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Introduction
In recent years, there has been growing interest in responsible investing (RI), especially among organizations with large holdings of investments held for endowments and other purposes. More and more institutions, including universities, are refining their investment strategies to ensure incorporation of environmental and social considerations that may be material and/or reflect institutional values. By one industry measure, more than 20 per cent of professionally managed assets globally are now managed using a variety of criteria for sustainable or responsible investment.¹

For guidance, many organizations recognize the “Principles for Responsible Investing” (PRI), part of an initiative involving the United Nations Environment Programme Finance Initiative (UN-PRI) and UN Global Compact. The UN-PRI is a global network of investors that includes more than 1,300 signatories representing more than US$45 trillion in assets.² It describes responsible investing (RI) as the following:

“Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. It recognizes that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems. Responsible investment requires investors and companies to take a wider view, acknowledging the full spectrum of risks and opportunities facing them, in order to allocate capital in a manner that is aligned with the short and long-term interests of their client and beneficiaries.”

In response to this evolution in investment philosophy, the University of Guelph and many universities across Canada and around the world have developed or are considering development of RI policies.

This shift is based on the belief that integrating such considerations into investment decision-making will deliver appropriate financial results to support the institution’s mission, generating long-term value for both shareholders and society, and aligning investment decisions with institutional values.

While there is general recognition that the University of Guelph is a relatively small institutional investor with limited capacity to directly impact corporate behaviour globally, the RI movement

² Principles for Responsible Investment, www.unpri.org/about-pri
creates new opportunities for universities to demonstrate leadership and help drive an evolution of corporate practice towards an approach that recognizes that good governance and environmentally and socially responsible practices can create sustainable, long-term organizational value and returns.

In this context, the U of G Board of Governors (BOG) established the Ad Hoc Working Group on Responsible Investing (WGRI), which began meeting in January 2015.

**WGRI Membership**

The WGRI consists of members of the Board, senior administration, students, staff, faculty and alumni, including:

- Mary Anne Chambers, Board of Governors, Chair
- Virginia McLaughlin, Board of Trustees
- Don O’Leary, Vice-President (Finance, Administration & Risk)
- John Miles, Associate Vice-President (Finance & Integrated Planning)
- Erin Skimson, Director, Catalyst Centre
- Cass Andrew, Central Student Association (CSA)
- Adina Bujold, Graduate Students’ Association (GSA)
- Ben Bradshaw, Department of Geography
- Patrick Case, Department of Political Science
- Karen Kuwahara, B.A.Sc. ’76
- Vicki Hodgkinson, University Secretary (non-voting)

For biographical information on members of the WGRI, please see Appendix A.

**WGRI Mandate and Approach**

The WGRI’s mandate is to facilitate the BOG’s desire to consider a policy on RI that will be applied to the University’s General Endowment Fund and the Heritage Fund endowment assets.³

Specifically, the WGRI was charged with preparing a report that includes recommendations on options for an RI policy for consideration by the Board’s Finance Committee. The Finance Committee will have the responsibility to make a recommendation to the BOG on any changes to relevant University policies and procedures. In doing so, it is anticipated that the Finance Committee will also engage the experience and expertise of the members of the BOG’s Board of Trustees and Investment Subcommittee. Final decisions on any recommendations emerging from the process will be made by the BOG.

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³ General Endowment Fund assets come from external, non-operating sources such as donations and government. The funds are mostly designated for student aid in the form of scholarships and bursaries. The funds also support research, endowed faculty chairs, equipment and/or library purchases, and academic activities including special lectures or student travel/study abroad programs. The Heritage Fund supports strategic spending, including capital projects using proceeds from real estate holdings and investment income.
To that end, the WGRI has examined the University’s current policies and procedures regarding investment of the University’s endowment assets, the concept of RI in general and RI practices currently used by other Canadian universities and non-profit organizations.

The WGRI followed a work-plan that included gathering input on RI from members of the University community at two drop-in information sessions held in March 2015, and through written submissions. The group also consulted expert resources and investigated existing policies in other jurisdictions with particular focus on universities in Canada. In particular, the WGRI explored policy and process options that are considered ‘best practices’ with respect to RI among major North American universities and non-profit organizations. The group also heard presentations from representatives of diverse organizations, including Western University, the Canada Pension Plan Investment Board and Fossil Free Guelph, and received petitions signed by more than 1,000 members of the University community calling for divestment from fossil fuel companies.

Information about the WGRI’s meetings and the materials used in its work are available online as are many of the resources and reference materials it received and referenced.

This report summarizes the work and findings of the WGRI and contains key recommendations to inform the Finance Committee’s deliberations.

Definitions and Key Concepts

Further to the UN-PRI’s definition of RI provided above, there are a number of additional terms used to refer to investment decision-making that incorporate ethical, environmental and social considerations. Concepts such as socially responsible, sustainable, green, ethical, mission-based and impact investing have existed for some time. All offer various expressions of RI — although they have different implications in practice and each is used to advance different goals.

Other key terms include:

- **Environmental, Social and Governance (ESG)** factors are those non-financial factors that can affect the long-term success of a company and potentially impact investment returns. Environmental factors may include a firm’s energy consumption and greenhouse gas emissions; social factors may include a company’s relations with Indigenous communities or record on gender and racial equality; governance factors may include board leadership and executive compensation. An ESG-focused approach to investment decisions makes use of assessments of company ESG characteristics and the impact that those factors can have on portfolio performance.

  Though the case has yet to be proven in any absolute sense, a growing body of research suggests that integrating ESG analysis into investment decisions is not inconsistent with providing long-term benefits to investors.

- **Socially Responsible Investing (SRI)** involves choosing investments according to ethical or institutional values or social impacts. It may include considering ESG factors but only insofar as it helps make the “socially responsible” choice (as defined by the investor). Its roots may go back to colonial era in the United States, when religious groups like the Quakers refused to invest in companies profiting from the slave trade. SRI began to take more shape as an investment
philosophy in the 20th century, when it was put into action in a variety of causes including the fight against apartheid in South Africa.\(^4\)

SRI may involve establishing **negative screening** mechanisms that exclude sectors perceived to have a negative impact on society, such as weapons manufacturers or tobacco companies — and more recently, petroleum companies due to their impact on climate change — regardless of the effect on the investment portfolio. SRI may also depend on **positive / best-in-class screening** where companies or sectors are selected for ESG considerations, particularly as demonstrated relative to industry peers.

- **Impact / Community Investing** is a more affirmative investment strategy where investors target investments toward solving particular social or environmental problems. The goal is to effect measurable positive change in addition to achieving financial returns that align with policy objectives. Impact investors provide capital to firms and/or sectors that are addressing global challenges in fields such as agriculture and food production, accessible health care, energy production, affordable housing, clean tech, and more. Oftentimes the potential impact takes priority over maximizing financial returns.\(^5\)

In summary, the concept of RI informing the work of the WGRI takes into account the influence of ESG factors in generating long-term value — and may incorporate broader values of social justice and **sustainability**\(^6\) in addition to economic value and return on investment. Furthermore, applications of RI may include — but do not require — specific actions to divest from or screen out particular companies due to their perceived ethical or environmental shortcomings. Rather, it is best understood as a principled, pragmatic approach to investment decision-making that integrates ESG considerations as an aspect of due diligence and risk management.

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\(^6\) The U of G uses the definition of **sustainability** developed by the World Commission on Environment and Development (1987): “Simply put, sustainability means meeting the needs of today’s generation without compromising the needs of future generations. At its broadest scope, it encompasses economy, society and environment.”
RI and Universities: Current Drivers

While approaches to RI can vary considerably, the concept itself is gaining influence in the mainstream investment industry. According to survey data published by the Responsible Investment Association, assets in Canada managed using one or more RI strategies grew by 68 per cent in just two years, up from $600 billion to more than $1 trillion as of Dec. 31, 2013.7

A number of key drivers are responsible for the emergence of RI, particularly with respect to institutional investors such as universities:

• **ESG Factors**: there is a growing belief within corporate management circles that paying attention to sustainability, as understood broadly, can add to the bottom line. This is based on evidence that a company’s positive performance on ESG factors is closely aligned with strong financial performance over the long term and that positive ESG factors appear to reduce operational risks. More and more, it is observed that companies with a better record on environmental, labour and/or community relations and governance matters will generate better financial returns in the long run.8

• **Minimizing Headline Risk**: while corporations have always been attuned to their reputations, the advent of the Internet and social media have vastly increased the speed at which negative perceptions can significantly influence consumer and investor behaviour. “Headline risk” has become an area of considerable concern not only for companies but also for managers of investment capital. For example, colleges and universities in the United States have faced growing scrutiny from their students and from organizations such as the Responsible Endowments Coalition, which has called for divestment of endowment assets from a wide range of companies including ExxonMobil (for its impact on climate change), Nike and Apple (for their labour practices), and Boeing, General Electric and Caterpillar (for arms sales).

• **RI Industry Growth**: As consumer/investor demand for RI options has grown, investment managers have responded by providing more investment options that offer RI strategies such as sustainable energy funds, funds that integrate ESG factors and ethical-based funds. A growing number of investment managers are signatories to the UN-PRI and, while this is currently a relatively small number within the total universe of investment managers, the application of RI principles is increasingly evident in the practices of large corporations and major pension plans. In many cases this takes the form of increased transparency and the improved disclosure of ESG characteristics linked to company performance.

• **Institutionalization of Sustainability**: The University of Guelph, along with certain other Canadian universities, is in the vanguard of innovative approaches to sustainability. Guelph is recognized as a world leader in providing learning and research opportunities for students aimed at solving complex global issues related to food, health, environment, and communities. The University of Guelph is also one of more than 350 signatories to the 1990 Talloires Declaration, a 10-point action plan for incorporating sustainability and environmental literacy in teaching, research, operations and outreach.

