Policy Title: Responsible Investing Policy

Date Established: November 24, 2020

Office with Administrative Responsibility: Vice-President, Finance & Operations

Approver: Board of Governors

Revision Date(s): TBD

Introduction and Definition

The University of Windsor ("University") recognizes that Responsible Investing is a rapidly evolving approach to investing that understands sustainability as a fundamental concept in wisely allocating financial capital for the benefit of today and future generations.

The University defines Responsible Investing as an approach which integrates environmental, social and governance ("ESG") considerations into investment decisions and is a part of an asset owner's strategy to incorporate these factors into investment analysis and decision making.

Application and Scope

The Responsible Investing Policy ("RI Policy") applies to any University investment portfolio ("Fund") where the RI Policy is specifically referenced in the Fund's Statement of Investment Policies and Procedures ("SIPP"). Through this policy, the University commits to considering ESG factors when making investment decisions as part of the University's fiduciary responsibilities to optimize investment returns and manage risk.

The purpose of the RI Policy is to set out the responsible investment framework for the University in accordance with guidance from the UN PRI. As such, the RI Policy:

i) Outlines the responsible investment beliefs agreed upon by key stakeholders within the University
ii) Lists the six principles of the UN PRI and the actions that will be taken by the University
iii) Outlines the University's policies and approaches to ESG issues
iv) Provides procedures on reporting and review processes
v) Offers transparency to beneficiaries and stakeholders
vi) Creates a mechanism to monitor the University's responsible investment capabilities

Definitions

The definitions below are specific to the development and maintenance of the RI Policy.

1. The UN PRI is an investor led initiative that works to promote the adoption of six Principles. As of January 2020, the PRI has over 3,000 signatories.
2. The University embraces the UN PRI's definition of responsible investing as a strategy and practice to incorporate environmental, social and governance factors into investment decisions and active ownership.[1]
3. ESG investing is an approach that integrates an organization or individual's ethical values and societal concerns in order to better manage risk and generate sustainable long-term returns (see "ESG Integration").
4. Active ownership involves the use of an investor's rights and position of ownership to influence the activities and behaviors of investee companies such as engagement and voting for public equities.

Responsible Investment Beliefs

The University's Responsible Investment Beliefs ("RI Beliefs") were developed by the Investment Committee of the Board of Governors to provide a consistent and transparent framework to guide the University's investment decision-making processes. The RI Beliefs reflect the University's fiduciary responsibility to stakeholders and beneficiaries and its commitment to the University's mission, vision and values.

The RI Beliefs will periodically be reviewed and affirmed or modified, as may be deemed appropriate by the Investment Committee.

The University believes that:

1. Responsible Investment is a key component of the University's fiduciary duty, and incorporating relevant and material ESG factors within the Fund is consistent with its objective of optimizing return and managing risk. It is therefore important to take ESG matters into account in our investment decisions with the Fund, together with other relevant and material considerations.
2. As ESG factors can impact long-term investment returns, it is important that the University understand material ESG risks and integrate them into risk management systems and procedures, including investment selection.
3. Climate change is one of the most significant issues facing society and the global economy, and can significantly impact the value of many investments. The risks of climate change, such as physical and transition risks, must be managed and mitigated in order to achieve our overall objectives.
4. An understanding of sustainability issues may lead to new investment opportunities that contribute to the Fund's objectives. Funds that focus on ESG themes and broader institutional objectives, specifically sustainability solution trends, have the ability to provide positive social and environmental outcomes.
5. Active ownership is an important component of implementing responsible investing in practice, and is important to encourage good corporate governance and sustainable operating practices. Active and engaged ownership of investments can enhance long-term sustainability and improve the risk profile of the Fund.
6. Responsible Investing is an evolution that requires continuous learning, innovation and adaptation. The University recognizes the importance of ongoing learning to keep appraised of current issues and trends

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[1] United Nations Principles for Responsible Investment 2020, *What is responsible investment*, viewed July 28th, 2020, < https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-is-responsible-investment>.

and best practices.

