Report of the Investment Committee of the Université Laval

– Fondation de l'Université Laval Master Trust

Fiscal year 2021–2022

La Fondation
Développement et relations
avec les diplômés

UNIVERSITÉ LAVAL

Table of contents

Background

On behalf of the Joint Investment Committee of the Université Laval – Fondation Université Laval Master Trust (hereinafter the “Master Trust”), I am pleased to present the report for the 2021–2022 fiscal year ended April 30, 2022, to the members of the boards of directors of Université Laval (hereinafter the “University”) and the Université Laval Foundation (hereinafter the “Foundation”).[1] This report is also available for the various funds and chairs whose funds are invested in the Master Trust.

The Joint Investment Committee (hereinafter the “Committee”) is responsible for managing the investments of the Master Trust. The Master Trust was formed in 1999 to pool the majority of the Foundation’s assets and the University’s endowment and subscription funds.

Again this year, a significant amount of work was accomplished. The Committee held 10 meetings during the fiscal year. In addition to its recurring duties, the Committee’s primary activities this year were as follows:

- Deployment of global equity investments in exchange for the liquidation of U.S. and international equity investments
- Production of a report on the matching of Master Trust assets and liabilities allowing the Committee and its members to be more comfortable with liquidity risk
- Finalization of the discussions initiated at the end of the previous fiscal year regarding the replacement of bank loans and selection of a new infrastructure manager
- Development of a list of questions, with a focus on the carbon footprint strategy, distributed to all investment managers for discussion at annual follow-up meetings
- Signing of the 2021 Global Investor Statement to Governments on the Climate Crisis

Due to the amount of work undertaken, the Committee was unable to follow up on all the items identified in last year’s work plan, some of which will therefore be carried over to the 2022–2023 work plan. The plan also includes other exciting initiatives and projects that will again keep the Committee busy.

The members of the Committee as of April 30, 2022, are listed in Appendix I of this report.

[1] The University and the Foundation are hereinafter referred to as the “participants.”

Medium- and long-term investments comprise all capitalized funds and a target of approximately 33% for non-capitalized funds and working capital. As at April 30, 2022, the actual and target allocation of medium- and long-term investments was:

Actual and target allocation of medium- and long-term investments

FIXED INCOME SECURITIES	ACTUAL	TARGET
CorePlus – BlackRock	12.2 %	12.5 %
Commercial mortgage debt – TDAM	10.1%	10.0%
Bank loans – BlackRock[1]	7.7%	0.0%
Total	**30.0%**	**22.5%**

EQUITY SECURITIES	ACTUAL	TARGET
Canadian equities – TDAM	12.7%	12.5%
Global equities – RBC GAM	17.4%	18.75%
Global equities – Vontobel	18.6%	18.75%
Total	**48.7%**	**50.0%**

SPECIFIC INVESTMENTS[2]	ACTUAL	TARGET
Canadian real estate investments – BentallGreenOak (BGO)	7.2%	6.0%
Global real estate investments – CBRE	5.3%	6.0%
Infrastructure investments – JP Morgan	8.0%	8.0%
Infrastructure investments – BlackRock	0.0%	7.5%
Short-term bonds – Fiera Capital	0.8%	0.0%
Total	**21.3%**	**27.5%**

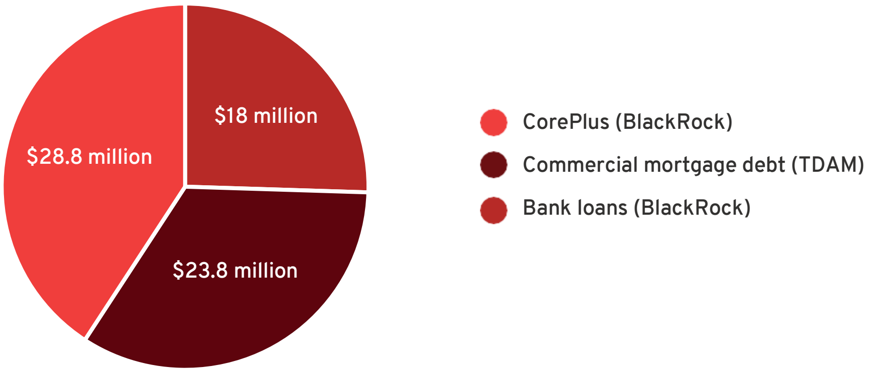
Medium- and long-term investments totalled $235.6 million as at April 30, 2022. This is a decrease of $11.2 million over the previous year ended April 30, 2021, as the realized performance was below target to meet financial commitments.

[1] The Investment Policy and Guidelines were amended in April 2022 to turn the 7.5% allocation to the bank loan subportfolio into an additional infrastructure subportfolio.

