University of Manitoba

Incorporating Responsible Investment Principles at the University of Manitoba

MARCH 2023

Traditional Territory Acknowledgement

The University of Manitoba campuses are located on the original lands of the Anishinaabeg, Cree, Oji-Cree, Dakota and Dene peoples, and on the homeland of the Métis Nation.

We respect the Treaties that were made on these territories, we acknowledge the harms and mistakes of the past, and we dedicate ourselves to move forward in partnership with Indigenous Communities in a spirit of reconciliation and collaboration.

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Introduction

The Responsible Investment Committee (RIC) was established by the Board of Governors in September 2020 as a subcommittee of the Trust Investment Committee (TIC).

Its mandate was to make recommendations to the TIC regarding responsible investing at the University of Manitoba, with the focus on the endowment fund. These recommendations were presented to the TIC in October 2022 and largely accepted, with additional provisions to support implementation. These revised recommendations were accepted by the Board of Governors in January 2023. The University commitments are included here as Section 4.

Underlying these commitments is the University's responsibility to consider social and environmental issues while making decisions and charting actions - not only to assess and respond to material risks arising from Environmental, Social and Governance (ESG) considerations, but to be aware of, and act to mitigate or prevent the social and environmental harms arising from the practices of its investees. The RIC prioritized both climate change and Indigenous rights and reconciliation to ensure alignment with the University's commitment to both areas.

The foundational commitment is the adoption of a Responsible Investment Policy that will support the fiduciary duty of the University while aligning the University's investments with its commitments.

1. Responsible Investing

Responsible Investing (RI) includes, but is not limited to, integration of ESG factors. UM's responsibility as an investor is not only to assess and respond to material risks arising from ESG considerations, but to be aware of, and act to mitigate or prevent the social and environmental harms arising from the practices of its investees.

RI thus also involves active ownership with investment decisions to reduce long-term risks and improve risk adjusted returns, adopting and advocating for adequate disclosure of the environmental and social impacts of investments, and doing our due diligence on the human rights and environmental conduct of investees.

Key strategies and practices that inform responsible investment are outlined in Table 1.

Table 1: Responsible Investment Strategies

RI Strategy	Description
ESG Integration	The process of systematically embedding ESG factors into traditional financial analysis. The portfolio manager integrates ESG data with traditional financial metrics when assessing a company's value. This is the most prominent RI strategy in Canada.
Impact Investing	An investment strategy that aims to generate specific positive, measurable social and environmental impact alongside a financial return. Impact investments typically target companies that are working to address social or environmental problems, such as providing access to clean water or affordable housing, or investing in renewable energy or sustainable agriculture.
Thematic ESG Investing	Investments targeted at specific ESG themes such as clean technology, women in leadership, water solutions, etc.
Positive Screening	The systematic inclusion of companies based on positive ESG performance relative to peers in various sectors. Also known as best in class.
Negative Screening	The systematic exclusion of specific companies, industries or sectors from the investable universe based on personal values, ethical considerations, or negative ESG characteristics.
Norms-Based Screening	Exclusionary screening based on compliance with international norms and standards such as the UN Guiding Principles for Business and Human Rights or the OECD Guidelines for Multinational Enterprises.

Source: Adapted from RIA, 2020 Canadian Responsible Investment Trends Report, 2020.

Many Canadian universities are adopting responsible investing principles to better manage risks, create long-term value, and contribute to a more sustainable and equitable world. Responsible investing for universities can serve to align the investments made by the university with its values and mission, and to generate both financial returns and positive social and environmental impact.

The integration of responsible investment principles into university fund investment approaches is now considered a best practice. In a 2022 survey, 43 of 44 Canadian universities indicated that there had been discussions regarding ESG at the Board level.[1] This is reflected in the policy landscape: just under half of the surveyed institutions have a stand-alone Responsible Investment Policy separate from the Statement of Investment Policies and Procedures (SIPP), and nearly all of the remaining institutions include ESG in their SIPPs.

