



FOR INFORMATION

PUBLIC

OPEN SESSION

TO: Business Board

SPONSOR: Sheila Brown, Chief Financial Officer
CONTACT INFO: 416-978-2065, sheila.brown@utoronto.ca

PRESENTER: Sheila Brown, Chief Financial Officer
CONTACT INFO: 416-978-2065, sheila.brown@utoronto.ca

DATE: May 17, 2017 for June 15, 2017

AGENDA ITEM: 7

ITEM IDENTIFICATION:

Responsible Investing Committee 2015-16 Annual Report

JURISDICTIONAL INFORMATION:

The Business Board is responsible for financial matters including financial policy and investment oversight. The Responsible Investing Committee is not a governance committee but is advisory to the Chief Financial Officer. In accordance with the Committee's terms of reference, its annual report is provided to the Business Board for information.

GOVERNANCE PATH:

1. Business Board [For information] (June 15, 2017)

PREVIOUS ACTION TAKEN:

The annual report for the 2014-15 year was provided to the Business Board at its meeting on January 25, 2016.

HIGHLIGHTS:

The Responsible Investing Committee (RIC) provides a forum for interested parties at the University to discuss and express opinions on principles related to responsible investing. From time to time, the RIC may make recommendations to the University about principles of responsible investing to be considered by the Administration and UTAM. At the same time, ultimate fiduciary responsibility rests with the Governing Council of the University.

The RIC was established in 2009. A review at the end of its first three years was conducted by a working group of three members of Business Board. The working group was impressed with the work of the RIC over its first three years of operations. The attached annual report describes the work of the RIC for 2015-16.

FINANCIAL IMPLICATIONS:

N/A

RECOMMENDATION:

No action required. The *Report* is for information.

DOCUMENTATION PROVIDED:

- Responsible Investing Committee 2015-16 Annual Report

RESPONSIBLE INVESTING COMMITTEE**University of Toronto****Annual Report
2015-2016**April 18th, 2017**1. Establishment of Committee**

The creation of the Responsible Investing Committee (Committee) resulted from a proposal made in 2005 by a group of law students on how the University could move toward responsible investing. In 2008, a revised proposal from students was submitted, and a presentation was made to the Governing Council on the topic by the Co-Chairs of the student-led University of Toronto Committee on Responsible Investment.

The Committee's *Terms of Reference* were approved in March 2009. The Mandate of the Committee is to serve as an advisory body to the Vice-President, Business Affairs and to provide a forum for discussion of principles related to responsible investing and to make recommendations to the University about principles of responsible investment to be considered by the Administration and UTAM.

The University of Toronto was the first Canadian university to establish such a Committee. The first meeting of the Committee was held in the spring of 2009.

2. Membership of Committee

The *Terms of Reference* state that the Committee will have eight members, including students, alumni, teaching staff and non-teaching staff of the University, as well as a designate of the Vice-President, Business Affairs who had investment experience. The Vice-President, Business Affairs is an *ex officio* voting member of the Committee.

In December 2011, Catherine Riggall, the Vice-President, Business Affairs, retired and the Committee became advisory to Sheila Brown, the Chief Financial Officer of the University of Toronto.

The membership of the committee for the 2015-2016 term was:

Christopher Campbell-Durufflé (Co-Chair, student)
Nathan Lemphers (Co-Chair, student)
Eric Rosset (Vice-Chair, student)
Nisha Kumari (Carbon Disclosure Project Subcommittee, alumnus)
Barbara Hendrickson (Proxy Voting Subcommittee, alumnus)
Lucianna Ciccoioppo (Non-teaching staff)
Prof. Miriam Diamond (Teaching staff)
Vacant (Teaching staff)

Sheila Brown (UofT CFO, Ex Officio)
Lisa Becker (UTAM)
Cristina Oke (Secretary)

3. Summary of Past Activities

Since its establishment, the Committee has been involved in a number of initiatives. Details are available in the minutes of Committee meetings and the Annual Reports on the Committee website (ric.utoronto.ca).