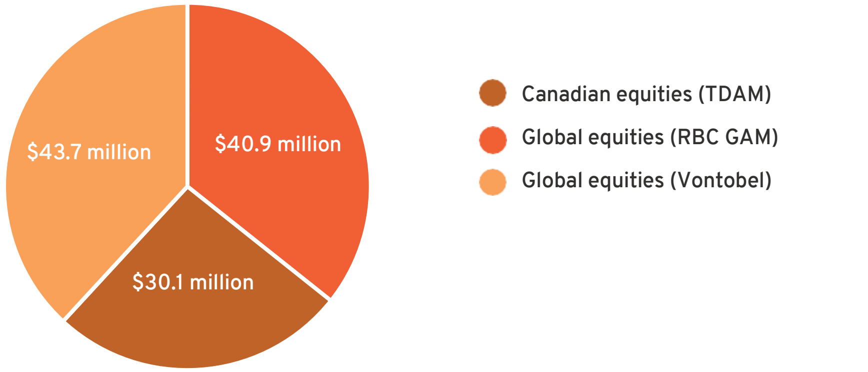
[2] The small amount invested in short-term bonds as at April 30, 2022, is the residual remaining after deployment of the global real estate investment on March 29, 2022. The investment was provisioned temporarily in short-term bonds pending the investment with CBRE. The infrastructure investment with BlackRock is also a temporary investment pending final deployment with the chosen manager, Axium.

The amounts allocated to each medium- and long-term investment type and the mandated external managers were as follows as at April 30, 2022:

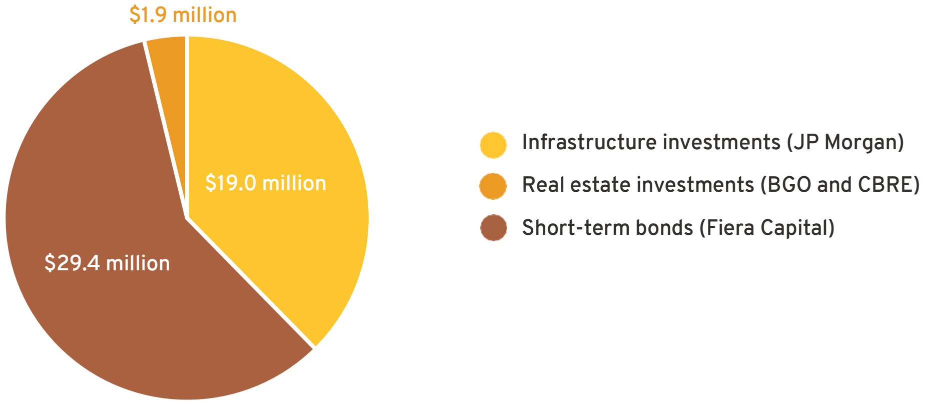
Fixed income securities



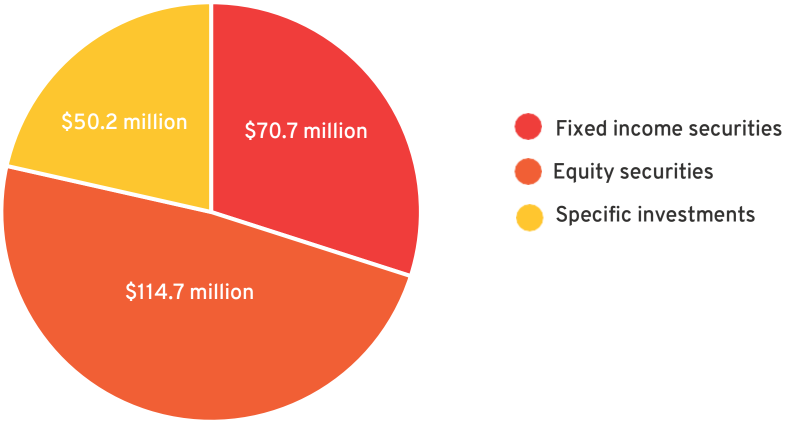
Equity securities



Specific investments



Total assets



Appendix II shows the annual returns of the capitalized funds for the last four fiscal years as well as that of the managers and benchmarks for the year 2021–2022.

The gross return on capitalized funds was 0.6% in 2021–2022, 1.9% below the benchmark of 2.5%. This relative underperformance is mainly due to the negative return on new global equity investments made on August 31, 2021. For the period August 31, 2021, to April 30, 2022, the MSCI World Index (CAD) generated a return of −9.2%, while the RBC GAM and Vontobel global equity funds generated returns of −18.0% and −12.9% respectively.

While return was below the annual medium- and long-term target of 3.5% plus inflation and administration costs, it has exceeded that target by 1% annually over the past 10 years. However, it has been below the annual targets of 3.4% and 1.8% for the past three and five years respectively.

Non-capitalized funds, working capital, and short-term investments

Non-capitalized funds and working capital are mainly invested with a more liquid asset allocation and a lower risk level than capitalized funds.