The business case for responsible investing goes beyond risk and return - these practices have been shown to correlate with a 6 percent increase in donations, while also aligning with the university's stakeholder interests.[2]

1 "2022 Responsible Investing Survey Results," *Canadian Association of University Business Officers* (2022).

2 Catherine Jackson, Abhishek Kumar, and Ramisha Asghar, "Put to the Test: Ranking Canada's Universities on Their Climate Change and Endowment Activities," Commentary 620, *C.D. Howe Institute* (2022), https://www.cdhowe.org/sites/default/files/2022-06/Commentary_620.pdf.

Environmental, Social and Governance (ESG) Factors

Environmental, social, and governance factors can be used to evaluate the sustainability and social impact of an investment. These factors assess how well a company is managing its impact on the environment and on society, and its governance practices. Many investors believe that strong ESG performers are more likely to be financially successful in the long term, as they are better able to manage risks and opportunities, thereby leading to stronger returns.[3]

Environmental factors are related to a company's overall impact on the environment. Some common environmental criteria that are often used in ESG evaluations include greenhouse gas emissions reduction targets and related disclosures, renewable energy use, water management, waste reduction, and environmental compliance.

Governance factors refer to a company's management and control, including its leadership, decision-making processes, and accountability. Some common governance criteria that are often used in ESG evaluations include board diversity and composition, executive compensation, risk management and internal controls, and compliance with laws and regulations.

Social factors address a company's impact on society, including its treatment of employees, its relationships with customers, suppliers, and partners, its impact on the communities in which it operates and its impact on Indigenous rights and reconciliation. Some common social criteria that are often used in ESG evaluations include labor practices, workplace diversity, customer privacy and data security, community involvement and development, and product safety and environmental impact.

3 "2022 Canadian Responsible Investment Trends Report," *Responsible Investment Association* (2022): 20, https://www.riacanada.ca/research/2022-canadian-ri-trends-report/.

The integration of ESG factors into investment decision making is one of the most popular responsible investment strategies and has grown significantly in recent years. Institutional investors are increasingly applying an ESG lens to their investments: assets under management in this category have grown 30% annually since 2015, and now represent around a quarter of all professionally managed assets.[4] Of 44 Canadian universities surveyed, over half (55%) reported that they have adopted an ESG framework for either assessing their investment managers and/or their investment holdings.[5]

Active Ownership

Active ownership refers to the practice of actively engaging with investee companies or asset managers to influence behavior and improve corporate ESG performance. Active ownership is also sometimes referred to as shareholder engagement. Active ownership commonly includes activities like voting at shareholder meetings or setting expectations on proxy voting, engaging in dialogue with company management, and collaborating with other investors to exert collective influence. The goal of active ownership is to create value for the investors and to promote long-term sustainability and responsible business practices.

Active ownership can be implemented by improving proxy voting delegated to external investment managers. Voting as a shareholder is an important way to exercise rights as an owner and have a say in the investee entity's direction and governance. Shareholders can vote in person at the shareholder meeting or can vote by proxy. Voting by

4 "ESG assets may hit $53 trillion by 2025, a third of global AUM." Bloomberg Intelligence, updated February 23, 2021, https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/.

5 "2022 Responsible Investing Survey Results," *Canadian Association of University Business Officers* (2022).

proxy means designating another person, such as an investment manager to vote on your behalf. Improving active ownership when voting by proxy can include, but is not limited to, the following actions:

- Reviewing the proxy voting policies of external investment managers and identifying and communicating areas where the manager's stance may diverge from the university's responsible investment objectives.
- Requesting to review the proxy voting decisions made on the university's behalf and providing feedback.
- Voting on the university's own proxy by receiving proxy materials from the company and casting votes directly.

Many Canadian universities are employing active ownership tools to advance responsible investing. In early 2021, several institutions formed the University Network for Investor Engagement (UNIE) to coordinate efforts on active engagement from university pension plans, foundations, and endowments. Coordinated by the Shareholder Association for Research and Education (SHARE), the goal of the network is to reduce greenhouse gas emissions and accelerate the transition to a low carbon economy. The University of Manitoba is a member of both UNIE and SHARE. While these groups demonstrate that Canadian universities are seeking alternative ways to promote responsible investing, beyond UNIE, most university funds delegate proxy voting and engagement to external investment managers.[6]

6 "2022 Responsible Investing Survey Results," *Canadian Association of University Business Officers* (2022).; 88% of fund delegate authority to external AMs.

