

Responsible Investment Policy

University Policy No: FM5215
Classification: Financial Management
Approving Authority: Board of Governors
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Associated Procedures: none

Preamble

- 1.00 The University of Victoria ("the university") has working capital investments that arise from its operations that are mainly invested by external professional managers through pooled funds. These monies are distinct from pensions, the Student Investment Fund, and endowments that are managed under separate governance structures. These working capital investments arise from operating and research funding received in advance, unspent annual budgets that are carried forward, insurance reserves, and other funds set aside for future purposes such as the replacement of equipment, major capital projects, and other significant initiatives.

In order to ensure that these funds are available for the operations of the university, the investment objectives of these funds are:

- (a) to preserve capital;
- (b) to ensure availability of cash by investing a portion of the Funds in liquid working capital investments that can be easily converted to cash to fund operations with low risk of principal loss; and,
- (c) to provide investment returns with a low level of volatility

Purpose

- 2.00 The purpose of this policy is to set out responsible investment goals with respect to the investment of the university's working capital investments.

Definitions

"Collaborative Engagement" 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 equity and fixed income issuers in our portfolio. Through engaging with companies, we are able to better understand a company's position on material issues that help us evaluate ESG risks and opportunities.

“Proxy voting” Most listed equities have voting rights attached to them. Proxy voting is the process of casting ballots as a shareholder of a public company. 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.

“Responsible investment” is an approach that aims to incorporate environmental, social, and governance (ESG) factors into investment decisions in order to better manage risk and generate sustainable long-term returns.

- (a) **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; and ocean acidification.
- (b) **Social:** Factors relating to business practices that have an impact on the rights, well-being, 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; diversity; relations with local communities (including indigenous communities); activities in conflict zones; health and access to medicine; consumer protection; and controversial weapons.
- (c) **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; stakeholder interactions; transparency; business ethics; bribery and corruption; internal controls; and conflicts of interest.

“Screening” is the filtering process used to either identify certain investments to include or to find those that should be excluded/included from an investors’ portfolio based on given criteria.

“Task Force on Climate-Related Financial Disclosures” (TCFD) is an international consortium that develops voluntary and consistent climate-related financial risk disclosures for companies by considering physical, liability, and transition risks associated with climate change.

“Thematic Impact investments” are made by investing in assets that stand to benefit from macro-level trends with the intention to generate positive, measurable social and environmental impact alongside a financial return. These investments can be public or private investments and target a range of returns.

“UN Principles for Responsible Investment (UNPRI)” is an organization that began as a United Nations initiative to advocate for responsible investment.

“UN Sustainable Development Goals” were adopted by all United Nations Member States in 2015 and include 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global

partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests

Jurisdiction / Scope

- 3.00 The funds are to be invested in accordance with Section 57 of the University Act, which states that "subject to a contrary intent expressed in a gift, devise bequest or trust, Section 15 of the Trustee Act does not apply to investments made by a board of a university and each board (a) may invest money belonging to the university and available for investment, and (b) must, when investing under paragraph (a), make investments that a prudent person would make."
- 4.00 This policy applies to all working capital investments managed by policy FM5200.

Policy

- 5.00 The University of Victoria is deeply committed to sustainability, and the critical need to address climate change across society and in every university domain (research, education, community engagement, and campus operations). Our goal is to be a global leader in environmental and societal sustainability including responding to the critical global issue of climate change.
- 6.00 The university believes responsible investing, taking environmental, social, and governance (ESG) factors into consideration, will reduce long-term risks and improve risk adjusted returns.
- 7.00 The goals of this policy are to:
 - 7.01 Use the strategic framework of the university to guide its working capital investment decisions in promoting sustainable futures and supporting Indigenous economic development;
 - 7.02 Use university working capital investments to address the physical and transitional risks and opportunities of climate change;
 - 7.03 Use positive and negative screening to reduce the carbon intensity of investments by at least 45% by 2030¹;
 - 7.04 Use a responsible investment approach to manage investment risks.
- 8.00 The university will use tools, when administratively feasible, in order to achieve its responsible investing goals, including but not limited to:
 - 8.01 Become an UNPRI signatory
As a signatory of the UNPRI, the university will abide by their six guiding principles and take the following actions:

¹ Reflecting the 2019 Report from the Intergovernmental Panel on Climate Change (IPCC).

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.

8.02 TCFD

Aligning the disclosure practices of our investments managers with the TCFD recommendations.

8.03 Exercise Active Ownership through:

- (a) Proxy Voting
- (b) Engagement

8.04 Utilize Screening consistent with the following:

In addition to the screening used to achieve our carbon reduction goals as outlined in 7.03, the university will consider utilizing screening when all the following conditions are met:

- (a) The screen supports goals outlined in section 7.00;
- (b) Proven social, environmental, or economic rationale supported by research from multiple bodies regarded as impartial and objective;
- (c) Compelling evidence that screening is an effective way to achieve the desired outcomes outlined in section 7.00;
- (d) Screening must be consistent with the legal and fiduciary obligations of the university; and
- (e) Screening must be consistent with academic freedom; investment decisions will not be made where the primary goal is to signal an institutional position on issues that should remain matters of open debate and dialogue.

8.05 Make Thematic Impact Investments (Private and Public)

The university will undertake thematic impact investments that align with its investment objectives in section 1.00 and responsible investment goals as outlined in section 7.00 and invest in opportunities that work toward addressing societal challenges that further the UN Sustainable Development Goals (SDGs).

Reporting

9.00 A report on responsible investment activities and their related goals will be submitted at least annually to the Board of Governors and the university community.

Authorities and Officers

The authorities and officers for this policy are:

- (i) Approving Authority: Board of Governors
- (ii) Designated Executive Officer: Vice-President Finance and Operations
- (iii) Procedural Authority: Vice-President Finance and Operations
- (iv) Procedural Officer: Vice-President Finance and Operations

Relevant Legislation

[University Act, RSBC 1996 c. 468](#)

Related Policies and Documents

[Working Capital Investment Policy](#) (FM5200)