

## **University of New Brunswick Statement on Sustainable Investing**

### **1.0 Purpose**

- 1.1 The statement provides a framework to guide the application of sustainable investment practices to the management of the University's investments in accordance with the Board approved Committee Terms of Reference and Statement of Investment Objectives and Policy (SIOP).

### **2.0 Policy Framework**

- 2.1 The University has developed a policy framework for managing investments and endowment spending, including:
- Statement of Investment Beliefs
  - Statement of Investment Objectives and Policy
  - Risk Management Framework
  - Endowment Spending Policy.
- 2.2 This statement forms part of the overall policy framework and should be interpreted and applied in this broad context.

### **3.0 Context**

- 3.1 The University's approach to sustainable investment practices is part of a broader effort to promote sustainability through teaching, research and campus operations.
- 3.2 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. Examples include a BA in Environmental Studies and MPhil with Sustainable Development concentration in the Faculty of Arts; M.ENG in Environmental Studies in the Faculty of Engineering; and BSc in Environmental Geochemistry in the Faculty of Science.
- 3.3 Research Programs and Partnerships include the Sustainable Forest CURA (Community-University Research Alliance), a collaborative partnership for sustainable forest management comprised of environmental professionals and forest managers working together to discuss and agree upon difficult issues in the management of Fredericton's natural resources. The Sustainable Power Research Group is a group conducting extensive research into sustainable energy

- resources. In collaboration with Industry and other institutions, the area of environmental design engineering has greatly expanded. UNB researchers have been instrumental in developing technology to shift the timing of flows of electricity to homes and businesses, piloting with PowerShift Atlantic in allowing technology to help shape electrical loading to take advantage of wind power.
- 3.4 Understanding the need for sustainable practices, UNB established an Energy Management Program nearly 20 years ago which has since invested \$11.5M in over 140 projects to make UNB's buildings less energy consuming and more sustainable. These investments have resulted in nearly 40% CO<sub>2</sub> reduction from 1996 baselines through reduction of electricity, water, and steam; steam produced from UNB's Central Heating Plant that is ~25% generated from renewable fuel. UNB continues to invest in energy reducing infrastructure while using the latest in energy monitoring tools to identify reduction opportunities and eliminate waste. UNB also invests in sustainability efforts through a growing sustainability program that engages students, faculty and staff while implementing sustainable projects throughout campus in areas such as waste management and sustainable grounds.
- 3.5 UNB's strategic plan includes a commitment to building a better university and a better province. Sustainability and environmental stewardship is seen as an important part of that commitment. The incorporation of ESG factors into the University's endowment investment practices and processes is an important next step in UNB's efforts to promote sustainability and environmental consciousness.

#### **4.0 Fiduciary Responsibilities**

- 4.1 The Board of Governors has the overall responsibility for the management of investments at the University of New Brunswick. The Board Investments Committee oversees investments on behalf of the Board, acting within a Board approved policy framework.
- 4.2 As such, Board and Investment 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. UNB 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.
- 4.3 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 UNB 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.

## **5.0 Sustainable Investing**

- 5.1 Like many similar organizations, UNB has considered the topic of sustainable investing, and its potential application to UNB investments. A key question for the Investments Committee was the extent to which sustainable investing standards can be achieved consistent with the fiduciary standards described in the previous section.
- 5.2 The Committee retained the services of a consultant to help educate the Committee on evolving responsible investment (RI) practices and present a number of approaches and actions taken by our peers.
- 5.3 The evolving RI practices identified and reviewed by the consultant included:
- Ethical investing
  - Socially responsible investing
  - Negative or exclusionary screening
  - Targeted investment in ESG (Environmental, Social and Governance) or sustainability mandates
  - United Nations Principles for Responsible Investing
  - Attempting to influence corporate behavior through proxy voting and engagement.
- 5.4 The Committee has recently included Section 20 – Sustainable Investment in the Statement of Investment Objectives and Policy (SIOP) for the Long-Term Trust & Endowment Fund. As outlined in Section 20, the Committee has determined 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.
- 5.5 Consistent with its duty to donors and beneficiaries, the Committee will make external investment managers aware of this policy statement and ensure they understand our expectations that they consider environmental sustainability and high standards of corporate social responsibility and corporate governance.
- 5.6 We specifically communicate this expectation to our investment managers through our Investment Policy:
- We have advised our current managers of this recent policy addition

- We have asked them to advise on how they incorporate these factors (including proxy voting) in their investment process
- We have included a reporting section on how our managers are incorporating SI guidelines in our annual manager review process
- The Committee will evaluate and review the manager's adherence to these principles as part of its ongoing monitoring process.

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

- 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.
- Sustainability improvements are best realized through engagement, and engagement / influence can best take place as an owner.
- The majority of Donor gifts have been made without any exclusionary expectations or demands.
- Due to limited internal resources we use external manager investment pools for efficiency purposes and therefore cannot provide specific security selection direction to the managers without changing to much more costly segregated customized accounts.

5.8 We participate in collaborating, monitoring, and engaging on Sustainable Investing issues along with our peers through a number of industry associations (ex. CAUBO, PIAC). 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.

5.9 Proxy voting is delegated to the Committee's external investment managers. The Committee will encourage 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 will expect investment managers to consider shareholder proposals on ESG issues on a case-by-case basis. However the Committee generally supports shareholder proposals asking corporations to adopt policies to report on their environmental, social and governance 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.

## **6.0 Annual Review**

- 6.1 The Committee will review this statement on an annual basis as part of our Terms of Reference and in conjunction with the annual review of the SIOP.