Balance of funds as at April 30, 2022

$60.3 million

$5.6 million compared to the balance as at April 30, 2021

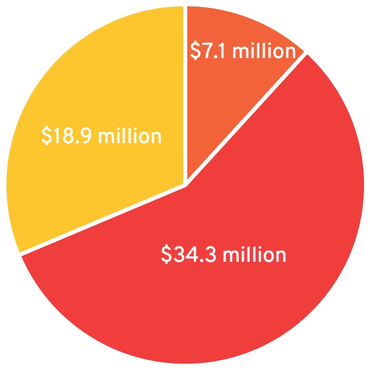
Actual (target) asset allocation for non-capitalized funds and working capital as at April 30, 2022

68% (67%) in short-term investments

12% (10%) in money market securities

56% (57%) in short-term fixed income securities

32% (33%) in medium- and long-term investments



Investment of non-capitalized funds and working capital

- Money market – Fiera Capital
- Short-term bonds – Fiera Capital
- Medium- and long-term investments – Various managers

Appendix III shows the annual returns of non-capitalized funds and working capital for the last four fiscal years as well as that of the managers and benchmarks for the year 2021–2022.

Non-capitalized funds generated a gross return of −2.3% in 2021–2022, which is below the average annual return target of 3.0% and represents a shortfall of 0.6% vis-à-vis the benchmark. This was due in part to the significant rise in interest rates during the year, as the portfolio was mainly composed of short- and medium-term fixed income securities.

This underperformance in 2021–2022 ends a sequence of seven consecutive years during which the return on investment of non-capitalized funds and working capital outperformed the benchmark.

Investment managers

In August 2021, the deployment of transactions made effective the contracts awarded to RBC GAM and Vontobel, which were selected at the end of the previous fiscal year to manage global equities.

The global real estate investment with CBRE materialized at the very end of the fiscal year, on March 29, 2022, having been in the queue since the manager was selected.

Axium Infrastructure will also join the ranks in the near future for a North American infrastructure mandate to replace the existing bank loan fund.

The Committee, assisted by consultant Normandin Beaudry, chose Axium and its open infrastructure fund following a rigorous selection process.

The fund seeks stable and predictable returns, with a significant portion in the form of current distributions. It targets 8 to10% net with a current return of about 5 to 6%, thus providing the ability to enhance portfolio performance while reducing risk through better diversification. It is a less liquid investment but does not represent a significant risk for the portfolio given the liquidity analysis that continued throughout the year.

The fund targets critical infrastructure projects with a positive environmental profile in energy, utilities, transportation, and medium-sized social infrastructure in the North American market. Axium expects portfolio investments to achieve net-zero emissions by 2050 at the latest.

The fund has an ESG focus:

- ESG considerations integrated into every phase of the investment and asset management process
- Participation in benchmarking initiatives such as GRESB and PRI
- Comprehensive ESG reporting (including carbon footprint measurement) to investors on a regular basis

This investment is therefore consistent with the Master Trust's responsible investment strategy for carbon footprint reduction/green transition. It also offers protection against inflation and better risk diversification (reduced stock market risk and infrastructure stability due to predictable revenues).

The addition of this fund to the current JP Morgan fund contributes to further diversification due to the highly complementary nature of the funds, particularly in terms of sectoral, regional, and contractual allocation.

As the anticipated investment rollout period is 18 to 24 months, the Committee made the decision to proceed as soon as possible after the end of the fiscal year on April 30, 2022, liquidating the bank loan fund and temporarily investing in a listed liquid infrastructure fund as an offsetting asset. The fund in question, a BlackRock global infrastructure index fund, is an actively traded, Canadian-dollar-denominated mutual fund.

As always, the Committee also held annual follow-up meetings with all managers in the spring. These meetings occurred on April 13 and 27, 2022. Committee members were generally satisfied with the presentations made by the managers they met with.

Investment Policy and Guidelines

In the Investment Policy and Guidelines, 7.5% of the funds allocated to the fixed income portfolio were reallocated to the specific investments portfolio.

This was the allocation previously assigned to the bank loan subportfolio, which has been transformed into an additional infrastructure subportfolio.

At the same time, an addition was made to the Investment Policy, namely the introduction of the principle of an offsetting asset when there is a delay in deploying a new investment strategy.

Investment targets were also refined to refer to a specific target instead of target ranges within minimum and maximum limits for greater transparency and quality of information.

Responsible investment report

(April 30, 2022)

Responsible investment strategy

The University, driven by a strong culture of sustainable development, provides leadership by taking responsible action to preserve and improve the quality of life of individuals without compromising that of future generations.

In accordance with these guidelines and in keeping with its mission to support the activities of the University and the Foundation, the Master Trust has a responsible investing strategy in place to translate the institution's values and objectives into investment activities and thereby inspire other investors to use this vehicle to drive positive societal change. The adoption of a responsible investment strategy consistent with the Master Trust's long-term investment perspective also provides a mechanism to control risks and capitalize on emerging opportunities.

The strategy takes into account the Trust's inherent limitations, including its limited size, which means that investments are managed by external managers, and aims to achieve these objectives while preserving the optimization of the risk-return relationship.