Experience at the University of Guelph has shown how community engagement involving stakeholders and decision makers can lead to positive changes in areas such as energy

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8 Mansberger, p. 1
conservation. The University has saved millions of dollars in energy costs and cut its greenhouse gas emissions thanks in part to a retrofit program supported by students who felt so strongly about the necessity for energy conservation that they voted to contribute nearly $5 million over 12 years (matched by the University) to support projects aimed at improving energy efficiency on campus.

However, while many universities have a generally well-institutionalized sustainability ethos — embodied in such initiatives as energy retrofit programs or having a sustainability office and sustainability policies — most are only just beginning to take concrete steps to include RI approaches as part of their sustainability framework.  

At the same time, there is growing interest in and awareness of “triple bottom line” (TBL) accounting and the global nature of sustainability issues among students, faculty members and other university stakeholders. TBL is an accounting framework that includes social, environmental and financial dimensions of performance that has been gaining acceptance, particularly in the public and non-profit sectors as a tool to support their sustainability goals. For example, a mining company that enjoys a positive balance sheet using traditional measures of profit and loss might be looked upon less favourably by investors when the social and environmental costs of its operations are taken into account using TBL. Conversely, a company with a better environmental record, but slimmer profit margins, may be an attractive investment.

As a result, more and more university finance committees are facing pointed questions about how endowments and pension funds are being invested. A prime example of this type of debate is the GoFossilFree campaign that swept across North America in 2012-2013. Students at more than 300 university campuses, including Guelph, continue to call for divestment from the fossil fuel industry.

- **2008 Financial Crisis and Broadening Views of Fiduciary Duty & Risk Management:** Canadian universities were hit hard by the global financial crisis of 2008, with more than half of their estimated $11 billion in endowment and pension funds invested in world markets. Losses as high as 20 to 30 per cent were the norm rather than the exception. The fallout prompted the realization that trustees need to take a more active role in the investment decision-making process. It also strengthened the call for universities to manage their investments in ways that reflect the values of their stakeholders and the long-term interest of their students. At the same time, consensus has been building around the notion that taking ESG factors into account is compatible with traditional understandings of fiduciary duty, which has been narrowly interpreted to mean that the interests of beneficiaries are best served by maximizing investment returns. As a result, a growing number of universities are moving toward adopting RI policies and establishing mechanisms for seeking multi-stakeholder advice on the management of endowment funds.  

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**Best Practices in RI**

**Scan of Other North American Universities**

While it is helpful to look at best practices in RI policies, there is no “one-size-fits-all” model and the feasibility of any policy recommendations must be based on the University of Guelph’s current investment objectives, existing policies, and related procedures for the University’s endowment funds.

Across North America, approaches to RI vary considerably as universities, like other investors, continue to adapt their practices to evolving societal expectations and shifting market conditions. Some universities include general statements about responsible investing or social responsibility in their investment beliefs, while others have separate RI policies or have given expression to intentions in this area by becoming signatories to the UN-PRI.11

A scan of best practices at Canadian universities reveals the following commonalities:

- broadly speaking, the primary objective is to maximize returns on endowment investments over the short and long terms with some allowance for formal or informal mechanisms for reviewing specific investments in response to community concerns or social/moral considerations;
- advisory committees have mandates to research, report on, and review issues of RI or social responsibility and provide independent advice on ESG factors and investment policies to governing bodies and administrators;
- provisions and procedures encourage investment managers to phase in the integration of ESG factors into their investment practices;
- endowment funds may include separate sustainable / SRI or impact investment funds that allow donors to contribute to particular sectors or interests;
- proxy voting guidelines allow for the exercise of shareholder rights to address instances of social injury caused by companies in which the university invests;
- engagement strategies enable institutions to work with fund managers as well as other investors to interact with industries and sectors through direct and indirect channels to encourage positive ESG policies, procedures and practices; and
- mechanisms or processes have been established by which universities can receive and consider petitions or expressions of concern about particular investments from members of the university community, as well as criteria for examining questions of divestiture.

For example, Queen’s University enacted an RI statement in 2009 that sets out a process for action with respect to expressions of concern about investments that cause “social injury” as defined by Yale University.12

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12 Queens University Statement on Responsible Investing (2009), “… the injurious impact which the activities of a company are found to have on consumers, employees, or other persons, particularly including activities which violate, or frustrate, the enforcement of, rules of domestic or international law intended to protect individuals against deprivation of health, safety, or basic
Expressions of concern must be initiated by members of the Queen’s community that, for the purposes of the policy, includes five separate constituencies: faculty, administrative and support staff, students, alumni and retirees. A documented submission outlining the social injury, accompanied by at least 200 signatures from members of the Queen’s community, must be submitted to the university’s SRI advisory committee that is empowered to review the complaint and recommend a response that may include:

- no action;
- shareholder engagement activities such as letters to management or exercising voting proxies; or
- special action that must be consistent with Queen’s fiduciary duty and may include divestiture.

For more information on RI policies at Canadian universities, reference documents can be found on the WGRI web site including a [preliminary scan](#) of Canadian universities compiled by U of G administration in January 2015.

Elsewhere, the University of Edinburgh was the first university in Europe to sign the UN-PRI and, following wide-ranging consultations in spring 2014, is considering a number of changes to its investment policy. As part of that process, it developed a series of principles to inform RI decision making, including:

- the university will maximize opportunities to use its endowment funds to further its mission to advance knowledge and benefit society, and to support students;
- the university should take a long-term view of its investment approach, fully informed by the need for financial sustainability, wealth creation, ethical developments, environmental sustainability and public and social value;
- no investment choices will be made which threaten the long-term viability of the university or undermine its core academic freedom;
- the university should be open and transparent about the reasoning behind its choices and the approaches adopted;
- the university will maximize opportunities to act as an agent for change to encourage a wealthier and fairer, smarter and healthier, greener and safer, stronger society;
- the university will seek to ensure that it receives a wide range of advice and consults widely before it makes changes to its investment approach; and
- the university reserves the right to avoid investing in areas which are incompatible with its mission to benefit society as a whole.\(^{13}\)

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**RI and Public-Sector Pension Plans**

The Canada Pension Plan Investment Board (CPPIB) is a global leader in considering ESG factors when making investment decisions. Given its leadership role and particularly in light of the fact that CPPIB’s Senior Vice-President & Chief Investment Strategist, Ed Cass, is a member of the University’s Investment Subcommittee, the WGRI made a point of learning about the approach it uses for RI and considering elements that may be well-suited to application at the University of Guelph.

The CPPIB believes organizations that manage ESG factors effectively are more likely to generate greater risk-adjusted financial value over the longer term. In practice, the CPPIB integrates ESG into its overall due diligence and investment analysis, rather than eliminating particular investments due to ESG factors alone. To make that possible, the CPPIB has a dedicated in-house RI group tasked with evaluating and considering the risks and opportunities of ESG factors. The RI group works with investment teams across the organization to establish and refine ESG processes, and actively engages with companies and stakeholders.

For example, incorporating ESG analysis does not preclude investing in firms that pollute or contribute to greenhouse gases such as oil and gas or mining companies. Rather, it may mean investing in those firms that are actively restoring the land from which they are extracting resources.

Many of Canada’s large public-sector pension plans are signatories to the UN-PRI and/or incorporate ESG factors into their investment decision-making in various ways. Examples include the Ontario Teachers Pension Plan, Public Sector Pension (PSP) Investment Board, Ontario Municipal Employees Retirement System, La Caisse, Alberta Investment Management Company, and the Healthcare of Ontario Pension Plan.

In general, the RI approach evidenced in the operation of these pension plans offers examples of RI as a risk management tool through a mix of ESG analysis, engagement strategies, proxy voting, and fund manager recruitment to encourage sustainable corporate behaviour. Of the pension funds cited above, only La Caisse explicitly states that it may, in unusual circumstances, screen out or exclude certain companies or sectors.

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14 CPP Investment Board 2014 Annual Report, p. 36
Endowment Fund Management at Guelph

The University of Guelph endowments consist of two major designations: the General Endowment Fund and the Heritage Fund. Since 1990, the University’s total endowments have grown from $22 million to $342 million as of April 30, 2015. This growth is the result of both contributions and investment returns, net of spending for designated purposes. Contributions to University endowments are derived from a variety of sources including donations, government and internal University sources, such as income derived from Board of Governors-designated land assets. Spending from endowments is directed to a number of specific purposes that include student assistance, faculty chairs, research and infrastructure support.

While there are many individual spending designations, for investment efficiencies all endowment funds are managed as one investment portfolio. Each unique allocation or designation within this total portfolio is accounted for separately within the University’s accounting system. Income is awarded to each endowment account in proportion to the total earned and the specific spending. There are currently around 1,100 such designations or accounts within the University’s endowment portfolio.

Regardless of funding source or purpose, the University’s primary objective in managing all endowments is to maintain the long-term spending capacity of each endowment by protecting endowment capital against spending demands and the erosion of “purchasing power” due to inflation. To achieve this objective, a disciplined annual spending rate is established that limits spending of any endowment account to a portion of the investment returns. The Board of Governors has established policies and a governance structure that ensures the necessary oversight is in place to realize this outcome. While both of the University’s major endowments have different spending policies, they both share this fundamental principle.

RI and the Fiduciary Responsibilities of the Board of Governors

The BOG oversees the governance, conduct, management and control of the University and its property, revenues, expenditures, business and affairs, according to the powers and responsibilities set out in the University of Guelph Act, 1964. As a component of this mandate, the BOG has overall responsibility for the oversight of the University’s management of its endowment funds and is assisted in this task by the mandates and members assigned to the Finance Committee, the Board of Trustees (BOT) and the Investment Subcommittee. The Finance Committee’s mandate includes oversight of endowment assets in the University’s General Endowment Fund; the Board of Trustees’ mandate includes oversight of endowment assets in the University’s Heritage Fund, and the Investment Subcommittee assists each of the standing committees in these responsibilities.