Due Diligence

Due diligence is another important aspect of responsible investing. The Organization for Economic Co-operation and Development (OECD) provides guidelines for responsible business conduct for institutional investors (‘Guidelines’), which include expectations around conducting due diligence to avoid and address involvement with unfavourable impacts across a range of societal concerns (e.g., human rights, labour, environment, bribery and other integrity impacts, etc.).[7]

With respect to investors, due diligence involves:

- Embedding responsible business conduct in policies and management systems;
- Identifying actual and potential adverse impacts within investment portfolios and potential investments;
- Using leverage, as appropriate, to influence investee companies causing an adverse impact to prevent or mitigate that impact;
- Accounting for how adverse impacts are addressed, by (a) tracking performance of the investor’s own performance in managing risks and impacts in its portfolio and (b) communicating results; and
- Having processes in place to enable remediation where an investor has caused or contributed to an adverse impact.[8]

7 “Responsible Business Conduct for Institutional Investors,” *OECD* (2017), https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf.
8 “Responsible Business Conduct for Institutional Investors,” *OECD* (2017), https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf.

Divestment

Divestment is the process of selling off assets or investments. In the context of responsible investment, divestment typically refers to the practice of selling assets that are associated with companies or industries that are considered harmful to society or the environment.

The growing fossil fuel divestment movement sends a message to companies that energy needs transition; that alternative energy needs to be prioritized. Many educational institutions are demonstrating leadership in the face of the climate crisis by divesting investment funds from the fossil fuel industry and reallocating those funds to sustainable and just alternatives. Of 44 Canadian universities surveyed, 68% indicated they had discussions at the Board level around fossil fuel divestment.[9] So far, 12 universities have committed to divestment in some form.[10]

9 "2022 Responsible Investing Survey Results," *Canadian Association of University Business Officers* (2022).

10 These institutions include Université Laval, Université du Québec à Montréal, Université Concordia, The University of British Columbia, University of Guelph, Lakehead University, University of Waterloo, University of Toronto, Simon Fraser University, University of Victoria, University of Ottawa, and Université de Montréal.

2. Guiding Structures

There are a number of global frameworks that set expectations or standards for companies and investing institutions to follow as they seek to ensure that their operations and investments align with the ESG factors described above. These frameworks provide guidance and tools to assist institutions in setting and achieving targets, and also consistent and comparable methods to measure and report on progress towards those targets.

United Nations Principles for Responsible Investment (UN PRI)

The UN PRI is an investor initiative in partnership with the United Nations Environment Programme Finance Initiative and the UN Global Compact. It was established in 2005 by then United Nations Secretary-General Kofi Annan, who invited twenty of the world's largest institutional investors and seventy experts from the investment industry, intergovernmental organizations, and civil society to work together to develop its six guiding principles. These are intended to achieve an economically efficient, sustainable global financial system by enabling good governance and by reducing the barriers to a sustainable financial system.

The six Principles for Responsible Investment are:

1. Incorporating ESG issues into investment analysis and decision-making processes.
2. Active ownership and incorporating ESG into ownership policies and practices.
3. Seeking appropriate disclosure on ESG issues from investee companies.
4. Promoting acceptance and implementation of the Principles within the investment industry.
5. Working with other signatories to enhance the effectiveness of implementing the Principles.
6. Reporting on activities and progress toward implementing the Principles.

Signatories to the UN PRI commit to applying the Principles, in acknowledgement that ESG issues affect the performance of investment portfolios and that applying the Principles will better align investors with societal objectives.

The UN PRI provides signatories with services and tools to support the implementation of the Principles and advance its mission. These services include thematic support by asset class, a reporting framework, regulatory insights, local events, online training courses and opportunities for collaboration through the Collaboration Platform and the Academic Network.