The strategy is based on the four priorities and two principles described below:

Strategic priorities

- Integrate environmental, social, and governance factors into investment decisions
- Reduce the investment portfolio carbon footprint and implement a strategy in line with climate objectives
- Promote responsible shareholder engagement
- Foster collective engagement and public action

Principles: Transparency and continuous improvement

Highlights of 2021–2022

- The carbon footprint of the Master Trust's equity portfolio decreased by 39% from last year.
- With respect to the Trust's targets, the carbon footprint of the Master Trust equity portfolio is now 64% lower than in the base year (December 31, 2018). The targets of a 30% reduction by 2025 and a 50% reduction by 2030 are thus achieved, subject to the inherent annual variability that will remain to be validated next year.
- The C.D. Howe Institute, an independent research organization recognized across Canada, published an analysis of responsible investment governance and disclosure practices at Canadian universities seriously committed to responsible investment. The study was limited to the 17 universities that have signed the *Climate Charter for Canadian Universities* initiative. The Master Trust received an overall rating of 3.7 out of 5 and ranked 7th out of 17 universities assessed, which is considered both positive and indicative of potential improvements.

Priority 1

Integrate environmental, social, and governance factors into investment decisions

Incorporating environmental (E), social (S), and governance (G) considerations into investment decisions promotes better risk control for long-term returns and signals to companies that investors care about responsible behaviour and not just maximizing their short-term profits.

As part of the responsible investment strategy, the Committee must:

- Give structured and systematic consideration, when selecting a manager, to the quality of their commitment to responsible investment
- Give structured and systematic consideration, when evaluating a manager, to the quality of their commitment to responsible investment

Past results (highlights)

2019–2020

- Since 2019–2020, all contracted investment managers have been members of the UN Principles of Responsible Investment. For several years prior to that, a majority of the managers were members, but not all.

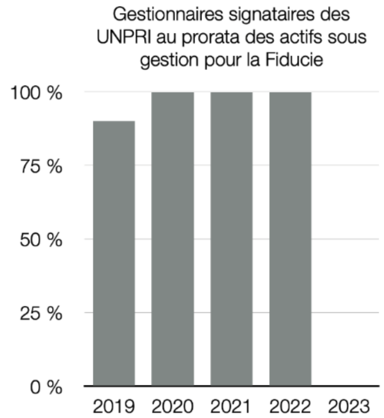
2020–2021

- For the first time, the selection process for two new management mandates included a formal and structured assessment of the candidate firms' range of responsible investment practices and the integration of ESG factors into their decision-making framework.

2021–2022 results

- A methodology was established for use during manager evaluations to give structured and systematic consideration to the quality of their commitment to responsible investment (integration of ESG factors, quality of the voting rights policy, active participation in collective initiatives, etc.). One of its objectives is to target the Master Trust's priorities within the broad realm of responsible investing. In practical terms, at annual meetings, managers receive a questionnaire developed to specifically discuss topics of interest to the Trust and report the required data to the dashboards (future).

Indicators[1]



[1] No results in 2021–2022 for the UNPRI rating of the Trust managers due to issues with the new disclosure platform.

Priority 2

Reduce the investment portfolio carbon footprint and implement a strategy in line with climate objectives

The transition to a low-carbon economy must be actively supported and funded by responsible investors. Investors have significant leverage over companies and must use it to signal approval for practices that reduce carbon emissions to the atmosphere. The transition also creates risks and opportunities that must be properly addressed to maximize performance.

As part of the responsible investment strategy, the Master Trust intends to:

- Quantify the carbon footprint of the investment portfolio annually
- Reduce the carbon footprint of the investment portfolio over the long term
- Limit investment exposure to fossil fuel reserves and to companies that are reluctant to commit to the transition to a low-carbon economy

This strategic priority, which places additional constraints on the investment universe, must be implemented in such a way as to limit any significantly adverse impact on performance, risk control, and the optimization of the relationship between these two elements.

To this end, the monitoring of investment performance must be twofold, i.e., performance must be compared to a low-carbon index to measure the performance of the selected investment manager, and against the regular market index to isolate the impact of the decision to reduce the carbon footprint of the portfolio.

Furthermore, given that such a phase-down approach to carbon footprint reduction is innovative, has no external comparables, and is fraught with unknowns, the Committee must carry it out iteratively based on ongoing feedback and dialogue with the constituents, namely the University and the Foundation.

The quantification methodology and its units of measurement are detailed in Appendix IV herein.

Past results (highlights)

2018–2019

- The carbon footprint of the equity portfolio was quantified for the first time.

2019–2020

- The carbon footprint reduction targets for the equity portfolio were determined and adopted.
- The target asset allocation was modified to reduce the carbon footprint of the equity portfolio.
- Low-carbon indexes were integrated into quarterly manager monitoring reports to more accurately assess manager performance.

