

**University of Victoria  
Combination Pension Plan**

**University of Victoria  
Money Purchase Pension Plan**

**Responsible Investment Policy**

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# University of Victoria Combination and Money Purchase Pension Plans Responsible Investment Policy

## 1. Preamble

The University of Victoria (the “University”) has established three pension plans for its staff: the Combination Pension Plan (the “Combination Plan”), the Money Purchase Pension Plan (the “Money Purchase Plan”) and the Staff Pension Plan. This policy applies to the Combination Plan and the Money Purchase Plan. The Board of Trustees of the Combination Plan also serves as the Board of Trustees for the Money Purchase Plan (collectively, the “Board”).

The Combination Plan is governed and administered by the Board and primarily covers faculty members, executives, librarians, and administrative/professional staff. The Money Purchase Plan primarily covers faculty not covered by the Combination Plan, sessional lecturers, and part time (more than 50% of full time) professional and management employees.

The assets of the Plans are allocated between two funds: the Balanced Fund (used by both the Combination Plan and the Money Purchase Plan) and the Defined Retirement Benefit Fund (used by the Combination Plan).

In this document, “Plans” refers to the Combination Plan and the Money Purchase Plan, and “Fund” refers collectively to the cited funds. The purpose of the Fund is to secure the obligation of the Plans to make pension benefit payments to participants, and to earn an appropriate return on investments, net of fees and expenses, to facilitate this objective.

This document constitutes the Responsible Investment Policy (the “Policy”). It applies to the assets held in the trust funds established for investing the Plans. The assets of these plans are primarily invested by external professional investment managers.

This Policy serves as a supplement to the Statement of Investment Policies and Procedures (“SIPPs”) of the Plans. If there is a conflict between the SIPPs and this Responsible Investment Policy, the SIPPs will take precedence.

## 2. Purpose

The purpose of this Policy is to:

- a) Outline the Plans’ commitments and approach to incorporating environmental, social, and governance (“ESG”) factors into investment decisions and stewardship activities, also called Responsible Investment (“RI”);

- b) Ensure that investment decisions consider broader societal and environmental impacts, in line with fiduciary duty;
- c) Align Responsible Investing approaches with the guidance provided by United Nations-sponsored [Principles for Responsible Investment](#), recognized as a global standard; and
- d) Formalize mechanisms to monitor the development of Responsible Investment capabilities, including ongoing oversight of external professional investment managers and post-investment stewardship practices.

### 3. Definitions

- **ESG** are factors related to Environmental, Social, and Governance issues:
  - **Environmental:** Factors relating to a company's interactions with the physical environment. These include (but are not limited to) climate change; greenhouse gas emissions; biodiversity loss; deforestation; air, water or resource depletion or pollution; waste management; change in land use; ocean acidification; avoiding land degradation; disruption of Indigenous land; and promoting healthy ecosystems.
  - **Social:** Factors relating to business practices that have an impact on the rights, wellbeing, and interests of people and communities. These include (but are not limited to) human rights; labour standards in the supply chain; child, slave and bond labour; workplace health and safety; freedom of association and freedom of expression; human capital management and employee relations; equity, diversity and inclusion; relations with local communities (including the Indigenous Peoples); activities in conflict-affected high risk areas; weapons prohibited under international treaties and conventions signed by Canada; health and access to medicine; human security; consumer protection; and maintaining cultural ways of life including Indigenous languages, laws, and ways of being.
  - **Governance:** Factors relating to the governance of a company. These include (but are not limited to) board structure, composition, size, diversity, skills, and independence; executive pay; shareholder rights; rightsholder interactions; transparency; business ethics; bribery and corruption; internal controls; conflicts of interest; support for community organizations; and partnerships with the Indigenous Peoples and their businesses.
- **Material** information, as defined by the International Financial Reporting Standards (IFRS), is if its omission, misstatement, or obscuring it could reasonably be expected to influence the decisions of the primary users of general purpose financial statements. In other words, if leaving something out, getting it wrong, or making it unclear would change how someone would invest in or lend to a company, it is considered material.

- **Net-zero emissions** are reached when greenhouse gas emissions that are emitted into the atmosphere are balanced by those removed.
- **Paris Agreement** is a legally binding international treaty, adopted in 2015, aimed at combating climate change by limiting global temperature rise to well below 2 degrees Celsius above pre-industrial levels, and pursuing efforts to limit the rise to 1.5 degrees.
- **Paris Alignment** refers to aligning public and private financial flows with the objectives of the Paris Agreement, specifically making these flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development, as outlined in Article 2.1(c)<sup>1</sup> of the agreement.
- **Principles for Responsible Investment (PRI)** is the world's leading proponent of Responsible Investment. Sponsored by the United Nations, the PRI works to understand the investment implications of environmental, social & governance factors and to support its international network of signatories in incorporating these factors into their investment and ownership decisions.
- **Responsible Investment** is an approach that aims to incorporate ESG factors into investment decisions to better manage risk and generate sustainable long-term returns. This approach consists of the following strategies:
  - **ESG Integration** is the ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns.
  - **Exclusions** are the acts of barring companies' securities from being purchased for a portfolio.
  - **Stewardship** is the use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend. This approach consists of the following tools:
    - **Advocacy** is collaborating with like-minded investors to exchange information and pool resources to influence and improve company governance/ practices, supportive of public policies, and capital market regulations.
    - **Engagement** is the process of communicating with the management and boards of all investee companies in the investment portfolio. Through engaging with