The UN PRI has over 4000 signatories globally, including many universities and pension funds.[11]

11 "Signatory directory," Principles for Responsible Investment, updated January 23, 2023, https://www.unpri.org/signatories/signatory-resources/signatory-directory.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-Related Financial Disclosures (TCFD) is an international consortium that develops voluntary and consistent climate-related financial risk disclosure recommendations for organizations. The TCFD was established in 2015 by the Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system, in response to growing concerns about the risks that climate change poses to the global financial system. The group's mandate is to develop a set of voluntary, consistent disclosure guidelines that will help companies and investors to better understand and manage those risks.

The TCFD issued a set of recommendations for climate-related disclosures in 2017 that are widely seen as best in class.[12] The recommendations have seen broad acceptance from investors, firms, and regulators who view it as an important tool for consistent and comparable climate-related information, as well as risk management. The recommendations are organized around four main areas: governance, strategy, risk management, and metrics and targets, under which are eleven recommended disclosures (for example, disclosing information about the company's greenhouse gas emissions, disclosing information about the company's governance structure for managing climate-related risks and opportunities, and others.) Overall, the TCFD's recommendations provide a comprehensive

12 Matt Orsagh, "Climate Change Analysis in the Investment Process," *CFA Institute* (2020), https://www.cfainstitute.org/en/research/industry-research/climate-change-analysis.; Stephen Erlichman, "Climate Change Disclosures and Investor Stewardship," *Fasken ESG and Sustainability Bulletin* (2020), https://www.fasken.com/en/knowledge/2020/07/16-climate-change-disclosures-investor-stewardship/.; "Sustainability standards, What do global investors think?," *KPMG* (2021), https://assets.kpmg/content/dam/kpmg/uk/pdf/2021/02/investor-insights-sustainability-standards-investor-views.pdf.

framework for disclosing information about climate-related risks and opportunities.

The TCFD has over 4,000 supporters globally, including over 1,500 financial institutions responsible for assets of $217 trillion, and companies with a combined market capital of over $26 trillion.[13] In Canada, both the University of Toronto and University of British Columbia have endorsed the adoption of TCFD recommendations and have committed to producing annual TCFD disclosures. UTAM began reporting under the TCFD in 2020, and UBC recently published its first TCFD Report for 2022.[14]

13 "Task Force on Climate-Related Financial Disclosures 2022 Status Report," *TCFD* (2022), https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf.

14 "Task Force on Climate-Related Financial Disclosures Report FY2022," *The University of British Columbia* (2022), https://sustain.ubc.ca/sites/default/files/files/1122_MASTER_TCFD%20FINAL-%2011%2022%202022.pdf.

3. Collective Action

Recognizing the urgent need for action, the University has bolstered its Strategic Plan and Sustainability Strategy by undertaking several climate initiatives. These commitments outline several actions related to responsible investing.

Investing to Address Climate Change: A Charter for Canadian Universities

In 2020, alongside 19 other leading Canadian educational institutions, the University of Manitoba became a signatory of Investing to Address Climate Change: A Charter for Canadian Universities. The Charter recognizes that as stewards of long-term investments, Canadian universities have a responsibility to take action and manage their capital in ways that accelerate the transition to a low-carbon economy and mitigate the increasing risks associated with climate change.[15]

15 "Investing to Address Climate Change: A Charter for Canadian Universities." A Climate Charter for Canadian Universities, updated June 2020, https://climatecharter.utoronto.ca.

As a signatory, the University pledged to abide by the following principles and practices set out in the Charter:

1. Adopt a responsible investing framework to guide investment decision making, in line with recognized standards such as the UN Principles of Responsible Investing (UN PRI). Such a framework should:

    a) Incorporate ESG factors into investment management practices; and

    b) Encourage active engagement with companies to foster disclosure of ESG and climate related risks, and adoption of operational practices that reduce carbon emissions and foster ESG-positive behavior more broadly.

2. Regularly measure the carbon intensity of our investment portfolios and set meaningful targets for their reduction over time.

