

**Responsible Investment Policy**

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

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**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. 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.

The University of Victoria holds a responsibility to honour local Indigenous laws and protocols and to be in right relationship with all people, beings, lands and waters. The university's goal is to be a global leader in environmental and societal sustainability including responding to the critical global issue of climate change.

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 these funds in liquid 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**

- 3.00 **ESG** are factors related to Environmental, Social, and Governance issues:
- (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; ocean acidification; avoiding land degradation; disruption of Indigenous land; and promoting healthy ecosystems.

- (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; 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.
- (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; conflicts of interest; support for community organizations; and partnerships with the Indigenous Peoples and their businesses.

**Impact Investments** are investments with the intention to generate positive, measurable social and/or environmental impact alongside a financial return.

**Principles for Responsible Investment or PRI** is the world's leading proponent of responsible investment. It 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 Environmental, Social, and Governance (ESG) factors into investment decisions to better manage risk and generate sustainable long-term returns. This approach consists of the following strategies:

- (a) **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.
- (b) **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 equity and fixed income issuers in the investment portfolio. Through engaging with companies, the university 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.

- **Exclusions** are the acts of barring companies' securities from being purchased for a portfolio due to business activities that are deemed unethical, harmful to society, or in breach of laws or regulations.
- **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.

**Sustainable Development Goals** or **SDGs** were adopted by all United Nations Member States in 2015 and include 17 goals, which are an urgent call for action by all countries - developed and developing - in a global partnership. The SDGs 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**

- 4.00 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."
- 5.00 This policy applies to all working capital investments managed by the [Working Capital Investment Policy FM5200](#).

### **Policy**

- 6.00 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.
- 7.00 The university believes responsible investing, taking Environmental, Social, and Governance (ESG) factors into consideration, will reduce long-term risks and improve risk adjusted returns.
- 8.00 The goals of this policy are:
- 8.01 Leverage the university's strategic plans to inform and guide its working capital investment decisions.
  - 8.02 Use university working capital investments to address the physical and transitional risks and opportunities of climate change.
  - 8.03 Use inclusions and Exclusions to reduce the carbon intensity of investments by at least 50% by 2030.

- 8.04 Use university working capital investments to invest at least 30% of the working capital investments in Impact Investments that align with its investment objectives in section 1.00 and Responsible Investment goals as outlined in section 8.00 and invest in opportunities that work toward addressing societal challenges that further the Sustainable Development Goals (“SDGs”).
- 8.05 Invest within the commitment as a signatory to the United Nations supported Principles for Responsible Investment (“PRI”) which states:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. We believe that Environmental, Social, and Corporate Governance (“ESG”) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, and asset classes and through time).

We also recognise that applying the PRI may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

**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.

The PRI was developed by an international group of institutional investors reflecting the increasing relevance of ESG issues to investment practices. Launched by the United Nations Environment Finance Initiative and the United Nations Global Compact, the PRI provides a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large.

In signing the PRI, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the PRI over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the PRI.

## **Stewardship**

- 9.00 The university believes Stewardship improves the management of ESG risks and opportunities, which will be important to deliver superior long-term risk-adjusted returns. The university will exercise its rights as an investor by taking into account ESG considerations and use the Stewardship tools listed below in its overall management of ESG risks and opportunities. The university commits to incorporating the ten principles of United Nations Global Compact in the execution of this policy.

### **Advocacy**

- 9.01 Where appropriate, the university will pursue Advocacy on ESG matters in collaboration with other asset owners and investment managers.

### **Engagement**

- 9.02 The university will engage with companies on relevant and material ESG issues through its investment managers and participate in Engagement networks to collaborate and collectively engage with like-minded investors.

### **Escalation**

- 9.03 In a case where Escalation is deemed to be the appropriate response, the following actions should be taken:
- a) The university will request information from the company, issuer, or external asset manager.
  - b) The university will assess and determine if the case will affect an investment's alignment with the Responsible Investment Policy and act accordingly by using its Stewardship tools.
  - c) Should there be no resolution to the incident, the university will take action up to and including removal of the company, issuer, or external asset manager.

### **Exclusions**

- 9.04 The university will exclude investment in companies considered to be manufacturers of nuclear weapons, cluster munitions, anti-personnel mines, weapons systems integration services, or other weapons of mass destruction, in keeping with statutory investment restrictions and under international treaties and conventions signed by Canada prohibiting the development, manufacture and distribution of such products.

The university will consider utilizing Exclusions when all the following conditions are met:

- a) The Exclusions support the goals outlined in section 8.00;
- b) Proven social, environmental, or economic rationale supported by research from multiple bodies regarded as impartial and objective;
- c) Compelling evidence that the Exclusions are an effective way to achieve the desired outcomes outlined in section 8.00;
- d) The Exclusions must be consistent with the legal and fiduciary obligations of the university; and

- e) The Exclusions 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.

Exclusion requests from the university community should be sent to the Vice-President Finance and Operations. Any requests should be submitted in writing and reference the conditions listed above for Exclusions.

### **Proxy Voting**

9.05 Where applicable, the university will monitor the Proxy Voting records of its investment managers to ensure alignment with this policy.

### **Reporting**

10.00 The university commits to transparency with its partners and communicating on its Responsible Investment activities by providing the following disclosures:

- a) This Responsible Investment Policy
- b) Annual Holdings Report
- c) Annual PRI Transparency Report
- d) Annual Responsible Investment Report detailing the university's:
  - Responsible Investment activities.
  - Portfolio carbon footprint metrics and progression against target.
  - Portfolio impact investment metrics and progression against target.
  - Stewardship activities.

### **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 \(FM5200\)](#)