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<sup>1</sup> Article 2.1(c) of the Paris Agreement states the objective of “[m]aking finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”

companies, the Plans can better understand a company's position on material issues that help it evaluate ESG risks and opportunities.

- **Escalation** is the approach an investor takes if initial stewardship approaches are unsuccessful at achieving its objectives over a given period. Escalation differs by asset class and investor type but generally involves the use of increasingly assertive Stewardship tools and activities.
- **Proxy Voting** is the process of casting ballots as a shareholder of a public company for listed equities that have voting rights. Shareholders receive a proxy ballot along with an information booklet called a proxy statement describing the issues to be voted on, such as electing directors to the board, ESG factors, and approving a stock compensation plan.

## 4. Responsible Investment Beliefs and ESG Priorities

The Board believes that:

- a) The integration of material ESG factors into investment decisions supports risk management, aligns with its fiduciary responsibilities, and can enhance long-term financial performance and returns;
- b) There is a responsibility to support society and key systems, like the climate and economy, that long-term returns depend on. Climate change is a material risk to the Plans, and addressing it, when aligned with fiduciary duties, recognizes that investment returns are closely tied to the health and stability of society;
- c) Selecting investment managers who incorporate ESG analysis to identify systemic, long-term, and unpriced risks as well as value-creation opportunities is a priority;
- d) Active ownership and stewardship support the preservation and enhancement of long-term value; and
- e) Ongoing dialogue with external managers and investee companies helps embed sustainability into their values, behaviours, and ways of working across the organization. This approach can be effective at driving long-term positive change.

### 4.1 Climate change

Climate change is viewed as a priority as it represents a long-term, material systemic risk to the Plans.

The Board acknowledges and supports the goals of the Paris Agreement, which seeks to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. This commitment reflects the response of the international community and establishes a framework for aligning financial flows with pathways toward low greenhouse gas emissions and climate-resilient development.

The Board recognizes that the economic risks associated with climate change increase as average global temperatures rise and that global warming will continue until carbon emissions reach net zero. A growing body of evidence shows that decarbonization of the global economy as rapidly as possible will result in better long-term economic outcomes by reducing exposure to physical climate risks, transition shocks, and systemic instability.

In line with this understanding, the Board will track and assess the climate approach and greenhouse gas (GHG) emissions metrics of each fund in which the Plans invest, ensure material climate-related risks and opportunities are incorporated into the decision-making process where appropriate, and aim to align the portfolio's investments and GHG emissions with the objective of a low-carbon transition as rapidly as feasible—provided this remains consistent with the fiduciary responsibilities owed to the Plans' members.

There are limits to the accuracy and completeness of the GHG emissions data that is available for the Plan's investments. The Board will work to progressively improve both the accuracy and coverage of GHG emissions data for the Plan's investments.

#### **4.2 Principles for Responsible Investment**

The Board's approach to RI is inspired by the United Nations-sponsored Principles for Responsible Investment ("PRI"), which consists of six principles:

**Principle 1:** We will incorporate ESG issues into investment analysis and decision making processes.

**Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5:** We will work together to enhance our effectiveness in implementing the Principles

**Principle 6:** We will each report on our activities and progress towards implementing the Principles

## 5. Scope and Applicability

This Policy applies to all investment activities performed within each investment mandate, directly or indirectly, by the Plans, the Board and the University's staff that support the Plans and the Board.

## 6. Responsible Investment Approaches

The Plans' investments are managed by external investment managers.

Responsible Investment (RI) approaches vary depending on each manager's investment process, philosophy, and the degree of influence the Board are able to exercise over investment strategies and decisions.

The Board seeks to progressively integrate environmental, social, and governance factors and priorities into its investment processes, recognizing the varied levels of influence across asset classes and investment structures.