3. Evaluate progress towards these objectives on a regular basis and share the results of such assessments publicly.

4. Ensure that the performance evaluation of university investment managers takes into account their success in achieving such objectives, alongside the normal criteria for assessing their performance.

This charter provides a comprehensive framework for how Canadian institutions can leverage their capital to drive climate impact and holistically evaluate performance.

Race To Zero Campaign for Universities and Colleges

In 2020, the University signed the Global Universities and Colleges Climate Letter, which declared the need to take immediate action to mitigate the effects of climate change in the education sector. The Letter is now the officially recognized route for universities and colleges to join the Race To Zero campaign.

Race to Zero is a UN-backed global campaign to mobilize companies, cities, regions, and financial and educational institutions to take decisive action on climate change to deliver a healthy, resilient and zero carbon future.[16] So far, there are 1,130 universities and colleges from around the world engaged in the Race to Zero campaign.[17]

The global initiative requires universities and colleges to collectively take action by supporting a three-point plan, in line with the Race to Zero criteria, which includes:

1. Mobilizing more resources for action-oriented climate change research and skills creation;
2. Pledging to reach net-zero by 2030, or 2050 at the very latest; and
3. Increasing the delivery of environmental and sustainability education across curriculum, campus and community outreach programs.

16 "Race to Net Zero Campaign." United Nations Climate Change, accessed January 23, 2023, https://unfccc.int/climate-action/race-to-zero-campaign.

17 "Race to Zero." Race to Zero for Universities and Colleges, accessed January 23, 2023, https://www.educationracetozero.org.

In support of the University's pledge, the UM Sustainability Strategy outlines steps to fulfill the University's commitments of 50% emissions reduction by 2030 and net-zero emissions by 2050, including the creation of a Climate Action Plan.[18]

While this campaign does not explicitly reference responsible investing, the Expert Peer Review Group highlights that the preservation and restoration of natural sinks is imperative to achieve global net-zero and that transitioning investments may advance these efforts.[19]

The Race to Zero Campaign for Universities and Colleges invites educational institutions like the University of Manitoba to join a broad global network of entities to collectively work towards achieving a zero carbon future.

18 "Climate." University of Manitoba, Updated January 2023, https://umanitoba.ca/sustainability/sustainability-initiatives/climate.

19 "Race to Zero EPRG Criteria Interpretation Guide," *Race to Zero for Universities and Colleges* (2021), https://racetozero.unfccc.int/wp-content/uploads/2021/04/Race-to-Zero-EPRG-Criteria-Interpretation-Guide.pdf.

4. Commitments

The University of Manitoba has made the following commitments to incorporate the principles of responsible investing into the investment decisions of the University, and some are already underway:

- **Commitment 1:**
  A Responsible Investment Policy has been adopted;
- **Commitment 2:**
  The TIC has engaged SHARE to enhance their collective shareholder power; and
- **Commitment 3:**
  The UIT investments include the Brookfield Global Transition Fund which is focused on investments that reduce carbon emissions while still earning attractive returns.

Commitment 1: Adopt a Responsible Investment Policy

a) The University of Manitoba's Board of Governors has adopted a Responsible Investment Policy. This overarching policy applies to investments overseen by the TIC, notably the University Investment Trust (Endowment Fund).

b) It also applies to investments overseen by the Chief Financial Officer (CFO) and Treasury Office, notably the Specific and Capital Trust Investments; Operating Investments; Mineral Rights Royalties; and Staff Benefit Investments, in consultation with Staff Benefits Committee.

c) The Policy integrates responsible investment principles into the investment programs of the University

The University of Manitoba has a responsibility to consider social and environmental issues while making decisions and charting actions. This is reflected in numerous existing commitments, including:

- The commitment to broad environmental sustainability that is reflected in the UM Sustainability Policy and Strategy.
- The commitment to advance equity, diversity, and inclusion as expressed in the recommendation of the President's Task Force on Equity, Diversity, and Inclusion and in Our Shared Future: Building on Our Strategic Plan.
- The commitment to advance Indigenous engagement and Truth and Reconciliation Commission Calls to Action, including Call to Action #92 concerning corporate responsibilities for consultation, relationship building, and the free, prior, and informed consent of Indigenous Peoples on economic development projects.

