of the 2022-23 RIR confirms that between 2019 and 2022 the actual share was close to this proportion. Putting these two restrictions together, Laurier’s decarbonization commitment covers roughly 5% of the investments listed in the Reports. While Laurier has always been clear about the category of investment to which the carbon footprint commitment applies, it has not been explicit about how much this limits the university’s decarbonization efforts.

This state of affairs raises the question of whether the university is meeting its commitments as a signatory of the [Climate Charter](#). One of those commitments is that signatories will “Regularly measure the carbon intensity of our investment portfolios, and set meaningful targets for their

reduction over time". Laurier has so far failed to do this for the great majority of the investments reported on in the RIRs.

Other universities have done more. [Waterloo's reduction commitments](#) apply to both its Endowment and Pension Funds; at UW as at Laurier, the pension fund is much larger than the endowment fund. UW also makes its commitments for more types of financial instruments within those funds. It began measuring the carbon footprint of its equities in 2021 and planned to start measuring fixed income and real assets in 2023.

Laurier's reluctance to make commitments regarding the Pension fund may, of course, be related to the university's intention to join the University Pension Plan and thus to give up its ability to select the managers for pension assets. University of Toronto, however, [made a commitment](#) to reduce the carbon footprint of its pension fund just before it joined the UPP. It is also not clear to us that joining the UPP would nullify Laurier's Climate Charter commitments for investments currently in the Pension Fund. In any case, the university should provide clarity on this issue.

[Laurier has not clearly stated its target metric.](#)

Laurier's commitment is to reduce the "carbon footprint (intensity)" of equities in the Endowment Fund. As we noted in the first post, investment carbon footprint reduction pledges are often defined not as reductions in the absolute GHG emissions associated with a portfolio but as reductions in the 'intensity' of those emissions relative to some other number (for instance, tons of carbon dioxide equivalent (tCO₂e)/\$million invested). Laurier's communications regarding the meaning of its 'intensity' commitment have been confusing, and it is still not clear what metric the university is targeting.

Our sense of the communications sequence is as follows. The [public report on the June 2021 Board of Governors meeting](#) noted that Laurier had approved "Pursuing divestment alternatives, including targeting a reduction in carbon footprint (intensity) for equities held within the Endowment Fund", but did not define "carbon footprint (intensity)". The [November 2021 news release](#) announcing Laurier's commitment stated that "In June 2021, Laurier's Board of Governors approved a strategy to reduce the greenhouse gas emissions associated with the university's endowment fund by 40 per cent by 2030." This statement implies an absolute reduction in emissions, not a reduced intensity. The commitment as stated in the [2021-22 RIR](#) returned to targeting a reduction in "carbon footprint (intensity)". However, the figure in that report that presents Laurier's claimed reductions in "carbon intensity" measures those reductions in terms of "GHG equivalent (tonnes CO₂e)" - an absolute measure, not a normalized/intensity one. The equivalent figure in the [2022-23 RIR](#) also uses this absolute measure, but then states that more details on carbon intensity are provided in Appendix B. That Appendix defines "carbon intensity" as "Tons CO₂ equivalent (scope 1 and 2) divided by \$ millions CAD invested". It also, however, presents a table titled "Carbon Intensity in Relation to Target." The 'carbon intensity' numbers in the table seem to match up with those in the chart in the main text of the RIR, but in the table 'carbon intensity' is measured in "tCO₂e/revenue" ("revenue" of what is not stated).

Laurier’s current Responsible Investment Report, that is, presents what should be a single ‘carbon intensity’ metric in three different and apparently incompatible ways. This confusion is deepened even further by the metrics used in the Jarislowsky Fraser information in the Report’s Appendix A about the funds in which Laurier’s Fossil Fuel Free Fund (FFFF) are invested. The carbon footprint metrics used in this Appendix are “Tonnes CO₂e/\$M Sales” and “Tonnes CO₂e/\$M Mkt Cap”. Laurier’s FFFF is distinct from the university’s Endowment fund carbon footprint commitments (as explained in our first post), and it is not necessarily a problem that Jarislowsky Fraser uses different metrics for it. It is still striking that Laurier’s 2022-23 Responsible Investment Report presents investment carbon footprint data using what appear to be **five different metrics**. This unexplained assortment makes Laurier’s reporting highly opaque and is hardly welcoming to newcomers to carbon footprint reporting.

Further, it was not until the 2022-23 Report that Laurier publicly stated what *kinds* of GHG emissions it is targeting. Almost all GHG emissions reporting uses the distinction between Scope 1, Scope 2, and Scope 3 emissions developed by the [GHG Protocol](#). Scope 1 emissions are those from sources owned/controlled by the reporting company, Scope 2 are those from electricity, steam, heating or cooling that the reporting company purchases from others, and Scope 3 are those from upstream or downstream in the reporting company’s value chain. One way to think of Scope 3 emissions is that they are a *consequence* of the reporting company’s decisions but are not produced under its *control*; they include the emissions from upstream production of paper that a company buys for its own use and the downstream emissions produced by goods a company sells (like oil) and services it provides (like financing). From a Laurier perspective, emissions from fuel burned in vehicles in the Laurier fleet would be Scope 1, electricity used to keep our computer systems running would be Scope 2, and emissions from fuel burned by a taxi transporting a faculty member on a conference or research trip would be Scope 3.