For guidance, the BOG has approved an Endowment Investment Policy to set out the overall objectives and controls associated with the management of the University’s endowment assets and to establish expectations with regard to their prudent and effective management.

All of the BOG’s standing committees involved in the oversight of the University’s endowment assets contribute to the University’s ability to meet its fiduciary duty with respect to the various funds. The members of these committees — all volunteers except for the University President — are legally bound to be prudent, loyal and diligent in fulfilling their roles including in the assessment of risks and opportunities. Historically, the University has interpreted its fiduciary duty in the context of whether it is achieving returns on its investments sufficient to satisfy the
results specified in the Endowment Investment Policy, maximizing these returns where possible in relation to known financial/market risks. This approach is based on the University’s desire to create income for the long term that benefits the recipients of endowment proceeds, particularly students who receive the majority of these funds, and its obligations to donors, who expect to see the funds grow in value over time in order to fulfill the purpose for which the gift was given.

**Current Endowment Investment Policy**

As noted above, the BOG oversees the management and growth of the endowment funds according to the provisions of the University’s Endowment Investment Policy. The policy applies to the General Endowment Fund and the Heritage Fund, and its primary objective is to provide a permanent source of funding by investing the principal amount of each gift and making a portion of the total investment return available for spending while preserving the purchasing power of the funds over the long term.

The BOG has benefited greatly from having access to the investment experts who populate the Investment Subcommittee (IS). Its role is to appoint and review investment managers who fulfill specific investment mandates for the University. The mandates are designed to align with the asset mix and investment objectives prescribed in the Endowment Investment Policy.

In fulfilling its duties, the IS and each of its members must act with due diligence and are bound by the BOG’s confidentiality and conflict of interest policies as well as the provisions of the University’s investment policy documents including the Endowment Investment Policy. As it is accountable to the BOG and its subcommittees, the IS must provide regular reports on its activities and the IS chair must meet once annually with each of the Finance Committee, Pensions Committee and Board of Trustees. The IS’s reporting includes quarterly investment performance reports that are shared with the relevant standing committees and the BOG. These reports are also posted publicly on the University’s website.

The IS regularly monitors investment performance and considers whether adjustments to managers or their mandates are advisable to address risk considerations and or advance investment performance. At the same time, the IS contributes to an annual review of the Endowment Investment Policy, offering advice to Finance, BOT and, ultimately, BOG on changes to the policy document. As the document framing the overall approach to investment and the relationship between the University and appointed investment managers, it is important that the Policy remains relevant in the face of changing economic conditions and aligned with the University’s overall objectives for its endowments.

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15 University of Guelph Investment Policy
ESG Questionnaire for Investment Managers

Within the framework offered by the Endowment Investment Policy, the IS has a range of options to consider when selecting external investment managers. The WGRI was pleased to note that the University, understanding the BOG’s initiative in the area of RI, initiated a questionnaire in April 2015 that was designed to gauge the University’s current investment management firms’ approach to RI, particularly their use of ESG-related analysis. The results of this questionnaire will offer an important foundational step to signal the University’s interest in RI and provide a potential launching point for introduction of RI into management of endowment assets. The survey that is being used is modelled after a similar survey for investment managers developed by the Canada Pension Plan Investment Board and it asks several key questions including:

- Is your company a signatory to the UN-PRI?
- What is your firm’s belief concerning ESG factors as risks which can have a material impact on investment performance?
- Do you use any of the elements of ESG in screening stock universes as a matter of standard practice?
- How, and to what extent, does your firm engage on ESG issues with the companies in which you invest?

Current Asset Mix

The University’s total endowments are currently valued at approximately $340 million, including $215 million in the General Endowment Fund and $125 million in the Heritage Fund. The investment mix includes 30 per cent in Canadian fixed income assets (bonds) and 70 per cent corporate stocks. Regarding the latter, the University is a relatively small investor in a large number of companies in the following sectors:

- financial services: 29.5%
- producer durables: 15.2%
- energy: 12%
- consumer discretionary: 11.3%
- consumer staples: 8.1%
- health care: 7%
- materials and processing: 6.8%
- technology: 5.2%
- utilities: 5%
Institutional Values and Fiduciary Duty

The WGRI strongly believes that RI policy recommendations must complement the mission, aims, values and governance culture of the University, while also recognizing the BOG’s essential fiduciary duties.

In its discussions, the WGRI readily concluded that the University’s institutional values, expressed through the objects and purposes assigned to it by the Ontario legislature in its founding Act\(^\text{16}\) and initiatives such as its 1995 mission statement, 2013-1017 Integrated Plan, and the philosophical underpinnings of the Better Planet Project, are aligned with RI principles. For more than 50 years, the University has fostered a global perspective in its teaching and research programs and has strived for recognition as a place where learning, discovery and community engagement are equally valued. The highly successful $200-million Better Planet Project campaign is accelerating the drive to find solutions to global challenges in the University’s key areas of strategic focus: Food, Environment, Health and Communities. Just as RI integrates broader values of social responsibility and environmental sustainability into calculating economic value and financial returns, the University’s vision and areas of strategic focus promote a broader perspective of health and well-being: of organisms, of individuals, of societies and cultures, and the processes that sustain them.\(^\text{17}\)

Guelph is Canada’s food university and few places can match the depth and breadth of its research, teaching and training related to solving the world’s food-related problems: from production, food safety and food security to the impact of food on cultures, economies and the environment.

The University has also expressed its deep concern for the challenges facing the planet arising from climate change, resource depletion and environmental degradation by becoming a signatory to the Council of Ontario Universities (COU) Pledge to Greener World and the Talloires Declaration.

Guelph is a hub of expertise in environmental sciences with a history of integrating the life, physical and social sciences to address global issues. With agricultural and veterinary sciences at the heart of its identity, the University is uniquely equipped to promote interdisciplinary approaches to the health of animals, people and the environment, and all the connections in between.

The University is making a difference as a caring, community-minded institution with civic engagement and global citizenship at the heart of its ethos, as the Student Energy Retrofit Fund initiative demonstrates. From achieving a number of “firsts” such as being the first university in Canada to establish a centre to promote internationalism, to leading the way in helping organizations like the local food bank and United Way campaigns, to its renowned arts programs

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\(^{16}\) Section 3 of the University of Guelph Act, 1964, states:
The objects and purposes of the University are,
(a) the advancement of learning and the dissemination of knowledge, including, without limiting the generality of the foregoing, the advancement of learning and the dissemination of knowledge respecting agriculture; and
(b) the intellectual, social, moral and physical development of its members and the betterment of society.

\(^{17}\) University of Guelph 2012-2017 Integrated Plan, p. 11.
and leadership in education and outreach activities that help families, the U of G demonstrates every day its dedication to improving the lives of its students and of people everywhere.

The University has a long history of contributing to global change initiatives. For example, in the late 1980s, a President’s Advisory Committee on Social Responsibility was created. Its genesis was the community’s desire to have the University of Guelph contribute to Canada’s efforts to take action against the apartheid policies in South Africa at that time. Following consultations and research, actions were taken by the University as part of global sanctions placed on South Africa while its policy of apartheid remained in place.

The support of the BOG and Senate at that time was seen to align with the statement of the University’s Aims and Objectives in the Strategic Plan (“Towards 2000, Challenges and Responses”) that then prevailed: “Any University that is dedicated to promoting the good of society must be concerned with the moral development of its members ... a university cannot pursue this goal effectively unless it, too, functions in a morally responsible way, indeed, unless it acts as a model both for its members and for society at large.” The Aims statement also called on the University of Guelph to “exercise a moral concern for the members of the University and for the effects of the institution’s actions on society and the environment”.18

When sustainability is considered in its broadest context, the University of Guelph has also offered leadership on global issues affecting the human condition. The University has implemented a Code of Ethical Conduct for Suppliers and Subcontractors in Relation to Working Conditions and Employment Standards. The University’s goal through the use of the Code is to have a positive impact on working conditions and to minimize the possibility of its contributing to oppressive working conditions in its dealings with suppliers and subcontractors who fall within its scope. In this effort to uphold positive workplace standards, the University has committed to the principle of constructive engagement with companies found not to be in compliance with this Code.

The University’s dedication to upholding high social and environmental standards was recognized in 2012 when Fair Trade Canada named U of G the first fair-trade campus in Canada for its leadership in making fair-trade coffee and chocolate options available to the campus community.

For these reasons and more, developing an RI policy provides a meaningful link between the management of the University’s financial resources and its ability to deliver benefits to Guelph, to Canada and the world.

At the same time, the pursuit of truth is the University’s core value and freedom of inquiry and respectful debate are central to its academic mission and its leadership role in society. In practice, this means fostering an open and inclusive environment where individuals feel free to express different opinions and various points of view are encouraged. The topic of RI is an area where reasonable people can be expected to debate how to best manage investment holdings in a manner that is consistent with the University’s values.

One prominent debate of late is reflected in calls from many members of the U of G community to divest from the fossil fuel industry due to its impact on climate change. This is a debate that

18 University of Guelph President’s Advisory Committee on Social Responsibility, “Recommendations for a University Policy on South Africa,” Meeting Agenda, Board of Governors, March 26, 1987, p. 35 (http://bit.ly/1dWjm4E)
will need to be attended to, with any specific decisions regarding investment holdings made in accordance with the University’s governance procedures, following thorough analysis and transparent decision-making processes.

