# Endowment sustainability report

Aalto University

# The purpose of Aalto University is to shape a sustainable future through research, education, and positive societal impact.

## How we think about sustainable investing

To support the purpose of the university, the endowment provides stable and predictable funding for the university's academic work.

Sustainability is central to long-term investing, and we evaluate the alignment of our investments with the goal of a sustainable, net-zero future. These considerations are integrated in all investment decisions, as we believe that non-sustainable investments will eventually be counterproductive to both the financial outcome of the investments and the transition to a sustainable future.

Information regarding sustainability is fundamental information that complements traditional financial information, providing a more holistic picture on the risks and broad impact of any given investment. The endowment employs a broad range of investment strategies, each with different focus, time horizon, and role in the portfolio. Hence the sustainability assessment and materiality of this information varies.

The endowment is committed to investing in opportunities that promote a sustainable future, but the transition to this future is very complex and will take time. Instead of trying to guess far out to the future, we focus on aligning the investments with the ongoing transition while securing the University funding to enable its broad positive impact on our society. All our selected investment managers are required to attend to good governance, focus on transparency and disclosures and integrate sustainability and climate related information in their investment decisions, as applicable. When the strategy allows, engagement with companies is the preferred way to achieve positive impact. When investments are clearly unsustainable or against our values,they can be excluded from the portfolio.

We are significantly reducing the carbon intensity of the portfolio in the medium term and target a carbon neutral portfolio in the long run. The carbon footprint of the endowment is managed due to financial risks related to carbon emissions. We acknowledge that actions taken to reduce the carbon footprint of the endowment have limited direct impact on the actual global GHG emissions. We also address transition related opportunities by investing in companies benefiting from the clean transition.

We look to promote sustainable practices in the investment industry by engaging in discussions, industry networks and complying with reporting standards. Aalto University is a member of FINSIF, SBAI and a PRI signatory.

# What we do in terms of sustainable investing

The carbon intensity of the endowment's public equity investments at the end of 2023 was 50% below global market index and has declined since 2020. In 2022, the endowment converted one of its existing global equity funds into a zero-carbon intensity fund. This is achieved by selling short the highest emitting companies within industries while controlling for other risk exposures. We aim to expand the carbon risk analysis and reporting to other asset classes and forward looking indicators as data becomes available. For example, we track net-zero commitments made by companies according to the Science Based Targets inititatives (SBTi's) Net-Zero Standard framework. The share of companies with net zero commitments in our public equity portfolio is currently 22%.

In 2023, we continued our work on integrating ESG considerations across the portfolio and added two new managers with an explicit focus on the clean transition and companies helping to mitigate and adapt to climate change. Selected exclusions have been fully met in passive strategies. By policy, active managers may include such investments when in line with a credible engagement policy but in practice this is rare and we expect it to happen only in very special circumstances. Investments with exposure to controversies are actively discussed with fund managers as they may occur due to varying definitions and criteria. We monitor high sustainability risk sectors in the portfolio, and have conducted a deep dive into our exposure in the energy sector to ensure that these investments are in line with our expectations.

Finally, we completed our first PRI reporting in 2023 and the results are published together with this report. Our reporting scored well compared to peers in areas we focus on in our sustainable investment policy.

1. **We reduce carbon intensity, a measure of risk related to GHG emissions, of at least 30-50% compared to a global market index with a declining trend towards 2030.**

2. **We make sure all external managers have integrated sustainability considerations into their investment process and act as active owners (as applicable).**

3. **Investments with no credible transition path to a carbon neutral world or investments that are incompatible with our values have been excluded from passive investments. These are:**
   - **Global norm violators measured by UN Global Compact**
   - **Controversial weapons manufacturers**
   - **Thermal Coal and Oil Sands**

4. **Investment in areas with high transition risk (e.g. energy, materials) are subject to monitoring and risk mitigation by controlling exposure to or within these industries.**

5. **We aim to utilize opportunities born out of the transition towards a more sustainable society. This includes investments benefiting from positive sustainability profiles and trends with a potential to contribute to the real economy transition.**