GHG emissions reporting almost always includes Scope 1 and 2 emissions. Scope 3 reporting is less common in part because quality data on the Scope 3 emissions in a company or institution’s value chain is hard to acquire. The lack of consistent and comparable Scope 3 emissions data means that much investment carbon footprint reporting includes Scope 1 and 2 but excludes Scope 3 emissions. We have not found any unambiguous examples of Canadian universities whose investment carbon footprint reduction commitments include Scope 3 emissions, and we have found many examples that are explicitly limited to Scope 1 and 2. We return to the significant implications of excluding Scope 3 emissions in our third post.

[Laurier’s level of data and methodology disclosure is very low.](#)

Laurier is confident enough in its investment carbon footprint accounting to claim that it has already met its 40% carbon footprint reduction target. It has, however, provided very little disclosure regarding the data or calculation methodology on which this claim is based. The things Laurier has failed to disclose include:

a.) The list of companies Laurier has investments in and the size of those investments. Investment carbon footprint calculations are based on the emissions of the companies in which an institution invests. Some Canadian universities, including [Dalhousie](#), [Ottawa](#), [Queen’s](#), and [UBC](#), have disclosed the names of the companies they invest in, and in some cases disclose

other information about the investments; Queen's, for instance, gives company names, number of shares/investment units, and market value. Laurier does not disclose this information or explain why it doesn't.

b.) Where and how the data on 'carbon footprint (intensity)' for equities in the Endowment Fund was generated. The version of Appendix B of the 2022-23 Responsible Investment Report that was approved by Laurier's Board of Governors in November 2023 (available to Laurier employees through Sharepoint) states that the carbon data used in Laurier's carbon intensity calculations was obtained from Morningstar Sustainalytics. This information does not, however, appear in the publicly posted version of Appendix B. Even knowing where the data comes from, too, does not tell us who generated it or how. In the absence of that information it is not clear why the corporate emissions data should be taken to be credible.

c.) Whether some companies in which Laurier has investments used "carbon offsets" to reduce their reported emissions. Carbon offsetting involves institutions purchasing or otherwise acquiring "carbon credits" generated by the putative GHG emissions reduction activities of other entities and claiming those reductions as their own for accounting purposes. Such offsets are commonly used, but carbon offsetting in general, as well as specific programs and approaches, [have been widely subjected to critique](#), leading some observers to conclude that many offsets are [likely worthless](#). We need to know to what extent Laurier's claimed investment carbon footprint reductions are the result of offsets and how trustworthy those offsets are.

d.) How much of the corporate emissions data was available and how much had to be estimated. It is very likely that some part of the carbon footprint of the Endowment Fund's equities was calculated not on the basis of actual corporate emissions reports from individual companies but instead by relying on estimates by third parties. This appears to be standard practice in carbon accounting (where gaps in the data are common), and data availability and estimation are acknowledged in investment carbon footprint reporting from other Canadian universities, like University of Toronto [\(2018, p.7\)](#) and McMaster [\(2020-21, pp. 30-31\)](#). Laurier is silent about this issue with respect to the Endowment Fund's carbon footprint, though the 2022-23 RIR's Appendix A on the FFFF does provide information on data availability.

e.) Who calculated Laurier's carbon footprint and how it was calculated. Laurier has not publicly stated whether its carbon footprint was calculated by Laurier itself or by a third party.

f.) How much the *actual* GHG emissions from the equities in Laurier's Endowment Fund are calculated to have fallen. As explained above, "intensity" metrics normalize carbon footprint data by dividing absolute GHG emissions by some other figure. Because Laurier only reports what are supposed to be "intensity" measure for its emissions (even if those measures are sometimes, and presumably erroneously, reported as absolute figures – see above), it is not clear how much of Laurier's reported carbon footprint reduction reflects a reduction in reported emissions and how much is a result of the increased market value of its investment holdings. We return to this issue in the final post in this series.

g.) What assurance there is that Laurier's reporting does not contain major errors. Given this very limited transparency about data and methodology, it is easy to imagine that Laurier's carbon footprint calculations could contain significant errors.

Laurier's explanation of the sharp drop in the Endowment Fund's carbon footprint is unconvincing.

The 2021-22 RIR explains the drop in the Endowment Fund equities' "carbon intensity" as follows:

The primary cause of the decrease over the 2 year period was that the Investment Oversight Committee made a decision in 2020 to replace an underperforming investment manager with a new investment manager. The previous manager was more invested in fossil fuels than the replacement manager.

This claim seems implausible. Given that Laurier has at least 10 investment managers and that the carbon footprint methodology presumably tracks the emissions of all firms Laurier invests in (not just fossil fuel firms), it is difficult to see how the replacement of a single manager with a stronger fossil fuel focus could be the primary cause of a more-than-50% drop in carbon intensity. This explanation also does not consider the possibility, introduced above and discussed further in our third post, that some of the 'intensity' drop may be the result of financial market movements. Laurier should consider possible sources of change in its carbon footprint more comprehensively and provide a more substantive and more data-driven narrative of those changes.

The third and final post in this series will step back from the specific clarity and reporting problems in Laurier's communications to consider the inherent problems with investment 'carbon footprint' commitments. Join us again on May 6!