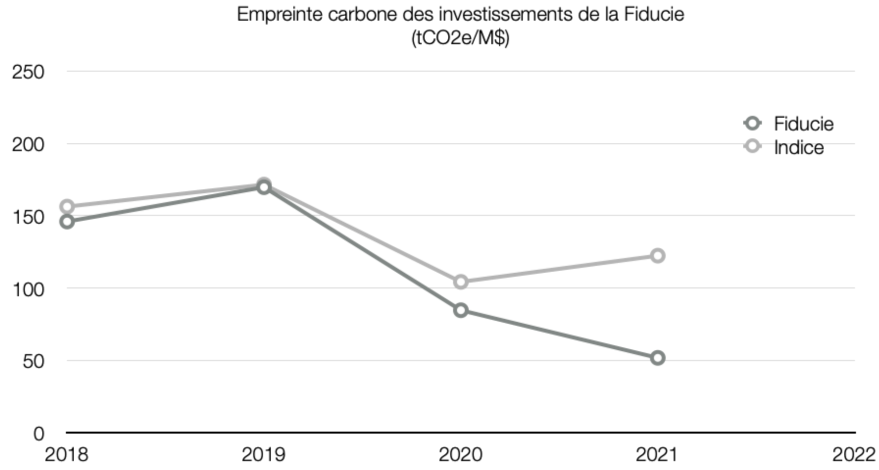
2020–2021

- For the first time, the selection process for two new management mandates included a formal carbon footprint criterion.

2021–2022 results

- The carbon footprint of the Master Trust equity portfolio is now 64% lower than in the base year (as at December 31, 2018), allowing it to meet the 2030 target ahead of time.
- As at August 31, 2021, the Master Trust no longer held any investments in companies listed on the Carbon Underground 200 (CU200). However, it was subsequently brought to our attention by a manager that a company on this list is back in one of the funds. The situation must therefore be assessed.

Indicators



Priority 3

–

Promote responsible shareholder engagement

Responsible voting is an important way to effectively and positively influence companies in which the Master Trust indirectly holds shares. Since the Master Trust generally uses investments in mutual funds, it cannot exercise voting rights directly. Fund managers vote in accordance with the parameters of their voting rights policies. The power of the Master Trust therefore lies in its ability to influence and monitor voting.

As part of the responsible investment strategy, the Committee must take a proactive approach in this regard and, more specifically, within the limits of its organizational capabilities:

- When selecting a manager, give structured and systematic consideration to the quality of voting rights policies with respect to responsible investment
- Periodically review and assess the policies and voting practices of mandated managers
- Help influence the voting rights policies of managers under contract, including flagging issues of interest

Past results (highlights)

2018–2019

- Creation of an inventory of managers’ voting rights policies with a view to analyzing them. This inventory will also be conducted for new managers where portfolios were deployed in 2021–2022.

Priority 4

Foster collective engagement and public action

As major economic players, large institutional investors like the Master Trust enjoy significant influence with governments, businesses, and the public. Responsible investors should bring this influence to bear for the benefit of society and the environment.

As part of the responsible investment strategy, the Master Trust intends to collaborate with other similar investors to carry out public engagement activities supporting sustainable development and contribute to the evolution of responsible investment. To this end, membership and involvement in responsible investor networks is the best way to pool the power of influence and knowledge of many players and to move forward.

Indicators

The Master Trust is an active member of the following networks:

- United Nations Principles for Responsible Investment (UNPRI)
- Responsible Investments Association Canada (RIA Canada)
- Ceres Investor Network on Climate Risk and Sustainability
- Climate Action 100+
- Climate Charter for Canadian Universities

Past results (highlights)

2019–2020

- The Master Trust joined two responsible investor networks (UNPRI and RIA Canada).

2020–2021

- The Master Trust joined two responsible investor networks (Ceres Investor Network on Climate Risk and Sustainability and Climate Action 100+).
- It signed and participated in the Climate Charter for Canadian Universities, a collaborative initiative of 15 Canadian universities on responsible investment.
- It made its first annual statement (optional and non-public) under the UN Principles for Responsible Investment.

2021–2022 results

- As part of the 26th United Nations Climate Change Conference (COP26), Université Laval, along with some 733 other investors representing over $52 trillion, signed the 2021 Global Investor Statement to Governments on the Climate Crisis, a joint declaration calling for world leaders to take decisive action.

Comparative returns as at December 31, 2021

The Canadian Association of University Business Officers (CAUBO) compiles the endowment returns (capitalized funds) of most Canadian universities annually. It should be noted, however, that the data compiled is based on a calendar year as opposed to the Master Trust's fiscal year, which ends on April 30.

Appendix V shows the returns of the Master Trust capitalized funds as well as the median returns of the 69 university endowment funds surveyed.

For the 12-month period ended December 31, 2021, the median return for all Canadian university endowment funds was 12.9%. In comparison, the return on the Master Trust's capitalized funds was 11.7%, while the median return on 17 funds comparable in size to the Master Trust was 12.7%. The Master Trust ranked in the third quartile for returns among funds of comparable size. It has also been in the third quartile over the past five years. However, it has been in the second quartile in the last 10 years.