In 2011, the United Nations Principles of Responsible Investment (UNPRI) subcommittee was established to assist in the development of the recommendation that the University of Toronto become a signatory to the UNPRI. In 2011-2012, the Committee recommended that the University of Toronto become a signatory to the UNPRI.

In 2013-2014, the RIC explored the possibility of the University of Toronto becoming a signatory to the Carbon Disclosure Project (CDP) and prepared a report entitled *PRI & CDP Feasibility Report: Our Next Steps on Engaging Shareholder Coalitions*. In June 2014, the RIC concluded it was reasonable to allow time for UTAM to enhance its organizational readiness under the *Principles for Responsible Investing*, if adopted, and other initiatives (e.g. CDP) so that a future review could be more accurate and effective. The RIC deferred a full and comprehensive review of PRI signatory implications until 2015-16.

The Business Board conducted a review of the Committee in 2012 as required by its *Terms of Reference*. The Working Group appointed by the Chair of the Business Board recommended that the Responsible Investing Committee continue its work for another three years.

In April 2014, the Committee reviewed the draft *UTAM Statement on Responsible Investment*. In June 2015, it was communicated to the Committee that UTAM would present it with a new version in 2015-16.

4. Relationship with the University of Toronto Assess Management Corporation (UTAM)

The Committee has established a positive working relationship with senior management at UTAM. The Vice-Presidential designate has always been a senior member of the UTAM staff. William Moriarty, the President and CEO of UTAM, has met with members of the Committee once over the course of the 2015-2016 term. The Committee looks forward to meeting Daren Smith, the incoming President and CEO of UTAM.

5. 2015 – 2016 Activities

This section covers activities from September 1, 2015 to September 1, 2016. As evidenced by the eight motions carried, the 2015-2016 term was a productive one for

the Committee. Reflection and discussion mainly concentrated on the themes of 1) adoption of a responsible investment policy by the University, 2) access of information by the members of the University community on UTAM's website, and 3) recruitment of new members. Pages 4 to 9 contain a complete list of all the motions carried by the RIC in 2015 - 2016.

Regarding the adoption of a responsible investment policy, the Committee a) reviewed and recommended the *UTAM Statement on Responsible Investment*, b) recommended that the University become a signatory or member of CDP, c) recommended a definition of ESG risks to the University for the purpose of developing its own investment regulations and policies, and d) set for itself the goal of recommending, before its June 8th, 2016 meeting, that the University adopt a responsible investment policy.

In March 2016, the President released the "Administrative Response to the Report of the President's Advisory Committee on Divestment from Fossil-Fuels" (*Beyond Divestment: Taking Decisive Action on Climate Change*). This decision was welcomed by the members of the Committee as a major development in terms of responsible investment by the University. The President directed UTAM to undertake six activities and consider a seventh: articulate ESG principles, become a signatory to the CDP, evaluate signing onto the UNPRI, proactively use proxy voting as a means to reduce climate risk for firms in which it is invested, evaluate signing the Montréal Carbon Pledge, annually reporting on ESG risk management, and consider inclusion of indirect investments in ESG risk management. The RIC has engaged with these issues in a variety of ways since its inception and will continue to do so.

Regarding the recruitment of new members, the Committee has made several efforts to fill its vacancies. These include the publication of a call for application on its website and circulating this call in the University's electronic list to staff (the Bulletin). In early 2017, a Nominating Committee approved the applications of three new members.

6. Conclusion

The Committee would like to thank Nathan Lemphers, Barbara Hendrickson and Lucianna Ciccoioppo who volunteered during 2015 – 2016 and stepped down from the Committee. Their energetic and dedicated contribution to the promotion of responsible investment by the University of Toronto is deeply appreciated. The Committee would also like to express profound gratefulness for the long-lasting service of Cristina Oke, who retired after serving as secretary for the Committee since August 2009. Last but not least, the Committee is thankful for the constructive and encouraging participation of Sheila Brown and Lisa Becker to its meetings.