# Portfolio sustainability profile

Of our external managers,

**88%**
have signed the Principles of Responsible Investment (PRI).

**98%**
have a dedicated Environmental, Social & Governance (ESG) Policy.

**45%**
explicitly target a positive sustainability profile.

**68%**
use negative Screening or have an Exclusions policy.

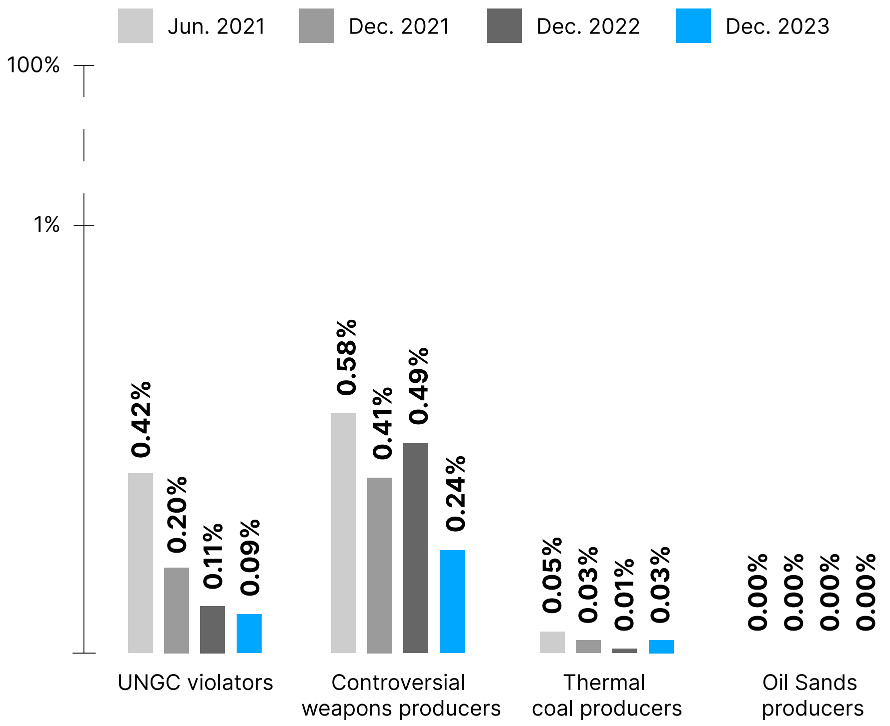
**80%**
have an Active Engagement Policy.

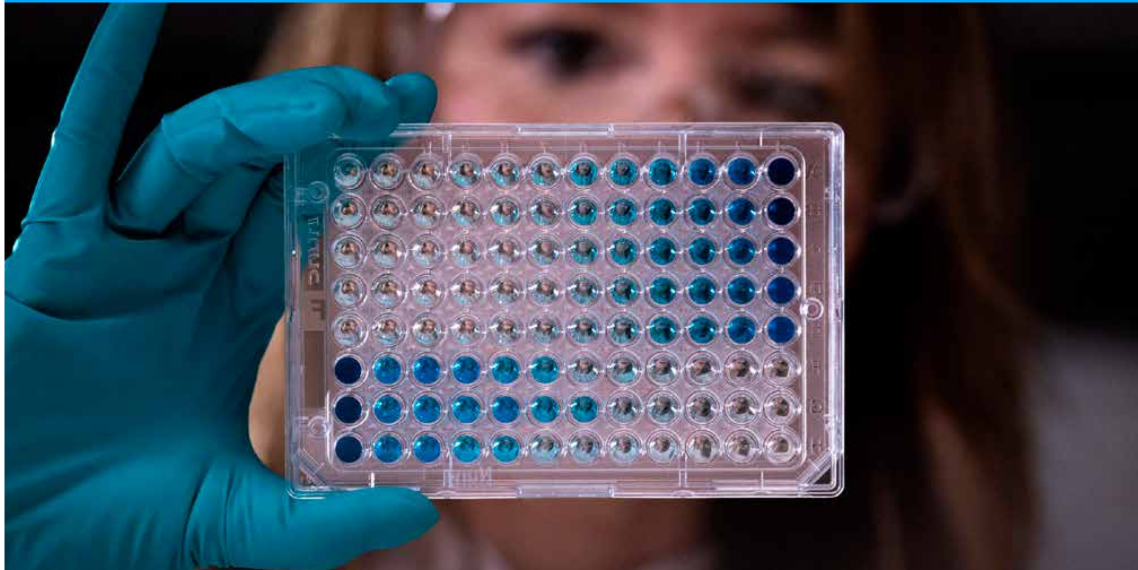
**50%**
are classified as Article 8 or 9 according to the EU Sustainable Finance Disclosure Regulation (SFDR).