- The commitment to human rights as a strategic research priority of the University, which is embodied in the UM's Centre for Human Rights Research.

This commitment will extend to the governance of the University's investment programs, reflecting its fiduciary responsibility to act constructively through investment decisions of the University funds with respect to ESG issues.

The adoption of a Responsible Investment Policy is in alignment with the University's commitments as a signatory both to Investing to Address Climate Change: A Charter for Canadian Universities and to Race to Zero for Universities and Colleges. Further, the majority of the U15 institutions have Responsible Investment Policies in place, and/or include ESG in their investment policy statements. The integration of responsible investing and ESG considerations is now considered an investment industry standard.[20]

The policy does not apply to the Pension Plan, which is a separate entity, governed by the Pension Committee and subject to specific expectations governing the management of its assets. There is an opportunity to share knowledge and experiences on responsible investing with the Pension Committee based on the commitments contained within this report.

20 "How ESG data is going mainstream." Bloomberg Professional Services, updated July 22, 2021, https://www.bloomberg.com/professional/blog/how-esg-data-is-going-mainstream/.

Commitment 2: Exercise Active Ownership

The University will exercise active ownership through actions such as improving proxy voting delegated to external investment managers; undertaking direct engagement with external investment managers and companies where practical and effective; and joining coalition(s) with investors with similar fiduciary responsibilities.

Investors can directly influence a company's adherence to ESG principles by exercising their rights of ownership to influence company decision making. Active ownership is an effective way to maximize returns, reduce risk and support positive impacts and as such, direct engagement with investment managers is an important part of investing responsibly.

This may be approached individually or as part of a coalition of investors such as the Shareholder Association for Research and Education (SHARE).

Commitment 3: Commit to a Minimum Allocation to Investments That Will Advance Positive Social and Environmental Changes While Still Seeking Financial Returns

a) The University Investment Trust will commit to making meaningful and prudent allocations to investments that will advance positive social and environmental changes while still seeking financial returns.

As an institutional investor, the University can allocate capital to investments that will result in meaningful social and environmental change, while still providing investment returns that support the University's investment objectives. The University will focus on climate change and Indigenous advancement where possible when making these investments.

Five percent of UIT assets would represent a minimum meaningful allocation.

b) Committees and governance structures that manage unrestricted funds outside of the UIT will also consider some level of impact investments.

A minimum allocation of capital towards investments that will result in positive social and environmental impacts will also be considered for other University investments that are overseen by the Chief Financial Officer (CFO) and Treasury Office.

Commitment 4: Support the Rights of Indigenous People

This commitment supports and reflects the University's long-established leadership in Indigenous education, rights, and reconciliation. It has been a fundamental strategic priority that has woven its way into the fabric of the University's programs, teachings, students, physical spaces and priorities. As the home of the National Centre for Truth and Reconciliation, the University's investments must be in companies that support and demonstrate values and actions that are aligned with Indigenous principles. The focus of this commitment will be on the rights of the Indigenous peoples of Canada, and the University's goal is to become a leader in incorporating these rights into responsible investment programs and policy.

a) The University will develop criteria that would indicate a violation of UN Declaration on the Rights of Indigenous People.

The Office of the Vice-President (Indigenous) will be consulted in establishing criteria to identify situations where an organization violates the UN Declaration on the Rights of Indigenous People. To maximize the impact of this commitment, consideration will be given to selecting criteria that can reasonably be implemented.

b) For direct investments, the University will establish steps to address violations of these rights.

For direct investments, effort will be undertaken to eliminate the violation of these rights. In consultation with the Office of the Vice-President (Indigenous), steps will be established to address the violation and trigger creation of an action plan to eliminate or reverse it. This will include engaging with the company, engaging the investment manager, and requesting assistance from the shareholder engagement service.

c) Where the University has investments in funds that it does not have direct control over, it will actively engage with the investment manager to eliminate the equity holding within the pooled fund. The University will also request that its shareholder engagement service address the issue with the company. Should these efforts fail to affect change, the University will look to investing these assets in a more suitable investment fund.