LIST OF MOTIONS CARRIED*Meeting of December 16, 2015*

1. The Responsible Investing Committee recommends to the University of Toronto that the University Administration and the University of Toronto Asset Management Corporation (UTAM) consider the adoption of the principles of responsible investing, substantively as described in the document entitled *UTAM's Statement on Responsible Investing, DRAFT for Discussion*.
2. The Responsible Investing Committee recommends to the University of Toronto that the senior administration of the University and the University of Toronto Asset Management Corporation (UTAM) consider that the University and/or UTAM, whichever is appropriate, become a signatory or member of CDP.

Meeting of February 10, 2016

3. The Responsible Investing Committee approves the following mandate of the ESG Subcommittee:

The ESG Subcommittee will review the policies of comparable institutions and report back to the RIC with a summary of best practices by May 3rd, 2016. In particular, it will highlight the approaches taken to the consideration of environmental, social, and governance risks and the adoption of the United Nations Principles of Responsible Investment (UNPRI). This will allow the RIC to:

- a) provide relevant information to the University of Toronto, and
- b) recommend, before its June 8th, 2016 meeting, that the University of Toronto adopt a responsible investment policy that reflects its Mission & Purpose and its particular circumstances before the end of December 2016.

4. The Responsible Investing Committee approves the following ESG definition:

ESG is necessarily a broad term that incorporates environmental, social and governance factors. Environmental factors relate to a company or industry's interactions with the physical environment (e.g., climate impact, energy efficiency, air and water pollution, water scarcity, biodiversity, and site reclamation). Social factors concern the social impact of a company and/or industry on a community or society (e.g., human rights, indigenous rights, local community impact and employment, child labour, working conditions, health and safety, and anti-corruption practices). Governance factors typically relate to how companies and/or countries are governed (e.g., conflicts of interest, executive compensation, Board independence and compensation, voting and other shareholder rights).

The Committee also recommends that the University consider the definition for the purpose of developing its own investment regulations and policies.

5. The Responsible Investing Committee recommends that the University direct the University of Toronto Asset Management Corporation (UTAM) to update and maintain its website regularly.

Meeting of March 22, 2016

6. The Responsible Investing Committee approves the following mandate of the Proxy Voting Subcommittee:

The Proxy Voting Subcommittee will review the proxy voting policy and selective analysis of proxy voting by UTAM and its investment managers to determine whether any recommendations are required.

7. The Responsible Investing Committee approves the following mandate of the Recruitment and Communications Subcommittee:

The Recruitment and Communications Subcommittee will work on increasing awareness of the Responsible Investing Committee (RIC), with the goal of attracting new applications from University of Toronto students, faculty, staff and alumni, to better understand and publicize Environmental, Social and Governance (ESG) issues, including the work of the RIC, that are of importance to the campus community.

Meeting of May 3, 2016

8. The Responsible Investing Committee resolves that names of members would be removed from minutes from July 1, 2014 onwards.

Meeting of June 7, 2016

9. The Responsible Investing Committee resolved the following:

a) List of Investment Managers

Given the importance of access to information regarding the University's investments to ensure informed and constructive participation by the University community around ESG issues, the Responsible Investing Committee recommends that the University publish on UTAM's website and update quarterly

- 1) the amounts of assets under management for all its external managers through bands (e.g.: up to \$50M, \$50-100M, \$100-250M, over \$250M), and
- 2) includes an initial band for all the investment managers with less than \$1M of assets under management.

(b) List of Holdings

Given the importance of access to information regarding the University's investments to ensure informed and constructive participation by the University community around ESG issues, the Responsible Investing Committee recommends that the University

publish on UTAM's website and update quarterly

- 1) the list of all its equities held in segregated accounts, irrespective of their amounts,
- 2) the corresponding value for each of its equities held in segregated accounts, and
- 3) the list of names of all pooled investments, irrespective of their amounts.

(c) Asset Mix and Industry Sectors

Given the importance of access to information regarding the University's investments to ensure informed and constructive participation by the University community around ESG issues, the Responsible Investing Committee recommends that the University publish on UTAM's website and update quarterly:

- 1) the distribution of its asset mix in absolute terms and in percentages, and
- 2) the distribution of the value of its investment per industry sector in absolute terms and in percentages.