**Policy Options**
RI policies and frameworks typically include some of the following practices:

1. **Screening of investments:**
   a. Negative/exclusionary screening: The exclusion from a fund or portfolio of certain sectors, companies or practices based on ESG criteria;
   b. Positive/best-in-class screening: Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers; and/or
   c. Norms-based screening: Screening of investments against minimum standards of business practice based on international norms.

2. **Integration of ESG factors:**
   The systematic and explicit inclusion by investment managers of ESG factors into traditional financial analysis.

3. **Sustainability-themed investing:**
   Investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture).

4. **Impact/community investing:**
   Targeted investments, typically made in private markets, aimed at solving social or environmental problems. Impact investing includes community investing, where capital is specifically directed to traditionally underserved individuals or communities, or financing that is provided to businesses with a clear social or environmental purpose.

5. **Corporate engagement and shareholder action:**
   This strategy employs shareholder power to influence corporate behaviour in a variety of ways including communicating directly with senior management and/or boards of companies, filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

**Other Policy Considerations**
The WGRI incorporated the following considerations as it assessed potential RI investment policy options:

- RI policies should reflect an alignment with the University’s institutional values;
- RI policies must respect the BOG’s fiduciary responsibilities, current governance processes and authorities;
- RI processes must be transparent: major investments must be disclosed;
- Incorporating ESG factors into due diligence provides a disciplined approach for assessing investment decisions (based on long-term value and sustainability) and helps
avoid choices based on ideological preferences (recognizing that perspectives on social, ethical and/or environmental priorities can shift over time);

- The University does not have the financial influence that much larger funds do, but there are processes it can implement. Like most Canadian universities the value of the University of Guelph’s holdings is considered relatively modest in the investment marketplace and this, together with its reliance on the use of investment managers to pursue its investment goals, means it has a limited ability to impact directly economic or social change through management of its endowment assets. At the same time, however, its approach to investing can be used to offer leadership and signal support for social change. This in turn can affect the University’s reputation among stakeholders.

- Any policy changes and related enhancements to process need to be assessed in terms of implications for administrative resources and new governance commitments. The WGRI felt strongly that the University’s capacity to implement the new policy on an ongoing basis is vital to ensure any leadership it offers in RI is credible. For example, the WGRI considered whether the University might become a signatory to the UN-PRI. It was observed, however, that the University’s reliance on investment managers among other factors would make it difficult, if not impossible, to satisfy the accountability expectations of UN-PRI signatories. This did not, in the WGRI’s view, detract from the University’s ability to rely on the UN-PRI’s definition of RI as a part of expressing its aspirational goals for the management of its investments.

- The WGRI also considered the following issues regarding implementation of an RI framework:
  - What would a process for RI review look like and require in terms of committee and administrative structure (e.g., a standing review community or an ad-hoc committee to respond to specific requests for action)?
  - What actions would the University be prepared to take in determining how best to integrate RI principles into its endowment investment policies (e.g., negative screening, positive screening, divestment, engagement, proxy voting)?
  - How does the University ensure that actions in support of RI principles do not erode its fiduciary responsibilities?
University of Guelph Community Consultation

In preparing this report, the goal of the WGRI has been to foster a thoughtful, open discussion of complex ethical, moral and financial issues that may have a material impact on the University’s future capacity to perform its mission. In moving toward adopting an RI policy, the University is carrying on a tradition of innovation that goes back more than 150 years when its founding colleges began to transform the economic, social and environmental landscape of Ontario.

The WGRI sought the views of the University community – students, faculty members, staff and alumni – and other interested parties as it carried out its mandate to provide RI policy recommendations for the endowment funds. Information and perspectives to assist the WGRI with its task were received in the following ways:

- written submissions;
- a presentation to the WGRI from Fossil Free Guelph; and
- two drop-in community sessions (March 13 and March 25), where participants were invited to share their thoughts with WGRI members and ask questions, as well as to write comments on poster boards or take information and provide input by email or mail.

The WGRI acknowledges and appreciates the leadership of the many students, faculty, alumni, and other community members who expressed the view that RI presents an opportunity for the University to manage its investments in a manner that reflects its institutional values and its long-term commitments to future generations of students.

The WGRI also heard from investment experts who discussed the practical, strategic aspects of RI. From their perspective, an effective RI policy must be both “responsible” and financially sustainable and beneficial for all stakeholders.

For example, the Canada Pension Plan Investment Board (CPPIB) integrates ESG factors into its investment analysis in order to add long-term value for CPP contributors and beneficiaries, and society as a whole. In a presentation by the CPPIB’s Ed Cass, the WGRI learned that companies that manage ESG factors effectively produce competitive and sustainable financial results for investors, who in turn can influence corporate behaviour through a variety of engagement strategies and improved disclosure and transparency practices.

Michael Walsh, the IS chair and a retired investment industry executive, noted that, as the Endowment Investment Policy is currently focused on maximizing financial returns on investments, changes to the policy are required to accommodate RI considerations. It also requires a shift in worldview for the IS, which currently selects and monitors investment managers based on performance. Walsh observed that implementing an RI framework may require adjustments to financial goals in an environment where energy stocks make up a considerable portion of the Canadian market.

Fossil Free Guelph: The Case for Divestment

Fossil Free Guelph presented The Case for Fossil Fuel Divestment to the WGRI on March 13. The presentation outlined the environmental, economic and social consequences of climate change resulting from fossil fuel use. Fossil Free Guelph called upon the WGRI to advise the University’s Board of Governors “to freeze all new investments in 200 of the world’s largest fossil fuel companies, and to divest completely from these companies in a period of 5 years.”

Fossil Free Guelph also presented a petition with more than 1,000 signatures in support of the above statement.
“The University of Guelph has an incredible opportunity to be a leader for divestment as the first Canadian university to divest, and a leader in the global efforts to prevent runaway climate change,” the presentation concluded.

**CSA Votes for Divestment and ESG Standards**
The WGRI also received a motion from the Central Student Association (CSA), approved at the CSA’s AGM in January 2015, endorsing Fossil Free Guelph and its call for action, as well as urging the University to reinvest divested funds “into renewable energy and portfolios that have been approved by environmental and social governance standards (ESG)”.

**Faculty Members Add Their Voices**
The Fossil Free Guelph call for action was echoed in written submissions signed by 12 faculty members of the Department of Geography, 21 members of the Department of Sociology & Anthropology, and eight members of the Department of Political Science. They cited information on the effects of climate change and called for the University’s BOG to “freeze all new endowment fund investments in 200 of the world’s largest fossil fuel companies, and to divert completely from these companies within a period of 5 years.”

A written submission signed by 11 members of Ontario Agricultural College’s School of Environmental Design and Rural Development also cites concern about the impact of fossil fuel use on climate change and calls for the University of Guelph to “freeze all new investments in fossil fuel companies and to divest completely from these companies as quickly as possible.”

One written submission by a faculty member presented another viewpoint: “I think the principle that should govern investment decisions is long term, relatively secure investments that are likely to perform the best in terms of return on investment. If this includes fossil fuel companies, then I am in full support of investing in them.”

**Input Received at the Drop-in Consultation Sessions March 13 and March 25**
Participants (largely undergraduate and graduate students) overwhelmingly supported incorporating RI considerations in the University’s endowment fund management policy (at a minimum) and many urged the University to take a leadership role on RI and ensure that investment decisions reflected the institution’s stated environmental and social justice values (as well as financial considerations). The vast majority of comments urged divestment in fossil fuels, and the fulfillment of responsibilities to the well-being of people and the planet, now and in the future.

“Investment drives innovation,” noted one participant. “A more diversified portfolio is a stronger one,” stated another.

The WGRI wishes to thank all University community members who contributed to the RI discussion. Their input is detailed in Appendix C, along with four questions the WGRI provided to stimulate dialogue during the drop-in sessions.
Conclusion and Recommendations

The WGRI has reviewed extensive information from a wide range of sources on the topic of Responsible Investing, including existing policies and best practices in other jurisdictions, with a primary focus on post-secondary institutions and non-profit organizations. The WGRI has also considered the existing U of G policies and procedures for endowment fund investments, and the University’s values, culture and responsibilities as articulated in its mission statement, integrated plan and the Better Planet Project capital campaign, as well as its commitments as a signatory to the Council of Ontario Universities (COU) Pledge to Greener World and the Talloires Declaration. Finally, the WGRI has considered the views and aspirations of the University community – students, faculty, staff and alumni – to guide its recommendations to the Board of Governors’ Finance Committee on options for an RI policy for the University’s endowment funds.

Key findings include:

- broad support across University constituencies for updating the Endowment Investment Policy to incorporate RI;
- recognition of the evolving nature of RI within the investment industry, led by large institutional investors such as the Canada Pension Plan Investment Board that have the capacity and resources to develop, implement and monitor results of RI initiatives;
- although definitive data is lacking on the impact of RI on investment performance, it is believed that companies that manage ESG factors effectively will generate higher risk-adjusted returns in the long run;
- while some discussions of RI tend to focus on screening investments, RI incorporates a range of tools and strategies including integration of ESG factors in decision-making, opportunities for proactive funds management and impact investing, corporate engagement and shareholder action;
- individually, universities are relatively small investors in terms of their capabilities and influence, and they are just starting on the path to RI with no definitive roadmaps or best practices to follow; and
- while community input reflects the current call for divestment from the fossil fuel sector, an effective RI policy will also need to address other ESG-focused issues and divestment discussions that will no doubt arise in the future.

Based on these findings, the WGRI is pleased to fulfill its mandate with the presentation of this report and the following summary and recommendations:
Summary

The University of Guelph is defined by its commitment to finding solutions to some of the world’s most complex challenges in food, health, environment, and communities.