In the case of pooled funds, the University will work with the investment manager and/or the fund's shareholder engagement service to affect the change desired.

d) The University's first step in all situations will be engagement. The University, as a shareholder, believes advocating for the rights on Indigenous people by contacting the violating company, contacting our investment manager, filing shareholder proposals, and elevating the issue in public is the best course of action. Collectively with other like-minded shareholders, we believe we have the power to change the business practices of a company violating the rights of Indigenous peoples. If those collective actions prove unsuccessful, the University will expedite efforts to divest from either direct or indirect investments in these companies.

Commitment 5: Divest from Investments in Fossil Fuel Supply

a) The University will make no new direct investments in fossil fuel supply from the end of 2023 forward.

This commitment applies to direct investments under the control of the TIC.

Climate change is the greatest challenge of our lifetime. The impacts of emissions from burning fossil fuels over the last several decades are already being experienced around the globe, and these will only become more extreme. The growing divestment movement serves to underline the importance of a transition to clean energy and to a green economy. As an educational institution, the University of Manitoba has a responsibility to be at the forefront of social and environmental change; and climate science is an area where our university has excelled.

b) The University will divest from all direct investment in fossil fuel supply companies by the end of 2024.

Direct investments include segregated accounts that hold public equities and public debt securities; partnerships under our control; mineral rights; and vehicles considered to be direct ownership where the University is able to dispose of specifically identified investments targeted for divestment.

Divesting from fossil fuels is in-line with the divestment that has already taken place, or is being discussed, at our peer institutions. It will send a clear message that we are serious about addressing climate change. If we are going to work diligently educating our younger generation, we need to work diligently to ensure there is a sustainable planet for their lifetimes.

c) The University will divest from indirect investment in fossil fuel supply by 2030 at the latest.

Indirect investments include pooled funds, commingled funds, limited partnerships not under the University's control; and any like investment whereby the University owns units in the investment fund, and not the individual investments.

While this may temporarily limit the Committee's ability to invest in passive and active pooled funds in the short term, there are expected to be ever increasing opportunities in the future with the continuing evolution of the investment industry.

d) The University will define fossil fuel supply as a company involved in the exploration, extraction, and/or refining of fossil fuels (oil, natural gas, and coal).

Consideration will be given to adopting a simple and widely accepted definition. The Treasury Office will work with investment managers and the investment consultant to identify security holdings that meet this definition.

Commitment 6: Become a Signatory to the UN PRI

The University will become a signatory to the United Nations Principles of Responsible Investing (UN PRI) by the end of 2023.

This is in alignment with the University's commitments as a signatory both to Investing to Address Climate Change: A Charter for Canadian Universities and to Race to Zero for Universities and Colleges.

It is further a best practice among fellow Canadian Universities, as ten of the U15 are signatories[21], and three of these (Université de Montreal, University of British Columbia and University of Waterloo) also have their Pension Plans as signatories. In addition, nine other Canadian universities are also counted among the UN PRI signatories.

21 "Signatory directory," Principles for Responsible Investment, updated January 23, 2023, https://www.unpri.org/signatories/signatory-resources/signatory-directory.

To become a signatory, the University of Manitoba must first have a formal RI policy in place.

Being a signatory entails a significant ongoing requirement for reporting and compliance. These requirements, along with the resources provided, will support the University in becoming a more responsible investor.

Commitment 7: Track and Report on Carbon Emissions from Investments

The University will routinely measure and reduce carbon emissions from their investments.

This applies to portfolios where emissions can be measured. It includes Scope 1 and Scope 2 emissions, and where possible, Scope 3 emissions. It will entail establishing a new baseline and reduction targets for the UIT. It will also apply to staff benefit investments.

This commitment is foundational, and implementation will precede the following commitment.