Data collected by surveying all external managers.
Figures weighted by invested capital.

# Norms violations and high sustainability risks

Holdings based screening of UN Global Compact violators (UNGC) and business involvement in high risk sectors. Figures as a percentage of capital in mutual funds and ETFs investing in listed corporate securities. 46% of the endowment portfolio covered.



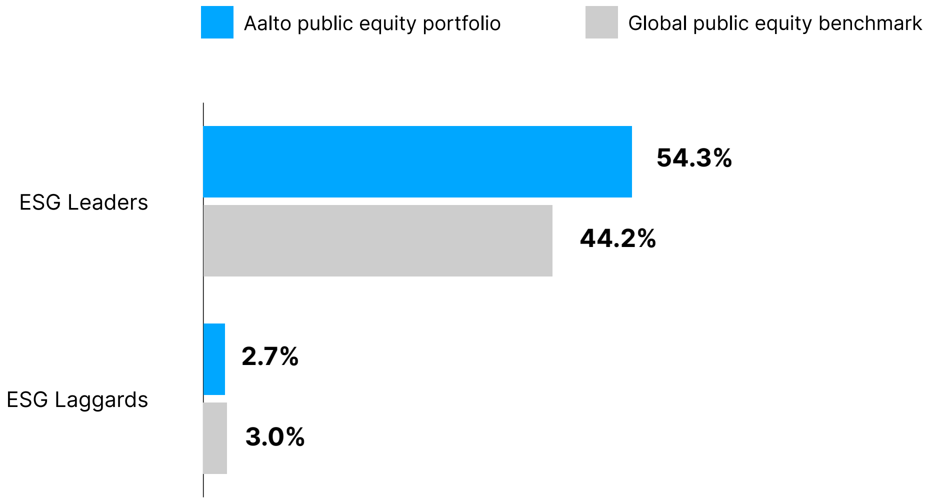



# Public equity portfolio sustainability profile

**ESG profile analyzed using external ESG rating and emissions data. Public equities cover 46% of the endowment portfolio.**

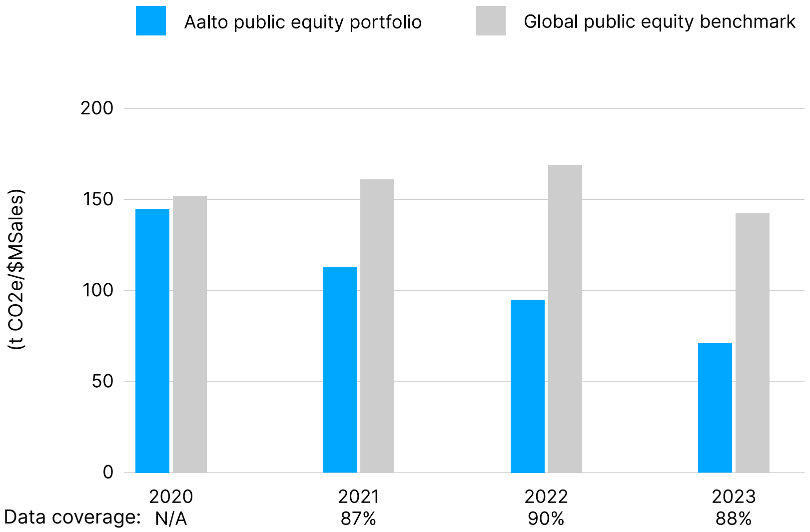
According to MSCI definition, Leaders are rated AAA or AA, Laggards are rated B or CCC. The data coverage for the Aalto Public equity portfolio is 78% and the figures have been rescaled to represent this sub-group. The benchmark coverage is 100%.

## ESG rating profile



# Public equity portfolio sustainability profile

## Weighted average carbon intensity




**ESG profile analyzed using external ESG rating and emissions data. Public equities cover 46% of the endowment portfolio.**

## Sources

Sustainalytics, Bloomberg, MSCI, Aalto Endowment ESG Survey, Aalto Endowment Policy for Sustainable Investment, SBTi.

## Disclaimers

Aalto University
P.O. Box 11000
FI-00076 AALTO, Finland

Switchboard +358 9 47001

**aalto.fi**
**@aaltouniversity**