One of the ways the University advances its mission is through the investment of endowment funds to generate returns that support teaching, research, scholarships and facilities. To that end, the Board of Governors (BOG) and its committees and sub-committees have developed policies and procedures to ensure the prudent and effective management of the University’s endowment assets in a manner that is transparent and accountable to stakeholders, including donors, the University community, and taxpayers.

Management of the endowment funds to date has reflected a traditional understanding of fiduciary duty: that in order to maximize returns at an acceptable level of risk, endowments are carefully invested in the interests of the beneficiaries, according to the plan or donor designation set out for each fund.

The BOG established the Working Group on Responsible Investing (WGRI) in response to an evolution in thinking that challenges institutions to take a broader view of fiduciary duty that considers Environmental, Social, and Governance (ESG) factors in order to achieve long-term benefits for investors and for society.

The University is proud to be in the vanguard of incorporating innovative approaches to sustainability and environmental responsibility in its teaching, research and operations. Adopting new approaches to investment is widely regarded as an important next step that universities can take as leaders in promoting positive change on issues of global importance to the well-being of people and the planet.

For a decade or more, ESG factors have been increasingly accepted and integrated in investment processes around the world. The concept of Responsible Investing (RI) takes into account the influences of ESG factors in generating long-term value – not only economic value and return on investment, but broader values of social justice and sustainability, defined as “meeting the needs of today’s generation without compromising the needs of future generations” in terms of economy, society and environment. It takes the view that the generation of long-term, sustainable investment returns is inextricably linked to stability in social, environmental and economic systems.

Debate and discussion are ongoing about how returns are affected by incorporating more qualitative considerations such as ESG into investment decisions, as is the development of comprehensive risk assessment tools – both financial and non-financial – that support investment portfolio construction.

The WGRI, having considered the information before it, including consultations with members of the University of Guelph community and investment experts, has concluded that introducing RI principles into the University’s Endowment Investment Policy will help the BOG continue to maintain its financial and fiduciary responsibilities and reflects the mission, values, governance and culture of the University of Guelph. The following recommendations are informed by the

19 As defined by the World Commission on Environment and Development (1987).
input gathered during that process as well as best practices by universities and other institutional investors across North America. They are not prescriptive, but rather are intended to be guidelines that taken together will provide the framework from which to build an effective RI investment policy.

Recommendations to the Finance Committee of the University of Guelph’s Board of Governors:

1. That the University of Guelph’s Board of Governors (BOG) develop and incorporate a comprehensive “Statement of Investment Beliefs” into the University of Guelph’s Endowment Investment Policy that addresses Responsible Investing (RI) and strengthens the alignment of the University’s investment policy, processes and decisions to the mission, vision and values espoused in its Strategic Plan.

2. The Statement of Investment Beliefs shall incorporate RI concepts drawn from the definition of RI offered in the UN Principles for Responsible Investment, and include:
   - Environmental, Social and Governance (ESG) considerations, including risk factors beyond fiscal performance that co-relate to ESG assessment standards
   - the perspective that consideration of ESG principles in investment and investment-related decisions can have a positive effect on the long-term financial performance of investment assets (including reduction of investment risk)

3. That the BOG direct its Investment Subcommittee to operationalize the amended Endowment Investment Policy, particularly the RI-related provisions, in the following ways:
   - complete an assessment of current endowment fund managers in light of ESG considerations;
   - contract fund managers who are best able to fulfill the revised mandate of the Endowment Investment Policy;
   - complete an analysis of the current endowment fund portfolio in light of ESG factors and request that fund managers identify their capacity to adjust investment approaches to accommodate ESG analysis;
   - obtain voting proxy policies from existing fund managers and require that major exceptions to these policies be reported.

4. That the amended Endowment Investment Policy incorporate provisions for a transparent process to consider and implement recommendations in response to stakeholder expectations for action on specific RI issues, including existing calls from some University stakeholders that it divest itself of all investments in the fossil fuel market.

5. That the BOG consider the establishment of an “impact investment fund” based on best practices at other institutions that would dedicate a portion of endowment assets to investments associated with the well-being of communities and/or the environment. This fund would present an additional leadership opportunity for the University and an

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20 For example, see p. 25 of CPPIB Board Report on Sustainable Investing for sample ESG risk factors.
incentive for interested donors within the University’s approach to stewardship of its endowment assets.

6. That the University of Guelph establish collaborative relationships with other Canadian universities to increase public awareness of RI, including the considerations concerning the current issue of fossil fuels and climate change, and to advocate for institutional approaches to governance and, particularly, endowment investment, that support RI and help to realize the significant leadership opportunity that exists through the approach taken to investment of university sector endowment funds. The goal of these relationships is to leverage the capacities of the nation’s universities to build awareness of RI concepts and tools for implementation and, in so doing, share insights about best practices and remain abreast of the latest knowledge available. This may include contributing to the RI initiatives of investor networks and academic institutions in a variety of ways such as:

- working with the Responsible Investment Association to host an RI outreach/educational event during Responsible Investment Week;
- joining research projects, web-based forums, conferences and networking opportunities available through the Coalition of Universities for Responsible Investing; and/or
- joining signatories of the UN-PRI to advance RI principles by actively engaging with companies to improve ESG performance and disclosure through letter-writing campaigns and direct dialogue.

7. That the amended Endowment Investment Policy shall be formally reviewed no later than within the first five years to assess its impact on the University’s endowment funds and identify new opportunities that may arise as RI continues to evolve from a global perspective. This review will consider whether and how the Policy should be adapted to align with the University’s Strategic Plan, scheduled to be reviewed beginning in the Fall of 2015. Review processes may involve the engagement of RI experts to offer advice to the BOG or its standing committees, including whether and how to further develop quantitative metrics to assess investment performance, risk and/or other non-financial considerations over long-term horizons.
Appendices

Appendix A – Ad Hoc Working Group on Responsible Investing Membership

Composition

- three (3) individuals appointed by the Board of Governors from among Governors, Trustees, or Board Investment Experts on the Investment Subcommittee, one of whom will be appointed as Chair
- two (2) members of the Senior Administration and one (1) member of University staff appointed by the president
- two (2) students, one appointed by the Central Students Association and one by the Graduate Students’ Association
- two (2) faculty, appointed by Senate
- one (1) University of Guelph alumnus/alumna, as appointed by the Governance Committee Working Group Support

Biographical Listing of Members

Mary Anne Chambers, Chair

Mary Anne Chambers is a retired Senior Vice-President of Scotiabank, and a former Minister of Training Colleges and Universities and former Minister of Children and Youth Services for the province of Ontario. Mary Anne has served on the Board of the United Way of Greater Toronto and is a past Chair of the Board of the United Way of Canada. She has also served as Vice-Chair of the Board of the Rouge Valley Health System and was Vice-Chair of the Governing Council of the University of Toronto. Mary Anne is a Past President of the Canadian Club of Toronto and the Project for the Advancement of Childhood Education (Canada). She has also served on the Board of Trustees for the Centre for Addiction and Mental Health (CAMH), as a Governor of the Air Cadet League of Canada and as a member of the Boards of Tropicana Community Services Organization and the YMCA of Greater Toronto. Mary Anne is currently a member of the Boards of Directors for CUSO International and Grace Kennedy Group Ltd. Mary Anne has been appointed to the Order of Ontario and has received an Honorary Doctor of Laws Degrees from the University of Toronto, York University and Lakehead University, a Vice-Chancellor’s Award from the University of the West Indies, a YWCA Woman of Distinction Award, the Queen Elizabeth II Diamond Jubilee Medal, the Golden Jubilee Medal of Queen Elizabeth II and the Prime Minister of Jamaica’s Medal of Appreciation. Mary Anne majored in Commerce and Political Science for her Hons. B.A. at the University of Toronto and is a Fellow of the Institute of Canadian Bankers, a Chartered Director and a Member of the Institute of Corporate Directors.

Nancy Croitoru, a member of the Board of Governors, was also appointed a member of the WGRI. However, while she was an active and appreciated member of the WGRI during its initial 2 months of activity, she was unable to continue due to scheduling changes. She is President and CEO of Food & Consumer Products Canada (FCPC), Canada’s largest association of companies that manufacture and distribute food, beverage and consumer packaged goods.
**Cassandra Andrew**

Cass Andrew was born and raised in the Yukon Territory, Canada. She is completing her BSc. in Wildlife Biology in Conservation at the University of Guelph, and plans to continue her studies at the Western College of Veterinary Medicine starting September 2015. Cass has wanted to be a veterinarian for as long as she can remember, but the motives behind this goal have been modified due to her ever increasing concerns about climate change, environmental justice, and global health. Cass is actively involved with Fossil Free Guelph, and therefore excited to represent undergraduate students in decision making processes to make responsible investments. She knows that U of G students understand that, in addition to its fiduciary responsibilities, the University of Guelph has a moral imperative to make sustainable and ethical investing decisions.

**Ben Bradshaw**

Ben Bradshaw is an Associate Professor at the University of Guelph with expertise in environmental governance and a research program focused on the natural resources sector. As part of his research and teaching, he has become familiar with Responsible Investing (RI); indeed, he regularly partners with Sustainalytics, a leading, global RI research firm, and has recently published a chapter in an edited book, 'Socially Responsible Investing in the 21st Century'.

**Adina Bujold**

Adina is a PhD candidate in the department of Pathobiology in the Ontario Veterinary College. She has served with the Graduate Students’ Association (GSA) in various roles since 2011, and is currently the elected President & CEO for the 2014-2015 term. During her time at Guelph, she has sat on numerous Senate, University, and GSA committees, as well as on several hiring committees across campus. As an active member of the University community, she is a vocal advocate for graduate student interests, with a strong focus on policy development and implementation.