### 6.1 ESG Integration

a) For prospective managers and consultants: ESG considerations are integrated into the due diligence process for selecting and appointing external managers and consultants as follows:

- In evaluating prospective investment managers, the Board will consider how ESG issues are incorporated into the investment decision making process;
- In evaluating prospective investment managers, the Board will consider how investment managers engage with corporations to improve ESG practices;
- In evaluating prospective investment consultants, the Board will consider how they incorporate ESG considerations in their services for the Plans as well as in their oversight of the investment managers; and
- In evaluating prospective investment managers, the Board will review, at the firm or fund level (as appropriate), carbon intensities and carbon footprints, ESG scores, other available/applicable ESG metrics, PRI signatory status, Responsible Investment policies, and

PRI (or similar) ratings where available, as well as assessing an investment manager's support for the Paris Agreement, commitment to a net-zero target, and the integration of climate risk into investment decisions.

b) For current managers and consultants: ESG considerations are integrated into the external investment manager and investment strategy monitoring process, as follows:

- Each manager is monitored by the Board, at least, annually to ensure consistency of style/approach including its ESG integration strategies. This review includes assessing the ESG considerations evaluated within a due diligence process (section 6.1 a), bullet 4);
- Investment managers are required to provide information on how they engage with corporations to improve ESG practices, including proxy voting reports and policies and to highlight exceptions to their proxy voting policy. These reports may include information such as voting against management, voting for shareholder proposals, and voting differently than a third-party proxy voting service provider if utilized;
- Investment managers and consultants are expected to consider ESG-related risks, recognizing that awareness and effective management of these risks may enhance the long-term financial performance of the fund;
- Investment managers are required to provide annual disclosure regarding the processes by which ESG factors are incorporated into the investment decision making process; and
- Actions to reduce greenhouse gas emissions and mitigate other climate change drivers through (i) investor engagement, (ii) the selection of assets, and (iii) advocating for appropriate public disclosures and policies related to climate change directly and indirectly benefit the Plans and as such will be reviewed with investment managers during the monitoring process.

It is preferred that all investment managers and consultants are PRI signatories. If an investment manager or a consultant is not a PRI signatory, it must provide a detailed rationale in writing as to why it is not a PRI signatory, for the Board to review and assess, and provide information to satisfy the Board that appropriate attention to responsible investing is still being given.

## **6.2 Exclusions**

The Board believes that the Plans can have a greater influence by engaging with portfolio companies through their investment managers rather than broadly excluding investments. This engagement approach enables active stewardship and supports long-term ESG performance improvement.

External investment managers may apply exclusions in the funds they manage on behalf of the Plans. These exclusions must be disclosed to the Board at least annually to support transparency and oversight.

### **6.3 Stewardship**

The Board recognizes that effective stewardship supports the creation of long-term sustainable value. The Board expects its external investment managers to engage with investee companies to influence corporate behavior and improve ESG performance. Engagement is generally conducted on an individual basis by each investment manager. The Board may also choose to participate in or support collaborative engagement initiatives, either directly or through its investment managers. Engagement updates from investment managers are required at least annually and inform the Board's oversight of RI activities.

For equity investment managers, stewardship is also exercised through proxy voting activities. Proxy voting serves as a key tool for influencing ESG outcomes, and aligning proxy voting with broader stewardship efforts contributes to achieving long-term sustainability goals.

Voting rights are delegated to external investment managers, who are expected to cast votes in the best interests of the Plans. In general, managers are expected to support greater transparency in ESG-related policies and reporting. The Board monitors manager activities and requires external investment managers to report at least annually on how they cast their votes. Where possible, and when deemed necessary, the Board reserves the right to direct investment managers to vote in a specified manner under applicable investment management agreements.

The Board, or the Investment Subcommittee acting on its behalf, may escalate stewardship activities when deemed appropriate. In such cases, the following actions should be taken:

- a) A request for information will be made to the company, issuer, or external asset manager;
- b) An assessment will be conducted to determine whether the situation affects the investment's alignment with the Policy, and the Board will respond accordingly using available stewardship tools; and
- c) If the issue remains unresolved, the Board may take further action, up to and including the removal of the company, issuer, or investment manager.

The Board's stewardship activities will continue to evolve and adapt as it progresses on its ESG journey.

## 7. Reporting

The Board commits to transparency with Plan members and other interested parties regarding its Responsible Investment activities by providing the following disclosures:

- a) This Responsible Investment Policy;
- b) Annual reporting from the Board to Plan members, including through Annual General Meetings and Annual Report; and
- c) Public availability of information related to the Plans' RI practices, including this Policy, on the Plans' websites.

The Board expects transparency from its investment managers and consultants, including receiving reports on items mentioned in other sections of this policy at least annually during the monitoring process.

## 8. Roles and Responsibilities

The Board is responsible for initially approving the Policy and reviewing it at least annually.

The Board may delegate certain responsibilities described in this Policy to its Investment Subcommittee or University/Pension Services staff and external consultants/parties believed to be qualified in the appropriate areas, including:

- a) Implementing the Policy;
- b) Recommending changes to the Policy for approval;
- c) Monitoring compliance with the Policy and progress toward its commitments; and
- d) Reporting regularly to the Board on how RI and ESG considerations have been integrated into the administration, execution, and operation of investment activities.

Responsible Investment content is included in onboarding training for new Board members and relevant University staff who support the Board.

The Board and appropriate University staff also receive regular updates and periodic training opportunities on ESG-related topics.

## 9. Policy Review

This Policy will be reviewed at least annually, or as may otherwise be determined by the Board.