As in previous years, the Master Trust's asset allocation differed significantly in 2021 from that of other funds. Equity weightings (particularly Canadian equities) in the fund group to which the Master Trust belongs are considerably higher (almost 10% higher), whereas real assets such as real estate and infrastructure are underweighted in a similar proportion. The significant appreciation in the value of both Canadian (TSX +25.1%) and foreign equities (S&P 500 [CAD] +27.6%, MSCI World [CAD] +20.8%) compared to the albeit significant returns on real assets during 2021, combined with their overweight in the funds of the fund group to which the Master Trust belongs, explains the relative underperformance of these funds over the past year.

That said, the Master Trust's average return over the past four years was 8.4%, on par with the median return for all university funds surveyed.

Financial statements

The Master Trust's financial statements, attached as Appendix VI, present the statement of net assets available and the statement of changes in net assets available to the participants, which includes the investments held by the Master Trust that represent the majority of its assets.

For the year ended April 30, 2022, net assets available were $276.3 million compared to $284.2 million for the year ended April 30, 2021. The decrease in net assets available in 2022 was primarily due to a return on investments that was lower than the target to meet financial commitments.

The statement of changes in net assets available to the participants shows the portion attributable to each participant in the Master Trust. The statement also includes transfers between the Foundation and the University for administrative fees charged to the University's endowment funds and credited to the Foundation and for income from the University's non-capitalized funds charged or credited to the Foundation.

The notes to the financial statements further detail the various risks affecting the Master Trust.

Work plan

2022–2023

The Committee's agenda for fiscal year 2022–2023 will focus on:

- Mandating the external consultant to update the Master Trust's asset allocation optimization exercise with revised assumptions
- Initiating discussion on a review of the objectives and actions for Priority 2 of the responsible investment strategy, including consideration for extending the scope of carbon footprint quantification to all asset classes by revising the metric used and considering "net-zero alignment"
- Developing a comparative dashboard for managers based on the questionnaire developed in 2021–2022
- Issuing an initial public statement, and second annual statement, to the UN Principles for Responsible Investment (this action originally planned for 2021–2022 was postponed due to issues with the new disclosure platform)
- Establishing monitoring of the various responsible investor networks that the Master Trust has joined in recent years, so that it can be as up to date as possible with new developments

Chair of the Joint Investment Committee, September 13, 2022

Appendices

Appendix I

Members of the Joint Investment Committee as at April 30, 2022

REPRESENTATIVES OF THE UNIVERSITY

Louis Frenette-Nolin
Research and Planning Officer
Office of the Vice Rector, Administration, Université Laval

François Girouard
Consultant

Jean Grégoire, Chair
Cash Manager
Financial Services, Université Laval

REPRESENTATIVES OF THE FOUNDATION

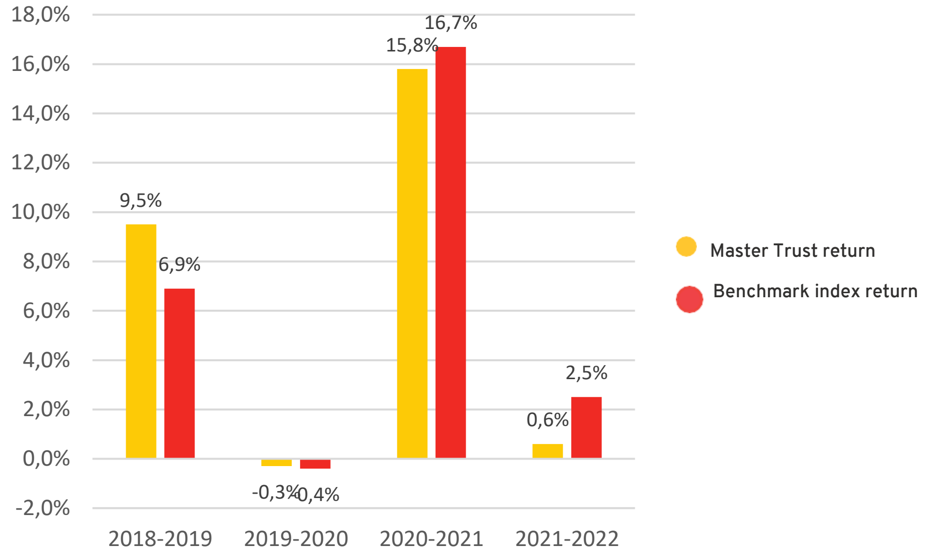
François Lalande
Corporate Director

Michel Lévesque, Vice Chair
Corporate Director

Daniel Genois
Financial Analyst
Université Laval Foundation

Appendix II

Annual returns of Master Trust capitalized funds for fiscal years ended April 30



***Benchmark index:**

As at March 29, 2022: 12.5% FTSE TMX Canada Universe, 10% FTSE TMX Canada Short Term Corporate +0.5%, 7.5% S&P/LSTA Leveraged Loan Index (USD), 12.5% S&P/TSX Composite, 37.5% MSCI World (CAD), 6% MSCI IPD Canada PFI, 6% MSCI IPD Global PFI (CAD) and 8% (CPI +4%)

