UNIVERSITY OF VICTORIA FOUNDATION

RESPONSIBLE INVESTMENT POLICY

Approval Date	**November 2, 2021**
Last Amendment	
Authority	**UVic Foundation**

UNIVERSITY OF VICTORIA FOUNDATION RESPONSIBLE INVESTMENT POLICY

CONTENTS

1. INTRODUCTION

1.1. Purpose of the Responsible Investment Policy

The University of Victoria Foundation (“the Foundation”) manages an investment portfolio (“the Portfolio”) to generate funds for the University of Victoria to provide scholarships, bursaries, and to use for other University purposes. The Portfolio is managed by external investment managers (“investment managers”) appointed by the Foundation Board (“the Board”), in accordance with the prudent investment strategy outlined in the Statement of Investment Objectives and Guidelines (“SIOG”).

The Foundation is committed to the integration of environmental, social and governance factors (ESG) into its investment decision making and the critical need to address climate change across society and in every university domain (research, education, community engagement, and campus operations). Its goal is to be a leader in ESG, including responding to climate change.

The Board has adopted this Responsible Investment Policy (“the RI Policy”) for the following purposes:

- to support the Foundation’s ambition to be a leader in ESG integration;
- to describe the Board’s implementation of its responsibility to consider how Environmental, Social and Governance (“ESG”) issues are incorporated into the investment decision-making process in evaluating and monitoring investment managers, as stated in the SIOG;
- to describe how the Foundation fulfils its commitments as a signatory to the Principles for Responsible Investment (“PRI”); and
- to support ongoing communication between the Board and the Foundation Treasurer, investment managers, investment consultants, and Foundation stakeholders, including donors and beneficiaries.

1.2. Definitions

“ESG factors” are environmental, social and governance factors that can impact investment returns and risk:

- **Environmental Factors:** Relate 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.

- **Social Factors**: Relate 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.

- **Governance Factors**: 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.

"Responsible investment" ("RI") is the practice of taking ESG factors into consideration in the investment decision-making process. RI encompasses a range of approaches, including:

- **"ESG integration":** the systematic integration of material ESG risks and opportunities to investment analysis, alongside traditional financial considerations, with the intention of enhancing overall portfolio risk-adjusted returns;
- **"Impact investment":** investments intended to achieve a measurable environmental or social outcome, alongside a market-level financial return;
- **"Proxy voting":** exercising the shareholder voting rights associated with listed equity investments at company annual meetings; and
- **"Engagement"**: undertaking dialogue with investee companies to address ESG risks and concerns and encourage enhanced ESG performance.

1.3. <u>Responsible Investment Beliefs</u>

The Board believes that:

- taking ESG factors into consideration is expected to have a positive effect on long-term financial performance and risk-adjusted investment returns for the Foundation, as a long-term investor;
- consideration of ESG factors that can impact financial performance, investment returns and investment risk is consistent with the Board's fiduciary responsibilities; and
- active engagement on ESG factors is a more effective way to create sustainable change than exclusion or divestment.

1.4. <u>Principles for Responsible Investment</u>

The Foundation is a signatory to the Principles for Responsible Investment (the"PRI"). The Board views these PRI Principles as a key framework and, where consistent with its fiduciary responsibilities, commits 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.

1.5. Scope of the RI Policy

The RI Policy applies to all Portfolio assets. Investment managers must invest the assets allocated to them in accordance with this RI Policy.

2. RESPONSIBLE INVESTMENT APPROACH

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

2.1 Incorporation of ESG across the Portfolio

The Board will incorporate ESG considerations across the Portfolio by:

- incorporating ESG considerations into the analysis of expected risks and returns of asset classes;
- incorporating ESG considerations in the selection and monitoring of all investment managers;
- encouraging all investment managers to adopt the highest standards of RI practice and disclosure;
- investigating impact investment opportunities delivering market level risk-adjusted returns in all asset classes; and
- measuring the carbon emissions associated with the Portfolio's investments and setting a portfolio carbon emissions reduction target.

2.2 Incorporation of ESG to Investment Manager Selection and Monitoring

The Portfolio is managed by external investment managers appointed by the Board. This limits the ability of the Foundation to influence the selection of individual investments and to conduct direct proxy voting and engagement with investee companies. Therefore, the Board prioritizes:

- considering how ESG issues are incorporated into investment decision-making processes when evaluating prospective investment managers and monitoring existing investment managers; and

- communicating the Foundation's ESG approach and priorities to investment managers, including through this RI Policy.

The Board may appoint investment consultants to assist in developing investment policy, measuring investment performance and enhancing dialogue with investment managers. Investment consultants are expected to assist in the implementation of this RI Policy.

2.3 <u>ESG Integration</u>

Investment managers are required to integrate financially material ESG risks and opportunities to investment analysis, alongside financial factors. To this end, the ESG integration approach is reviewed and evaluated as part of the manager selection and monitoring process.

Investment managers are required to report at a minimum annually to the Foundation on how ESG factors are incorporated to their investment decision-making process.

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

2.4 <u>Proxy Voting</u>

The Board has delegated voting rights acquired through listed equity investments to the investment managers. Investment managers are expected to vote all proxies in the best interests of the beneficiaries of the Foundation, and to take ESG factors into account when they vote proxies for companies held in any fund in which the Foundation is invested. To this end, the proxy voting policies and practices of listed equity investment managers are reviewed as part of the manager selection and monitoring process.

2.5 <u>Engagement</u>

Given the size of the Foundation's holdings and its investment approach, the Foundation focuses on encouraging ESG engagement by its investment managers. Investment managers are required to monitor portfolio companies on ESG. If this monitoring identifies significant ESG concerns or incidents relating to a portfolio company, investment managers are expected to engage the company.