**Patrick Case**

Patrick Case is an Assistant Professor in the Department of Political Science at the University of Guelph and an Adjunct Professor at Osgoode Hall Law School. In October 2010, Mr. Case was appointed Chair of the Human Rights Legal Support Centre. Mr. Case is also a member of the board of Facing History and Ourselves, an organization that helps educators worldwide link the past to moral choices today. From 2006 to 2010 Mr. Case held an appointment as a Commissioner at the Ontario Human Rights Commission. He has been a trade unionist, a school trustee and a legal practitioner whose chief focus was serving women who were victims of male violence. Mr. Case has served as a staff lawyer in the Family Law Division at Parkdale Community Legal Services. He is a past Chair of the Canadian Race Relations Foundation (CRRF), which was created as a part of the federal government’s redress agreement with Japanese Canadians and has been a Co-Chair of the Equality Rights Panel of the Court Challenges Program of Canada. During Mr. Case's tenure at the CRRF, he worked with others to create a policy to guide the ethical investment of the Foundation's $24,000,000 endowment. Because of his wide ranging experience in human rights and his involvement in assistance with the development of the CRRF's ethical investment, Mr. Case would add value to the University's Working Group on Responsible Investing.
Karen Kuwahara
Karen Kuwahara retired from Nestlé Purina PetCare Canada at the end of 2013, after 32 years with the Company, the last 13 as the President. Her background was in sales and marketing, with previous experience at Carnation Canada and Fabergé of Canada. She was active in industry associations, holding various Board positions with the Food and Consumer Products of Canada (FCPC), the Association of Canadian Advertisers (ACA), and the Print Measurement Bureau (PMB). Within the Community, she has served on Boards and various committees with Big Brothers Big Sisters, the United Way of Peel Region, and the Modernization of Income Security for Working Adults Task Force. She was also on the Board of Governors for the University of Guelph from 2006 – 2013, working on the Audit Committee, Better Planet Capital Campaign, and Chairing the Pension Committee. Current activities include serving on the Board of the Japanese Canadian Cultural Centre, and volunteering with the 2015 PanAm/ParapanAm Games. Karen graduated from the University of Guelph in 1976, with a B.A.Sc., and also holds an MBA from York University. She lives in Toronto, with her Shih Tzu Belle.

Virginia McLaughlin
Virginia McLaughlin currently serves as a trustee on the Boards of the University of Guelph and the Canadian Museum of Science and Technology and is Chair of the Cancer Quality Council for Ontario. She is also Honorary Lieutenant-Colonel 25 (Toronto) Field Ambulance. She is a past Chair of the Board of Directors, Sunnybrook Health Science Centre, of the Governance Leadership Council of the Ontario Hospital Association and several other organizations. She has been a member of the investment committees of Sunnybrook Health Sciences Centre, Holland Bloorview Children's Hospital and Trinity College at the University of Toronto. In private life she is President of Helmhorst Investments Limited and Ferdinand Holdings Limited, two family owned investment companies.

John Miles
In his current role, John reports to the Vice-President Academic & Provost (for budgeting and financial planning) and the Vice-President Finance, Administration & Risk (for balance of the portfolio - financial operations). The split reporting reflects the University’s decision to transfer the budgeting function to the Provost to enhance the on-going process of Integrated Planning with a focus on the development of a multi-year financial plan and collection and use of data to help better inform decisions on financial resource allocations. His portfolio also includes University’s central operations for: research financial reporting, controllership, treasury and investments, payment service, budgeting, and procurement. John’s unit has a direct operational budget of $5M with 50 FTE of professional and support staff. His experience also includes oversight of food and retail operations (at the University), financial analysis, financing (debt and debentures), banking, government. John’s professional interests include improving “readability” of financial information, financial performance measurement, resource allocation and costing processes, and defined pension funding/costs. John’s educational background includes a B.A. (Arts) from the University of Waterloo and a CMA CPA accounting designation.

Don O’Leary
After graduating from the University of New Brunswick, Don began his career with Coopers & Lybrand, Chartered Accountants. His accounting background led to senior positions with the Federal Business Development Bank in New Brunswick, Newfoundland and Montreal head office. After the bank, Don worked for J. D. Irving Ltd. as General Credit Manager and Real Estate Manager before changing his career focus entirely to the public sector, where he took on the
challenging role of Director of Economic Development for his hometown of Saint John, New Brunswick. In Saint John, with his brother in 1987, he opened an Irish Pub called “O’Leary’s”. They sold on St. Patrick’s Day in 1992 and the pub is still operating. Don moved to Oshawa in 1992 to take the position of Commissioner of Corporate Services. In 2004 Don moved to Trent University as Vice President, Administration where he worked until being brought on board with the University of Guelph as Vice-President, Finance, Administration and Risk in 2011. Don is past Chair of the Board of Directors of C.U.R.I.E. (Canadian University Reciprocal Insurance Exchange), Chair of its Investment Committee and is past Chair of C.S.A.O. (The Council of Senior Administrative Offices) for Ontario Universities. Don currently serves with the Guelph Rotarians.

**Erin Skimson**
Erin Skimson is the Director of the Catalyst Centre at the University of Guelph. She is responsible for the oversight of technology transfer and commercialization of University inventions, as well as the industry liaison, which aims to bring solutions to market by connecting appropriate U of G expertise with the R&D needs of companies and entrepreneurs. She has a strong background in management, marketing, technology and business development having served for over 10 years in various management roles at Stryker Canada LP and Serono prior to joining UofG. She holds a Bachelor of Science degree from Dalhousie University as well as an MBA from McMaster University. She serves on several Boards, including Innovation Guelph, and the Alliance for Commercialization of Canadian Technologies (ACCT Canada). Her focus as Catalyst Centre director is on building partnerships to advance innovation at the University of Guelph.

**Vicki Hodgkinson (non-voting)**
Vicki has been at the University of Guelph since 1998 serving initially as executive assistant to the President and, from 2006 to June 2015, as University Secretary. She was appointed Special Advisor to the President in July of 2015. Vicki brings to her role more than 30 years of experience in Ontario’s post-secondary sector, including 11 years as a policy adviser in the area of postsecondary education with the Ontario government and six years working in the president’s office at York University. She earned her B.A. (Hon) from York University in History and Creative Writing in 1981 and her M.A. (Leadership) from the University of Guelph in 2005.
Appendix B – Current Endowment Investment Policy

Effective Date: June 4, 2015

1. Purpose

This document constitutes the Investment Policy (the “Policy”) applicable to the assets in respect of the General Endowment Fund and the Heritage Fund (the “Endowment Funds”) of the University of Guelph (the “University”).

2. Background

The primary objective of the University’s Endowment Funds is to provide a permanent source of funding by investing the principal amount of the gift and making a portion of the total investment return available for spending. In addition, the goal of the University of Guelph’s endowments is to preserve the purchasing power of the endowment account over the long-term. The realization of this objective is achieved in two ways: spending only a portion of total investment returns; and investing in asset classes (e.g., equities) that yield sufficient investment returns to provide inflation-protected spending. For the University’s General Endowment Fund, annual spending is limited to a portion of the total endowment asset value averaged over the most recent moving four-year period and, in the case of the Heritage Fund, annual spending is limited to a portion of the total real investment income averaged over a five-year period.

The General Endowment Fund (GEF) consists of funds mainly from external, non-operating fund sources such as donations and government. The majority of these funds are designated for student aid in the form of scholarships and bursaries. Other designations include research support, endowed faculty chairs, equipment or library acquisitions and special academic activities such as support for visiting lecturers, student semester abroad programs and on-going support toward the operating costs of academic facilities. Spending from the GEF is governed by a Board of Governor’s approved policy that limits annual disbursements in order to preserve capital and the real spending capacity of these funds.

The General Endowment Fund Management Policy is contained under separate cover.

The Heritage Fund was created with the intention that the capital of the fund be held in perpetuity for University of Guelph strategic purposes. The main sources of growth for the Heritage Fund are proceeds of real estate sales, leases from designated properties and investment income earned on the capital of the fund. Spending is designated primarily for special projects of a limited duration.

The primary objective of the Heritage Fund is to grow its capital in excess of inflation over time, in order to grow the amounts available for spending. A second objective is to generate investment return in the near-term which may be spent on approved projects.

The Declaration of Trust for the Heritage Fund is contained under separate cover.
The University’s Endowment Funds are managed as a single pool of investments in a number of different asset classes.

### 3. Governance

#### 3.1 Oversight

The University through its Board of Governors (the "Board") has ultimate responsibility for the Endowment Funds.

The Board of Trustees of the Heritage Fund was established by the Board of Governors to oversee the investment and growth of the Heritage Fund. The Board has delegated responsibilities with respect to the Heritage Fund to the Board of Trustees which in turn has delegated investment responsibilities to its Investment Subcommittee (the “IS”), a subcommittee established by the Board of Governors. The Board, through its Finance Committee [Terms of Reference](#) has also delegated investment responsibilities to the IS in respect of the General Endowment Fund. The governing bodies (the “Governing Bodies”) for the Heritage Fund are therefore:

(a) The Board of Governors;
(b) The Board of Trustees; and
(c) The IS.

and for the General Endowment Fund:

(a) The Board of Governors;
(b) The Finance Committee; and
(c) The IS.

[Terms of Reference](#) for the IS are contained under separate cover; however, major responsibilities of the IS include:

- Review and recommend changes to the investment policies including asset allocation and allowable investment classes;
- Appoint, review and replace, as necessary, investment managers; and
- Monitor and report on investment performance.

In fulfilling its responsibilities, the IS is supported by employees of the University through the Office of the Vice-President Finance, Administration and Risk. In addition, the IS may rely on independent experts for certain aspects of the Endowment Fund’s operations where expert knowledge is required or where a perceived or actual conflict of interest exists.