As at September 1, 2021: 12.5% FTSE TMX Canada Universe, 10% FTSE TMX Canada Short Term Corporate +0.5%, 7.5% S&P/LSTA Leveraged Loan Index (USD), 12.5% S&P/TSX Composite, 37.5% MSCI World (CAD), 12% MSCI IPD Canada PFI and 8% (CPI +4%)

As at February 25, 2020: 12.5% FTSE TMX Canada Universe, 10% FTSE TMX Canada Short Term Corporate +0.5%, 7.5% S&P/LSTA Leveraged Loan Index (USD), 12.5% S&P/TSX Composite, 7.75% S&P 500 (CAD), 7.75% S&P 500 (USD), 22% MSCI EAFE (CAD), 12% MSCI IPD Canada PFI and 8% (CPI +4%)

As at February 28, 2017: 12.5% FTSE TMX Canada Universe, 10% FTSE TMX Canada Short Term Corporate, +0.5%, 7.5% S&P/LSTA Leveraged Loan Index (USD), 17% S&P/TSX Composite, 7% S&P 500 (CAD), 7% S&P 500 (USD), 19% MSCI EAFE (CAD) and 20% (CPI +4%)

Appendix II (cont.)

Annual returns of Master Trust subportfolios of capitalized funds for the fiscal year ended April 30, 2022

FIXED INCOME SECURITIES	ACTUAL	BENCHMARK INDEX
CorePlus (BlackRock)	−6.7%	−7.9%
Commercial mortgage debt (TDAM)	0.8%	−4.3%
Bank loans (BlackRock)	2.5%	2.9%

EQUITY SECURITIES	ACTUAL	BENCHMARK INDEX
Canadian equities (TDAM)	16.3%	11.6%
Global equities (RBC GAM)	−18.0%	−9.2%
Global equities (Vontobel)	−12.9%	−9.2%

SPECIFIC INVESTMENTS	ACTUAL	BENCHMARK INDEX
Canadian real estate investments (BentallGreenOak)	19.0%	18.7%
Global real estate investments (CBRE)	3.4%	2.2%
Infrastructure Investments (JP Morgan)	8.3%	7.1%
Short-term investments (Fiera Capital)	−4.4%	−4.4%

MASTER TRUST	ACTUAL	BENCHMARK INDEX
All subportfolios	0.6%	2.5%

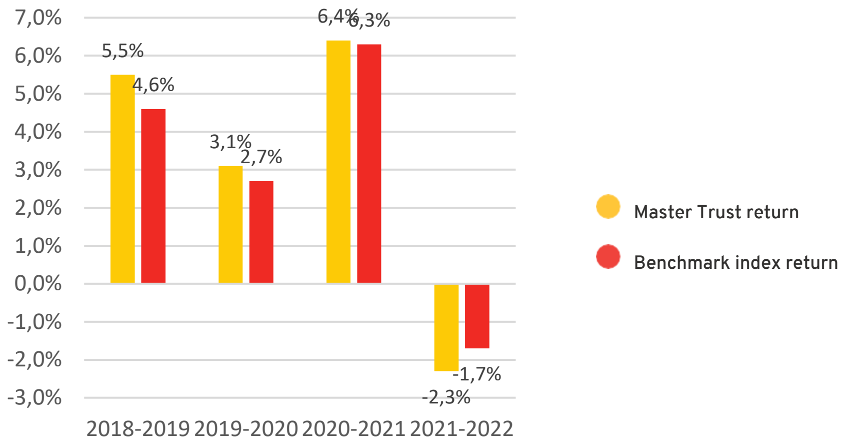
***Benchmark index:**

FIXED INCOME SECURITIES	
CorePlus	FTSE TMX Canada Universe
Commercial mortgage debt	FTSE TMX Canada Short Term Corporate +0.5%
Bank loans	S&P/LSTA Leveraged Loan Index (USD)
EQUITY SECURITIES	
Canadian equities	S&P/TSX Composite
Global equities	MSCI World (CAD)
SPECIFIC INVESTMENTS	
Canadian real estate	MSCI IPD Canada PFI
Global real estate	MSCI IPD Global PFI (CAD)
Infrastructure investments	CPI +4%
Short term investments	MSCI IPD Canada PFI (temporary waiver, Fiera Capital has been manager since July 2019)

The returns on new RBC GAM and Vontobel global equity and CBRE global real estate investments as well as the respective benchmarks are not for the full year, but rather for the period of September 1, 2021, to April 30, 2022, for global equities and January 1, 2022, to April 30, 2022, for global real estate.

