

# **University of New Brunswick Investments Committee Statement on Responsible Investing**

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## **STATEMENT ON RESPONSIBLE INVESTING**

### **1. PURPOSE**

The Statement of Responsible Investing provides a framework to guide the application of responsible investment practices to the management of the University's investments in accordance with the Board approved Investments Committee Terms of Reference and Statement of Investment Objectives and Policy for the Long-Term Investment Fund.

Responsible investing is the integration of Environmental, Social and Governance (ESG) considerations into investment management process and stewardship practices.

ESG refers to environmental, social and governance factors that may impact or be impacted by corporate or investment activities. Environmental factors relate to the quality and functioning of the natural environment and natural systems. Social factors relate to the rights, well-being, and interests of people and communities (e.g. employees, customers, broader society). Governance factors relate to the policies and procedures used to direct, control and monitor companies and other investee entities. Examples of ESG factors include climate change, health and safety, human rights, board compensation and executive compensation.

### **2. POLICY FRAMEWORK**

The University of New Brunswick (University or UNB) has developed a policy framework for managing investments and endowment spending, including:

- Statement of Investment Beliefs
- Statement of Investment Objectives and Policy (SIOP)
- Risk Management Framework
- Endowment Spending Policy

The Statement of Responsible Investing (Statement) forms part of the overall policy framework and should be interpreted and applied in this broad context.

### **3. CONTEXT**

Although the Statement focuses on investment activities, the University also acknowledges the importance of addressing ESG factors and best practices for the University's own management and operations. As such, the University's approach to responsible and sustainable investment practices is part of a broader effort to promote sustainability through teaching, research and campus operations. For examples:

- a) The University is committed to being environmentally sustainable, working toward the 2050 carbon-neutrality goal, and aspires to lead sustainability and environmental stewardship across Canadian universities.

- b) The University encourages the inclusion of sustainability and environmental awareness in teaching and learning curriculums. UNB offers programs and courses that make sustainability accessible, relevant and applicable to nearly every field of study. For example:

The Environmental Sciences program with a major or honours option, as part of a four-year Bachelor of Science degree with six streams to choose from:

- Biological responses to the environment
- Chemical environmental perspectives
- Responsible resource recovery
- Water-Earth interaction
- Sun-Earth interaction

- c) UNB plans and constructs new buildings using principles of sustainability and energy efficiency. UNB focuses on reducing its carbon footprint and strives for Leadership in Energy and Environmental Design (LEED) Gold on major standalone building projects.

- d) UNB is also a partner with a number of organizations and associations promoting sustainability such as:

- STARS (Sustainability Tracking, Assessment and Rating System) was developed by AASHE. STARS is a framework that was developed for universities and colleges to measure their sustainability performance. Completing this report was a major step for UNB Fredericton as the results will serve as a baseline for all future sustainability initiatives.
- The Atlantic Universities and Colleges Sustainability Network (AUCSN), which facilitates information sharing and cooperative initiatives among post-secondary institutes in the Atlantic Canada region. UNB has been a member with AUCSN since 2011.

- e) Understanding the need for sustainable practices, UNB established an Energy Management Program in 1996 which has since invested \$13.7M in over 205 projects to make UNB's buildings less energy consuming and more sustainable. Since 1997, these investments have resulted in:

- 40.2% CO<sub>2</sub>e avoidance achieved from 1996 baseline
- Avoided using 815,417,548 lbs of steam
- Avoided using 108,261,801 kWh of electricity
- Water conservation of 2,669,591 m<sup>3</sup>

In 2018, funding of \$4.1 million was approved for the Saint John campus, which has resulted in:

- Forecasted annual cost avoidance \$0.52 million
- Number of buildings included: 17

- f) UNB's strategic plan includes a commitment to strengthen the University's ability to respond to current challenges in ways that improve the lives of New Brunswickers and Canadians. UNB will keep environmental stewardship, climate adaptation and the reduction of the University's carbon footprint at the forefront of the University's planning.

The incorporation of ESG factors into the University's endowment investment practices and processes is important in UNB's efforts to promote sustainability and environmental consciousness. Responsible investing practices are constantly evolving and the University expects its approach to responsible investing to evolve over time as research, evidence and industry practice evolve.

#### **4. FIDUCIARY RESPONSIBILITIES**

The Board of Governors (Board) has the overall responsibility for the management of investments at the University. The Board Investments Committee (Committee) oversees investments on behalf of the Board, acting within a Board approved policy framework.

As such, Board and Committee members have a fiduciary duty to act solely in accordance with the requirements of donors and in the best interests of beneficiaries, while complying with applicable common law and statutory investment standards for trustees. University fiduciaries have generally interpreted this fiduciary responsibility as a duty to invest funds prudently, in a manner that achieves the highest possible return at an acceptable level of risk.