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

2.6 <u>Proxy Voting</u>

Investment managers are required to disclose their proxy voting policies. The Board encourages investment managers to adopt proxy voting policies incorporating ESG factors, where this is not already the case.

Investment managers are required to report quarterly to the Foundation on how proxies were voted on the Foundation's behalf, if proxy voting policies were followed, and any material deviations.

2.7 Engagement

Investment managers are required to report annually to the Foundation on their ESG engagement activities.

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

2.8 Investment Manager Participation in PRI

All investment managers are required to become PRI signatories.

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

2.9 Collaboration

Where the Board believes participation in ESG engagement with portfolio companies will add value, the Foundation may choose to engage directly, through collaboration with other investors, collaborative engagements organized by service providers, or in its own right. The Board believes that ESG engagement by a group of like-minded investors will often have greater influence than one investor acting alone. The Foundation may also participate in investor coalitions and collaborations to enhance ESG standards and disclosure requirements.

2.10 Climate Change

The critical global issue of climate change presents profound social, economic and environmental challenges. The Foundation recognizes the vital importance to reach net zero GHG's emissions goals as soon as possible, and by mid-century at the latest, inline with global efforts to limit warming to 1.5°C.

Climate-related risk is critical to all sectors of the economy. The value of investments may be impacted over the long-term by direct or indirect exposure to physical risks from severe weather and changing weather patterns, and transition risks relating to greenhouse gas emissions, including policy and legal risk, technology risk, market risk and reputation risk. In this context, the Foundation supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for disclosure of climate-related risks and opportunities.

The key climate-related outcomes that the Foundation seeks to achieve through its RI approach are to address climate-related risk to the value of the Portfolio and support the long-term decarbonisation of the economy. The Board believes that these outcomes are best achieved by engaging with industries and companies to influence change in business practices and future investment. The Foundation's goal is to support companies with strong ESG practices and attractive long-term growth potential that are on the path to net-zero emissions, while avoiding investment in companies or industries that prove unable or unwilling to evolve.

The Foundation will measure the portfolio carbon intensity associated with its investments to the extent that reliable data is available. Based on the results, and consistent with its fiduciary responsibilities, the Foundation will set a 2030 target to reduce the carbon intensity of its investments by 45%. Progress on achieving the carbon intensity reduction target, as well as its impact on investment performance, will be assessed and reported on annually, and the target will be reviewed at least once every five years.

The Foundation recognizes that carbon foot-printing is a rapidly developing field, and that frameworks, standards, methodologies, and data related to climate change and carbon foot-printing will continue to evolve. We will work with our investment managers and investment consultants to monitor these methodologies to ensure that we remain aligned with best practices consistent with our fiduciary duties. At the present time, reliable carbon analysis is not yet available for many asset classes. For asset classes that we are not able to carbon footprint at this time, we remain committed to the spirit of this Responsible Investment Policy and will apply qualitative analysis to evaluate these investments.

The Foundation will consider impact investments in all asset classes that align with its prudent investment strategy outlined in the SIOG and responsible investment goals.

The Foundation will give specific attention to climate change in investment manager selection and monitoring, including:

- engaging with investment managers on their climate strategy and portfolio carbon emissions;
- encouraging investment managers to integrate material climate-related risks and opportunities to investment analysis and requesting due diligence from investment managers to show their alignment with a 1.5°C or 2°C climate pathway;
- encouraging investment managers to undertake active engagement with companies to foster emissions reduction performance and disclosure, including through proxy voting and engagement; and
- encouraging investment managers to publicly support the net zero emissions goals and the TCFD recommendations, and to publish TCFD-aligned climate reporting.

The Foundation will also participate in collaborative engagement opportunities with other investors on climate change.

2.11 Responsibilities of the Board

The Board shall:

- establish, amend and implement the RI Policy;
- review the RI Policy at least annually and make revisions where appropriate;
- consider the RI Policy in evaluating and monitoring investment managers; and
- monitor the implementation of the RI Policy on a quarterly and annual basis.

2.12 Responsibilities of the Foundation Treasurer

The Foundation Treasurer will support the Board and engage with external consultants when necessary in the implementation of the RI Policy by:

- developing and implementing a framework for ESG incorporation in manager selection and monitoring;
- reviewing investment manager RI reporting and disclosures for consistency with the RI Policy; and
- providing quarterly and annual reporting to the Board on the implementation of the RI Policy.

2.13 Criteria for Amending the RI Policy

In considering possible amendments to the RI Policy, including proposals from stakeholders, the Board will follow an evidence-based approach. To be considered by the Board, proposals to amend the RI Policy should meet the following criteria:

- the outcome that the proposal seeks to achieve should be clearly defined;
- the outcome should be one that can be addressed effectively through RI approaches that are relevant for the Portfolio;
- evidence should be provided demonstrating that the proposal is an effective and efficient way to achieve the outcome;
- the proposal must be realistic, taking into account the resources required to implement it, the scale of the Portfolio's holdings, and the use of external investment managers;
- absence of a more effective approach; and
- the proposal must be consistent with the Board's fiduciary responsibilities.

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

2.14 Transparency

The Board is committed to transparency on RI activities. The Foundation will provide the following disclosures:

- this RI Policy;
- the Portfolio holdings annually;
- information on the ESG policies, practices and engagement activities of the investment managers;
- the Foundation’s annual PRI Transparency Report;
- the Foundation’s annual PRI Assessment scores;
- the Foundation’s investment carbon intensity target; and
- an annual RI update within the Foundation Annual Report, including:
  - an overview of proxy voting and engagement; and
  - portfolio carbon measurement metrics and progress against the portfolio carbon target.