APPENDIX III

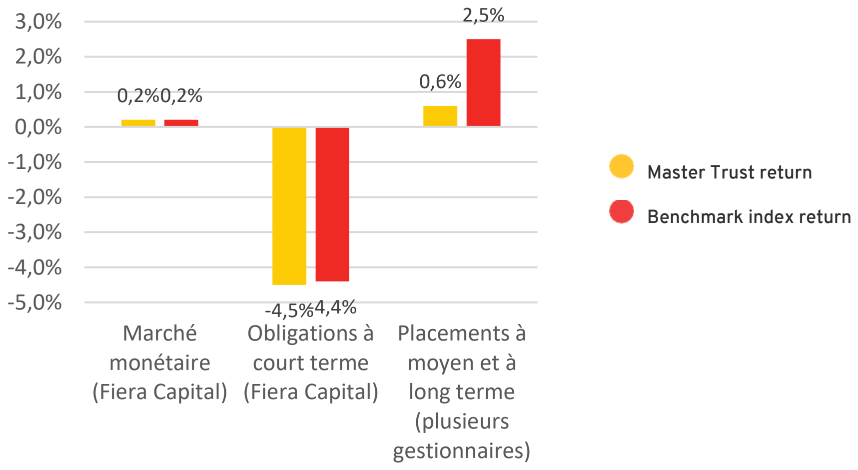
Annual returns of Master Trust non-capitalized funds and working capital for fiscal years ended April 30



***Portfolio:** Optimum and all medium- and long-term investment managers from August 2015 through November 3, 2017. Fiera Capital and all medium- and long-term investment managers thereafter

****Benchmark index:** 10% FTSE TMX Canada 91-day T-Bills, 57% FTSE TMX Canada Short Term Overall, and 33% based on various medium- and long-term investment benchmarks

Annual returns of Master Trust subportfolios of non-capitalized funds and working capital for the fiscal year ended April 30, 2022



Money market FTSE TMX Canada 91-day T-Bills
Short-term bonds FTSE TMX Canada Global Short Term
Medium- and long-term investments See Appendix II

Appendix IV

Methodology for assessing the carbon footprint of equity portfolios

Carbon footprint

A carbon footprint is defined as the amount of greenhouse gases attributable to an investor in proportion to the value of the investments made.

If an investor owns 1% of a company's shares, 1% of that company's greenhouse gas emissions are counted in the investor's footprint. Those emissions are then plotted against the sum of the capital invested to obtain a comparable relative value.

The unit of measurement is the number of tonnes of carbon dioxide equivalent per million dollars invested (tCO_2e/$million). Carbon dioxide equivalent (CO_2e) is used to account for the equivalent impact of different greenhouse gases. For example, one tonne of methane, which has 22 times the effect of carbon dioxide, is counted as 22 tonnes of CO_2e.

Methodology

The service provider retained by the managers of the Master Trust's public equity portfolios is MSCI. This recognized service provider assesses total carbon emissions, the carbon footprint, carbon intensity, fossil fuel reserves, and business strategy alignment with a low-carbon economy of the companies in which the Master Trust invests.

More specifically, MSCI measures emissions by including:

- Scope 1 emissions, i.e., emissions directly produced by a company
- Scope 2 emissions, i.e., indirect emissions related to the consumption of electricity, heat, or steam by a company

Scope 3 emissions are not included in the calculation of emissions. These indirect emissions, designated as those that are a result of a company's activities from assets neither owned nor controlled by the company, are not defined and calculated uniformly by all economic players and are difficult to estimate for an investor.

The valuation is produced for a 12-month period, ending on December 31 of the valuation year, based on the securities held in the portfolio at that date. The data used for corporate carbon emissions is from the previous year, the most recent data available at the time of assessment.

Appendix V

Annual returns of Master Trust capitalized funds (medium- and long-term) relative to the median for CAUBO* funds for calendar years ended December 31

PERIOD	MASTER TRUST RETURN	CAUBO MEDIAN RETURN
2021	11.7%	12.9%
2020	6.2%	8.9%
2019	13.9%	13.8%
2018	2.2%	–1.2%
2017	11.2%	9.1%
2016	5.2%	7.5%
2015	7.9%	5.0%
2014	10.8%	10.3%
2013	14.9%	16.1%
2012	9.5%	9.1%

PERIOD	MASTER TRUST RETURN	CAUBO MEDIAN RETURN
Four years, i.e., 2018 to 2021	8.4%	8.9%
Ten years, i.e., 2012 to 2021	9.3%	9.4%

***CAUBO:** Canadian Association of University Business Officers

Appendix VI

Financial statements of the Université Laval – Université Laval Foundation Master Trust

Separate document

Appendix VII

Changes to the Investment Policy and Guidelines

The Investment Policy and Guidelines were amended to remove bank loans and their 7.5% target allocation from the subportfolios that make up potential fixed income securities in exchange for new infrastructure investments.

At the same time, the Investment Policy introduced the principle of an offsetting asset when there is a delay before a new investment strategy is deployed. Investment targets were also refined to refer to a specific target instead of target ranges within minimum and maximum limits for greater transparency and quality of information.