The Committee believes that portfolio diversification is the most effective way to maximize risk-adjusted returns. Due to its modest size and limited internal resources, the University endowment is generally invested through pooled funds provided by external investment managers, rather than through direct ownership of individual securities.

This approach provides opportunities for diversification of investment risk, management style, and minimization of investment management fees and costs.

#### **5. RESPONSIBLE INVESTING**

As outlined in Section 23 "Responsible Investment" in the SIOP, the Committee believes that as an owner, ESG factors are important and need to be considered among other factors to make good investment decisions. This view is based on the belief that companies that behave responsibly with respect to ESG factors will have an increased likelihood of enhanced long-term financial performance. ESG factors may present material and evolving impacts on the risk and return of a given investment and/or the investment portfolio.

##### **Investment Managers**

Consistent with its duty to donors and beneficiaries, the Committee ensures external investment managers are aware of this Statement and understand the expectations that environmental sustainability and high standards of corporate social responsibility and corporate governance are considered when making investment decisions.

The Committee regularly engages with and monitors the investment managers' responsible investing practices and performance and supports and encourages improvement of responsible investment practices, performance, and reporting in alignment with leading practices.

Specifically, the Committee communicates expectations to the investment managers through:

- i. A reference to this Statement in Section 23 of the SIOP;
- ii. A requirement that Investment managers must advise on how they incorporate these factors (including proxy voting) in their investment process;
- iii. A requirement for managers to complete an ESG questionnaire is part of the annual manager review process and,
- iv. The evaluation and review of the manager's adherence to these principles as part of its ongoing monitoring process.

Competency in and the capacity to take ESG factors into account in investment selection and management will be selection criteria in the retention and review of external fund managers.

### **Negative Screening**

The Committee has determined that negative screening or exclusion is impractical because:

- i. Our society and standard of living requires access to many of the items that have been targeted for suggestion of exclusion. Continuing to satisfy this demand in a responsible, sustainable fashion should provide investment returns that meet our long-term funding objectives;
- ii. Sustainability improvements are best realized through engagement, and engagement/influence can best take place as an owner;
- iii. The majority of Donor gifts have been made without any exclusionary expectations or demands, and
- iv. External investment managers are employed to invest the assets of the Long-Term Investment Fund. In most cases, the assets are held in pooled funds (that is funds in which assets are pooled with other investors). In the case of pooled funds, the Committee cannot dictate the terms of the investment mandate because the external investment managers are bound by each pooled fund's governing documents. This limits the University's ability to affect individual investment decisions. External investment manager pools are used for efficiency purposes as segregated customized accounts are much costlier.

The university leaves the decision to exclude a security to the Managers hired to manage the portfolio, as they possess the necessary expertise and information to make the decision that is in the best interest of the portfolio.

### **Collaboration**

The Committee participate in collaborating, monitoring, and engaging on responsible investing issues along with its peers through a number of industry associations (ex. Canadian Association of University Business Officers, Pension Investment Association of Canada). The combined power and influence of these groups can be very effective in engaging directly with companies, regulators, and governments and encouraging the inclusion of ESG criteria in the investment management process.

## **Engagement and Proxy Voting**

Company engagement activities, such as dialogue with management, proxy voting or shareholder resolution filing are delegated to the external investment managers. Managers are expected to report to the University on a regular basis on their engagement work and provide a rationale for their decision to alter a portfolio position based on ESG factors.

Proxy voting is the most prominent means in which an investor can participate in the corporate governance process. Proxy voting is delegated to the Committee's external investment managers. The Committee encourages fund managers to incorporate in their proxy voting guidelines, policies that encourage issuers to increase transparency of their ESG policies, procedures, and activities. The Committee expects investment managers to consider shareholder proposals on ESG issues on a case-by-case basis.

The Committee generally supports shareholder proposals asking corporations to adopt policies to report on their ESG performance and strategy. Managers will be required to provide the Committee with a copy of their proxy voting guidelines, to maintain complete and accurate records of proxy votes cast, and to report annually on the execution of voting rights.

## **Carbon Measurement**

The University will measure the carbon intensity of the Long-term Investment Fund on an annual basis. The measurement will provide a baseline to monitor the climate reduction progress of the portfolio over time as individual companies and investment managers work towards meeting their own carbon reduction targets.

## **6. REVIEW**

The Statement may be reviewed and revised at any time but it must be formally reviewed by the Committee at least once every two calendar years. Amendments become effective on the recommendation of the Committee and approval by the Board.