Commitment 8: Disclose Investment Risks and Exposures Through TCFD

The University will develop practices to disclose the climate-related risks and exposures of our investments and operations, and these will be aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) by the end of 2025.

In 2018, the Government of Canada formally endorsed the adoption of TCFD recommendations by all Canadian organizations to support Canada’s commitment to the Paris Agreement. In 2021, the Canadian Securities Administrators issued a draft regulation respecting Disclosure of Climate-

Related Matters by Canadian reporting issuers other than investment funds. It is expected that disclosure regulations will also follow for pensions and other investors. To date, no such regulatory or other requirements have been set out for Canadian public agencies, including universities, however they are expected to become standard reporting for the University in the future.

As such, adoption of these reporting regulations preemptively would be considered a best practice.

TCFD disclosures are not limited to the investments but cover how the organization as a whole identifies and assesses climate-related risks, and opportunities. TCFD disclosures focus on the following areas: governance, strategy (including financial planning), management of climate-related risks, and metrics and targets. As the latter requires that Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions be disclosed, and that the organization have reduction targets in place, Commitment 7 must be implemented first.

Commitment 9: Carry out Due Diligence

The University will carry out due diligence in line with the recommendations of the OECD's Responsible Business Conduct for Institutional Investors by the end of 2025.

The OECD Guidelines for Multinational Enterprises are the most comprehensive international instrument on responsible business conduct. They acknowledge that while there are no direct operational or contractual ties between an investor and an investee company, the investor can seek to influence the investee through ownership. This is supported in the OECD Guidelines via the provision of approaches to carry out due diligence.[22]

22 "Responsible Business Conduct for Institutional Investors," *OECD* (2017), https://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf.

Approaches to due diligence recommended by the OECD include embedding responsible business conduct in investor policies and management systems; identifying actual and potential adverse impacts across the investor portfolio; seeking to prevent and mitigate adverse impacts; accounting for how adverse impacts have been addressed through both tracking and communicating on results; and finally by implementing processes to support remediation where adverse impacts do occur.

This commitment represents a best practice for the University, as an institutional investor.

Commitment 10: Support with Resources

The University will dedicate resources that support these important commitments and initiatives.

Resources will be required to effectively implement these commitments. Specific needs will be established based on each commitment, and funding will be allocated accordingly.

5. Looking Ahead

The University will implement these commitments, beginning with the adoption of a Responsible Investment Policy. Beyond supporting the fiduciary duty of the University while aligning University investments with its responsible investment commitments, the Responsible Investing Policy is in alignment with the University's broader Strategic Plan and commitments on sustainability and social justice, and will effectively contribute to the University's larger commitment to sustainability:

"The University of Manitoba's mission reflects an abiding commitment to sustainability. The very business of the University – creating, preserving and communicating knowledge for well-being – is integral to sustainable development. We do this work today so that students and their communities (and our larger community of Earth) can have big futures. Our work contributes to human development, and our values guide us to pursue this work in a way that manages the impacts we have on our planet."

– UM Office of Sustainability[23]

23 "Sustainability." University of Manitoba, updated January 2023, https://umanitoba.ca/sustainability/.

Additionally, the University has a goal to be a leader in responsible investment that prioritizes Indigenous rights and reconciliation. The Truth and Reconciliation Commission's Calls to Action have been incorporated into the Strategic Plans of the University for many years, and going forward the development of a rigorous approach to investing that applies an Indigenous lens to all existing and new investments will be an extension of the University's commitment to Indigenous people.

Implementation of these commitments will require that the University revise the UIT Investment Policy Statement annually. This is the governing document of the Trust Investment Committee, which has general authority over the investment of the assets of the Trust and Endowment Fund. As such it addresses roles and responsibilities; investment objectives; time horizon; risk tolerance; asset allocation; rebalancing guidelines; spending policy; selection and retention criteria for investment managers; strategic investment guidelines and constraints; and conflict of interest.

Responsible investment is an evolving landscape, and in order to remain aligned with best practices, the University commits to continuous improvement in this area. To support accountability, these commitments are being shared with the University Community and progress will be reviewed regularly.