7. Transparency through regular reporting on our RI strategy and progress is fundamental to how we engage with our key stakeholders. Key stakeholders include, but are not limited to, current and prospective students, alumni, faculty, staff, families, donors, and members of the broader Windsor community.

Policy Statement

A. PRI Principles

As a signatory of the UN PRI, the University has adopted and will implement six principles.

PRI Principles[2]	University Actions
1. We will incorporate ESG issues into investment analysis decision-making processes	• Develop and implement a reporting framework for ESG rating review and evaluation, and incorporate assessment of ESG considerations into our manager monitoring process • Assess the capabilities and actions of investment managers to incorporate ESG issues • Provide and promote ESG training for internal investment staff
2. We will be active owners and incorporate ESG issues into our ownership policies and practices	• Exercise voting rights through external investment managers • Encourage managers to adopt voting policies that integrate ESG considerations • Ask investment managers to undertake and report on ESG-related engagement
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest	• Ask investment managers to report on ESG issues in the portfolio
4. We will promote acceptance and implementation of the Principles which we invest	• Incorporate assessment of ESG capabilities into our manager selection process • Select managers who are signatories of the PRI • Communicate ESG expectations to investment service providers
5. We will work together to enhance our effectiveness in implementing the Principles	• Engage in the PRI network as a source of learning and collaboration
6. We will each report on our activities and progress towards implementing the Principles	• Disclose to stakeholders how responsible investing is integrated within investment practices • Report to the PRI annually

B. Integration of ESG factors

The integration of ESG factors in investment decisions is primarily done by the University's investment managers. ESG factors that are considered important by the University and their stakeholders are listed below, however the University recognizes that this list is evolving, and will be updated over time to reflect emerging themes and trends:

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[2] United Nations Principles for Responsible Investment, 2020, *What are the Principles for Responsible Investment*, viewed on July 28th, 2020, <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment?adredir=1>.

Environmental: Factors relating to a company's interactions with the physical environment and sustainability. These include but are not limited to climate change, greenhouse gas emissions, biodiversity loss, resource depletion and pollution, the use of genetically modified organisms, waste management, change in land, water and ocean use, and ocean acidification.

Social: Factors relating to business practices that have an impact on the rights, well-being and interests of people and communities. These include but are not limited to human rights, labor standards in the supply chain, child, slave and bond labour, workplace health and safety, human capital management and employee relations, diversity, relations with local communities, activities in conflict zones, health and access to medicine, consumer protection and controversial weapons.

Governance: Factors relating to the governance of a company. These include but are not limited to board structure, composition, size, diversity, skills and independence, executive compensation, shareholder rights, stakeholder interactions, transparency, business ethics, bribery and corruption, internal controls and conflicts of interest.

C. Climate Change

The University recognizes that climate change is a systemic risk, and that a focus on climate change is important to mitigate risks and capture opportunities arising out of the transition to a more sustainable economy. While the University does not commit to specific emissions reductions targets for the Fund at this point in time, we commit to keeping pace of this important issue and will revisit this decision as we progress along our responsible investing journey.

We will encourage our external managers to adopt best practices such as the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD"), with an emphasis on disclosure and transparency of climate plans and metrics (e.g. carbon footprints).

D. Responsible Investing Approach

i. Thematic Investing

The University's approach to responsible investing is broad and evolving; however a few thematic investment areas have been identified as being important to its stakeholders. These may include women and minority-owned companies, diversity, equity and inclusion, and human rights. The University may consider investing in opportunities in these and other thematic areas in the future, as they will not only contribute towards solutions to global issues, but may also enhance the University's long-term risk-adjusted investment returns.

As the University's understanding of responsible and sustainable investment practices, opportunities and stakeholders' preferences evolve, additional themes may be considered.

ii. Screening

The University, through the support of its investment managers, may screen portfolios for companies associated with topic areas deemed to cause an unacceptable level of harm, be in breach of laws or commonly accepted behavior, or be in conflict with the expected ESG standards under the ESG integration approach outlined.