### Custodian

The custodian of the Endowment Funds (the “Custodian”) shall be a trust company duly registered in Canada. All investments and assets of the Endowment Funds shall be held by the Custodian.
Investment Managers

Assets of the Endowments Funds shall be managed by external investment managers (the “Managers”) as appointed by the IS. Each Manager shall invest the assets of the Endowment Funds, through the Custodian, in accordance with their Investment Manager Mandate and Performance Standards (the “Mandate”).

4. Investment and Risk Management Framework

The following table summarizes the primary considerations that underlie the investment of the Endowment Funds.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset Mix</strong></td>
<td>In managing investment risk, the Endowment Funds should be diversified across a broad range of financial assets. The risk and return characteristics of specific asset classes should be reviewed periodically to determine an appropriate asset allocation for each of the Endowment Funds and its impact on specific investment risk and return metrics (e.g., volatility of spending; likelihood of the Endowment Funds growing in excess of inflation).</td>
</tr>
<tr>
<td><strong>Risk Premium</strong></td>
<td>In general, higher risk assets are expected to outperform assets with lower risk over long periods of time. Higher risk assets will be included in the policy allocation in a proportion sufficient to generate the desired rates of return, subject to total fund risk constraints.</td>
</tr>
<tr>
<td><strong>Risk Diversification</strong></td>
<td>It is recognized that risk and return are strongly related; and that the returns on the least risky asset classes will be lower than that of higher risk assets. Less volatile asset classes, such as fixed income, will be included in the portfolio for the purpose of reducing overall risk (volatility) of returns and stabilizing available spending.</td>
</tr>
<tr>
<td><strong>Derivatives</strong></td>
<td>The use of derivative instruments should be limited to risk mitigation purposes (e.g., limiting currency exposures) and for efficient access to certain asset classes (e.g., index replication) and not for return enhancement. Therefore, hedge fund strategies which rely extensively on the use of derivatives to generate returns are excluded from policy allocation consideration.</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Less liquid assets are expected to carry a risk premium above more marketable securities to compensate for the lack of liquidity. Accordingly the Endowment Funds may be able to benefit from their long investment horizon by investing in instruments with lower liquidity.</td>
</tr>
</tbody>
</table>
### Risk Control

Investment activities require making effective decisions in the face of uncertainty. The IS recognizes that significant value comes from avoiding unproductive assets and other problem areas, and keeping permanent impairments to a minimum. An important way to control risk in this context is to hire high quality managers and assigning them mandates with guidelines that ensure risk is properly managed but avoid unnecessary constraints. Also, managers are monitored to reduce the risk of hiring and/or creating managers who charge “active” management fees, but generate returns similar to the index.

### Active Management Style Bias

The IS has a value style bias and consequently the majority of its managers employ a value style approach to investing. Value investing takes on many forms, but generally means a process for selecting stocks which are trading for less than their intrinsic value. Value style strategies have proven over time to outperform all other styles of investing. The IS recognizes that having a preponderant weighting toward one style can, on occasion, introduce periods of underperformance on a total fund level. Members of the IS acknowledge that achieving superior performance in the long run may require a high tolerance for under-performance in the short run. The IS is therefore prepared to tolerate underperformance for a period of time if a manager’s style is out of favour or market conditions are not hospitable to a certain investment approach. The IS believes that passive investing or indexing is appropriate for certain asset classes and investment cycles.

### 5. Policy Asset Mix and Ranges

The Target Asset Mix and Permitted Ranges for the Endowment Funds have been determined as set out in the following table. Allocations to Emerging Markets Equities and Infrastructure will be undertaken as suitable opportunities are identified. An “Interim Target Asset Mix” has been established to recognize that it will take a period of time to transition to the Final Target Asset Mix.

The actual timeline to achieve the Final Target Asset Mix is subject to the availability of suitable products and the time it takes for Infrastructure commitments to become invested.

<table>
<thead>
<tr>
<th>Component Asset Classes</th>
<th>Benchmark Index</th>
<th>Interim Target Asset Mix</th>
<th>Final Target Asset Mix</th>
<th>Permitted Range</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Min. &amp; Max.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universe Bonds</td>
<td>FTSE TMX Canada Universe Bond</td>
<td>27.5% &amp; 30%</td>
<td>10% &amp; 50%</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>FTSE TMX Canada 91 Day T-Bill</td>
<td>0% &amp; 0%</td>
<td>0% &amp; 20%</td>
<td></td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td></td>
<td>27.5% &amp; 30%</td>
<td>20% &amp; 50%</td>
<td></td>
</tr>
<tr>
<td>Asset Class</td>
<td>Index/Description</td>
<td>CPI+5%</td>
<td>5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------------------------</td>
<td>--------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>CPI+5%</td>
<td>5%</td>
<td>7.5%</td>
<td>0%</td>
</tr>
<tr>
<td>Canadian Equities</td>
<td>S&amp;P/TSX Composite</td>
<td>20%</td>
<td>17.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>U.S. Equities</td>
<td>S&amp;P 500 ($Cdn)</td>
<td>25%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>International Equities</td>
<td>MSCI EAFE Net ($Cdn)</td>
<td>17.5%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Emerging Markets Equities</td>
<td>MSCI EM ($Cdn)</td>
<td>5%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Equities</strong></td>
<td></td>
<td><strong>67.5%</strong></td>
<td><strong>62.5%</strong></td>
<td><strong>50%</strong></td>
</tr>
</tbody>
</table>

An appropriate investment manager structure will be maintained to implement the Target Asset Mix within the corresponding asset class ranges. If the asset mix deviates outside the permitted ranges at the end of any quarter, the IS will rebalance to bring the asset mix back within the permitted ranges as soon as practical.

6. Benchmark

The total fund benchmark is based on a blend of the individual underlying asset class indices in their proportions represented in the Target Asset Mix.

7. Permitted Asset Classes

The Endowment Funds may invest in any or all of the following asset categories and subcategories of investments either directly or through pooled funds or exchange traded funds which hold only these investments. For purposes of this Policy, "governments" includes supranational, Canadian federal, provincial or municipal governments, sovereign issuers and securities guaranteed by these governments.

**Equities**: Securities publicly traded and listed on recognized stock market exchanges including, but not limited to, common shares, convertible debentures, share purchase warrants, share purchase rights, preferred shares, depositary receipts, interests in limited partnerships, and units of real estate investment trusts (REITS) and income trusts that have limited liability protection by statute. Equity holdings shall be diversified by company, region, industry and country.

**Fixed Income**: Debt instruments must be issued in Canadian currency and include, but are not limited to, bonds, debentures, mortgages, notes, real return bonds, asset-backed securities or other debt instruments of governments or corporations (public and private) and maple bonds (foreign instruments issued in Canadian currency). With the exception of issues of the government of Canada, fixed income holdings shall be diversified by issuer and industry. The majority of fixed income holdings shall be invested in investment grade debt instruments which are rated A (low) or higher.
**Infrastructure:** Tangible assets that provide key services to an economy, including transportation, communication, utilities, social services, and business related to those sectors, that are expected to provide long-term stable cash flows. Infrastructure investments shall be held through open or closed-end pooled funds structured as participating debentures, or shares of corporations or limited partnerships formed to invest in infrastructure. Investments shall be focused on mature infrastructure in regulated economic sectors. Direct ownership of infrastructure is not permitted.

**Cash or Cash Equivalents:** Cash or money market securities issued by governments or Canadian corporations (public and private) with term to maturity of one year or less.

All debt ratings requirements shall be met by a minimum of two ratings issued by Nationally Recognized Statistical Rating Organizations (NRSRO) as defined by the Securities and Exchange Commission.

**Currency Exposure**

Exposure to unhedged foreign currencies shall be limited to approximately 50% of the market value of foreign currency denominated assets of the Endowment Funds.

**Liquidity**

Cash inflows and investment income are expected to be sufficient relative to the expected pay-outs. Liquidity is therefore not an overriding consideration for the Endowment Funds.

**8. General Guidelines**

**Derivatives**

Any use of derivative investments must be in accordance with a program that has been specifically considered and approved by the IS whether done directly in the Endowment Funds or in a pooled fund. Derivative instruments may not be used to create exposures to securities which would not otherwise be permitted under this Policy or which would be outside the limits under this Policy had the exposure been obtained in the cash markets through direct investment. Derivative instruments may be used only to:

(a) Replicate the investment performance of permitted direct investments;
(b) Increase the Endowment Funds’ current revenue by selling covered calls; or
(c) Manage risk as part of a currency hedging or other hedging strategy;

But in any case may not be used to leverage the Endowment Funds, unless approved by the IS.

**Securities Lending**

a) Permitted Circumstances: The IS may lend securities of the Fund as a means of generating incremental income or cash for investment or otherwise supporting an investment strategy. Such loans shall be in writing. When the IS lends securities of the Fund, the document shall provide for the IS’s right to recall the loaned securities.
b) Use of Agents: Management may delegate, through the University’s custodial trustee, to a lending agent the authority to select borrowers, negotiate terms and rates and invest cash or securities collateral under written procedures which specify securities available for loan, pre-approved borrowers, loan terms, and instruments for the investment of collateral as well as administrative, risk management and reporting arrangements.

c) Collateral and Margin Requirements: When the IS lends securities of the Fund as a means of generating incremental income or cash for investment, the following rules shall apply. The IS or its lending agent shall receive from the borrower collateral equal to no less than 105% of the market value of the securities loaned at the time of the transaction. The amount of collateral margin taken shall reflect best practices in local markets. Both loaned and collateral securities must be marked to market daily to account for increases in the market value of the securities loaned or decreases in the market value of the collateral. Shortfalls in the amount of collateral must be rectified by the following business day unless otherwise agreed to in writing. The collateral obtained to secure a loan of securities or any securities purchased with such collateral must be either cash or high quality, readily marketable securities acceptable as a direct investment under the IS’s investment policies. Title to all collateral must be clear.

Voting Rights
The responsibility of exercising and directing voting rights acquired through the Endowment Fund’s investments shall normally be delegated to the Manager, who shall at all times act prudently and in the best interests of the Endowment Funds. The Manager shall provide the IS with its proxy voting guidelines and notify the IS of any changes to these guidelines.

The Manager shall maintain a record of how the Endowment Funds’ voting rights have been exercised and provide the IS with quarterly proxy voting results.

In case of doubt as to the best interests, the Manager shall request instructions from the IS regarding the best interests of the Endowment Funds and shall act in accordance with such instructions.

The IS reserves the right to direct, or override, the voting decisions of a Manager, if in its view such action is in the best interests of the Endowment Funds, except for investments held in a pooled fund.

It is recognized, however, that the above constraints and policy on voting rights may not be enforceable to the extent that part of the Endowment Funds are invested in pooled funds.

Valuation of Investments
Investment in publicly traded securities shall be valued by the Custodian for the Endowment Funds no less frequently than monthly at their market value.

Investment in pooled funds comprising publicly traded securities shall be valued according to the unit values calculated at least monthly by the Custodian of the pooled funds. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.
Where a security or asset is publicly traded but not frequently, the Custodian will determine the appropriate market value of the particular security or asset and, in the event of a conflict, the value that the Custodian has determined will be deemed as correct.

If a market valuation of an investment is not readily available, then a fair value shall be determined at the direction of the IS. For each such investment, an estimate of fair value shall be supplied by the Custodian with input from the Managers no less frequently than quarterly. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as risk-adjusted discounted cash flows or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time.

**Performance Monitoring**

The IS shall review on a regular basis, as needed, and at least quarterly:

(a) The current asset mix of the Endowment Funds relative to the Target Asset Mix and permissible ranges;
(b) The investment performance of the Endowment Funds and each Manager relative to the objectives of the Policy and of the Mandates; and
(c) Risk measures relevant to the investment of the Endowment Funds.

The IS shall report on their activities and the performance of the Endowment Funds to the Board of Trustees, Board of Governors through the Finance Committee at least twice a year, as at June 30th and September 30th.

The primary focus of Manager performance assessment will normally be on a moving four-year basis, but performance over shorter time periods may also be considered. The Manager will not necessarily be faulted for under-performing the Mandate performance objectives over short time periods.

At least once a year each Manager shall be assessed on the basis of investment performance, risk measures, investment strategies, expected future performance and any changes in the Manager’s organization, investment processes and professional staff.

**9. Related Parties and Conflicts of Interest**

**Definition of Related Party**

For the purposes of this Policy, a Related Party means:

(a) A member of the Governing Bodies;
(b) An officer, director or employee of the University;
(c) A person responsible for investing the assets of the Endowment Funds, or any officer, director or employee thereof;
(d) An association or union representing employees of the University, or an officer or employee thereof;
(e) The spouse or a child of any person referred to in any of paragraphs (a) to (d);
(f) An affiliate of the University;
(g) A corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (e);
(h) An entity in which a person referred to in paragraph (a), or the spouse or a child of such a person, has a substantial investment.

**Related Party Transactions**

The assets of the Endowment Funds shall not be used to invest in securities of Related Parties or lent to any Related Parties unless such securities are publicly traded and selected by a Manager acting independently on behalf of all that Manager’s discretionary accounts or pooled funds having mandates similar to that of the Endowment Funds.

Where applicable, a Manager shall provide the IS with its internal guidelines on purchasing securities of the members of the Manager’s organization or affiliates.

Notwithstanding the above, the assets of the Endowment Funds shall not be invested in any securities of the University or an affiliate of the University unless such securities are publicly traded, held within a pooled fund, and selected by a Manager acting independently.

Any other transactions with a Related Party can only be undertaken if the transaction is required for the operation or administration of the Endowment Funds and must be on terms and conditions that are not less favourable to the Endowment Funds than the then market terms and conditions.

**Conflicts of Interest**

To assist in identifying real, potential or perceived conflicts of interest and, in so doing, to ease the operation of the Governing Bodies in the conduct of their work, all members of the Governing Bodies are asked each year to review the University’s “Conflict of Interest Policy Regarding Board of Governors, Board of Trustees, and Committees” and to disclose any obligation, commitment, relationship or interest that may conflict or may be perceived to conflict with their duties as a member of a Governing Body.

If any agent of or advisor to the Governing Bodies, or any person employed in the investment or administration of the Endowment Funds not covered under the “Conflict of Interest Policy Regarding Board of Governors, Board of Trustees, and Committees” has or acquires any material interest, direct or indirect, in any matter in which the Endowment Funds is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Endowment Funds, the person involved shall within three business days after the individual becomes aware of the conflict of interest disclose in writing this conflict of interest to the Chair of the relevant Governing Body. The disclosure should also be made orally if awareness of the conflict occurs during the discussion of the Endowment Funds’ business.

The Chair shall then immediately advise all members of the relevant Governing Body, and the Governing Body shall decide upon a course of action. Any such person will thereafter abstain from any decision making with respect to the area of conflict including the exercise of his/her votes, until the issue causing the conflict of interest is resolved independently by the remaining individuals with voting rights.
Every disclosure of interest, with the name of the individual declaring the conflict and how the conflict was resolved, under this Section shall be recorded in the minutes of the relevant Governing Body meeting.

The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.

The IS shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager appointed by the IS. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to such Manager.

10. Policy Review

This Policy shall be reviewed at least annually by the Board of Trustees of the Heritage Fund and the Finance Committee of the Board. Such review shall consider, but is not limited to, whether there has been:

(a) A fundamental change in the spending policies of the Endowment Funds;
(b) Revisions to the expected long-term trade-off between risk and return on key asset classes;
(c) A shift in the financial risk tolerance of the University;
(d) Shortcomings of the Policy that emerge in its practical operation;
(e) Recommendations by a Manager or third party; or
(f) Changes in applicable legislation.

A review of the asset mix policy shall normally be conducted every five years. At any time, the IS may make recommendations as to changes to be made to the Policy. A copy of this Policy, or relevant sections thereof, shall be delivered to each Manager and to the Governing Bodies.
Appendix C – Summary of Community Input
See the links below for a summary of input offered at the community drop-in sessions and from written submissions and presentations by U of G community members:

WGRI Drop-in Consultation Session — March 25, 2015
Fossil Free Guelph Petition
Inventory of Written Submissions as of March 31, 2015
Written Commentary Received as of April 1, 2015

WGRI Drop-in Consultation Session Questions for Discussion
To assist individuals in preparation for the consultation sessions, the WGRI offered the following four questions as well as an open invitation to share perspectives on the general topic of Responsible Investing:

- The mandate of the WGRI offers the description of Responsible Investing from the “Principles for Responsible Investing” that is a component of the UNEP Finance Initiative and UN Global Compact. Do you agree with this description? Why/Why not?
- What do you consider to be the fundamental values and qualities of the University of Guelph that are most relevant to its consideration of Responsible Investing?
- What are the key principles or factors that should guide the University of Guelph’s Investment policies and procedures from the perspective of Responsible Investing?
- If the University of Guelph adopts changes to its investment policies and procedures to align with Responsible Investing, what criteria should be used to assess whether these changes are effective?
Appendix D – Inventory of Resource Documents
See below for links to some of the various background documents and resources consulted by the WGRI:

General Background Information
UNEP Finance Initiative and UN Global Compact
Responsible Investment Association (Canada)

- Executive Summary — 2015 Canadian Responsible Investment Trends Report

“Conscientious Investors” (CPA Magazine — Chartered Professional Accountants of Canada – Jan-Feb 2015)


“Ethical Investors embrace a new yardstick” — The Globe and Mail, March 6, 2015

“Investor Confusion Clouds ESG’s Future” — FundFire, March 25, 2015

“From SRI to ESG: The Changing World of Responsible Investing” — Commonfund Institute, September 2013

“ESG: Sharpening the Point” — Commonfund Institute, Spring 2014

Broader Public Sector Organizations | Responsible Investing

Canada Pension Plan Investment Board — CPPIB 2014 Report on Sustainable Investing

Universities | Responsible Investing
Coalition of Universities for Responsible Investing

“Universities and Colleges as Socially Responsible Investors” — J.K. Smith and R.L. Smith (September 2014)

Sample Policies
Dalhousie University
- Fossil Fuel Divestment Statement (November 2014)
- Proposal to Divest Dalhousie’s Holdings in ‘carbon-holding’ companies (November 2014)
- Statement of Investment Policies and Guidelines of the Endowment Funds

McGill University
- Statement of Investment Policy — Endowment Fund
- Terms of Reference — Committee to Advise on Matters of Social Responsibility
Queen’s University
- Statement on Responsible Investing (March 2009)

University of British Columbia
- Endowment Responsible Investment Overview
- Endowment Responsible Investment Policy

University of Western Ontario
- Operating and Endowment Fund Statement of Investment Objectives, Policies and Governance

University of Guelph | Investment of Endowment Assets

University of Guelph’s Current Endowment Investment Policy
General Endowment Fund Management Policy
University of Guelph — Equity Holdings (Dec. 31, 2014)
Investment Governance
Investment Subcommittee Terms of Reference

Divestment Movement and Related Resources
Central Student Association Annual General Meeting Motion on Fossil Fuel Divestment (Jan. 21, 2015)
Fossil Free Guelph — Submission to Working Group on Responsible Investing (March 2015)
Fossil Fuel Divestment: Reviewing Arguments, Implications & Policy Opportunities — Pacific Institute for Climate Solutions (January 2015)
Fossil Free Guelph — 2014 Submission
Fossil Free Guelph website