E. Investment Managers

A component of the University's evaluation of investment managers is focused on how effectively the managers incorporate ESG policies and active ownership into their responsible investment framework. The following are the minimum requirements for investment managers (except those investment managers specified by the donor) to adhere to the University RI policy:

i) Adequate and timely ESG disclosure and reporting.
ii) Signatory and adherence to the United Nations PRI or own RI Policy. This policy should clearly lay out ESG criterions for investment decision making and analysis and active ownership practices. The University will encourage Investment Managers to become a PRI signatory if they are not already.

i. Stewardship and Active Ownership

The University supports active ownership and therefore, its actions may include, but are not limited to:

a) Proxy voting delegated to investment managers
b) Direct engagement with a company by an investment manager
c) Seeking transparency on ESG issues by investee companies through investment managers

Disclosure and Communication

All appointed investment managers are sent the latest version of the RI Policy, as referenced in the Investment Management Agreement with each manager.

The University is committed to transparency regarding its responsible investing activities. The University will report on its approach to responsible investing by publishing a Responsible Investing Report on an annual basis.

Exceptions to Policy

This policy is consistent with the SIPP in which it is referenced. If this policy is in conflict with the SIPP, the latter will take precedence.

Roles and Responsibilities

The Investment Committee of the Board of Governors is responsible for monitoring the administration of this policy to ensure compliance.

Monitoring and Compliance

The RI Policy is subject to review at least annually.

Appendix: Key Terms and Definitions

Carbon intensity: The total amount of greenhouse gas emissions as a proportion of a common denominator, such as revenue. This allows for comparison across companies of different sizes, and in the case of an investment portfolio, for comparison across funds and benchmarks. The usual measurement includes carbon dioxide, methane and other greenhouse gases and is often expressed as carbon dioxide equivalent.

Climate Change: In the investment context, this term refers to the realized and projected impacts caused by climate change. This includes changes related to physical damages from an increase in average global temperatures and the associated transition to a low-carbon economy required to mitigate the likelihood and severity of such damages.

ESG Integration: An approach to sustainable investing that refers to inclusion of ESG factors throughout an investment process.

Physical risks: The risks of climate change that result from climatic events, such as wildfires, storms and floods.

Proxy voting: A proxy vote is a ballot cast by entities on behalf of the actual shareholders, who may not be able to attend the shareholder meetings or choose not to vote on certain issues. Particular attention may be paid to shareholder proposals, which must meet a certain level of support among shareholders in order to be brought to management and are often associated with ESG topics.

Screening: Involves the use of filters or screens that reflect an investor's preferences or values to preemptively rule in or out potential investments. Negative screening refers to the exclusion of companies involved in activities or products with a perceived negative impact on society. Positive screening refers to the inclusion of stocks or bonds based on whether the company has a positive ESG trait, such as a high overall ESG score, belonging to a particular industry sector or displaying other favorable characteristics desirable to the investor or its beneficiaries.

Stewardship: An approach whereby investors seek to use their positions as asset owners to include investee activity or behavior. The aim is usually to align a corporation with specific best practices, to understand fundamental ESG-related business drivers or, most commonly, to improve standards of corporate governance.

Task Force on Climate-Related Financial Disclosures (TCFD): The TCFD was established by the Financial Stability Board to provide recommendations to investors and corporations for more effective climate related disclosures for the purpose of facilitating a better understanding of the overall financial system's exposure to climate related risks. The 11 recommendations cover four areas: governance, strategy, risk management, and metrics and targets.

Thematic Investing: An investment approach that seeks to generate both high financial returns and positive ESG impacts, often on a particular area such as renewable energy, affordable housing or education.

Transition risks: The risks of climate change that result from policy action taken to transition the economy off of fossil fuels.

UN Principles for Responsible Investment ('UNPRI'): An international organization that works to promote the incorporation of environmental, social and corporate governance factors into investment decision-making. The UNPRI relies on voluntary disclosures by participating members, called signatories. It engages with global policymakers and is supported by, not but part of the United Nations. It has six Principles for Responsible Investment that offer a menu of possible actions for incorporating ESG issues into investment practice.