THE UNIVERSITY OF BRITISH COLUMBIA
RESPONSIBLE INVESTMENT

Presented by: Peter Smailes, Treasurer

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History

• UBC historically invests in pooled funds and indices.

• In 2010 UBC established an administrative Socially Responsible Investment Committee to:
  
  o provide advice on environmental, social and governance (ESG) factors as it related to the investment of endowment assets.

• In April 2013 the Committee proposed to the Board of Governors joining UN Principles for Responsible Investment (UNPRI), the Canadian Coalition of Good Governance (CCGG) and incorporating ESG factors into endowment investments.

• The Board approved joining CCGG, incorporating ESG factors into endowment investments, rejected joining UNPRI and set up its own Board task group.
UBC Endowment Responsible Investment Policy – June 2013

• Direct investment in environmental and social projects
  o Including climate change/greenhouse gas reduction projects and in student housing projects.

• Good governance
  o UBC Investment Management Trust (IMANT) has joined the Canadian Coalition for Good Governance.
  o IMANT is also including ESG principles in the selection of its fund managers.

• Continuous improvement
  o Board of Governors special task group will review the rapidly evolving investment landscape and recommend further changes to the full Board.
Investment Best Practices

• Incorporating ESG factors in the investment process is prudent and aligned with UBC’s social commitment.
• UBC incorporates ESG factors into its investment process through:
  o Manager selection,
  o Investor engagement,
  o Direct engagement, and
  o Collective engagement.
UBC Endowment Responsible Investment Policy (March 2015)
Divestment Review Thresholds

• Divestment proponents must have support from UBC stakeholders before the RI Committee will consider their divestment proposal.
  o A Student referendum that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes.
  o A Faculty referendum that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes.
  o A Staff referendum that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes.
  o A written request from the Alumni Association Board.
• Support from two stakeholder groups is required
UBC Endowment Responsible Investment Policy – Divestment Criteria

• Divestment proponents have to meet these criteria before the RI Committee will recommend divestment to the UBC Board.

• Five divestment criteria:
  1. Proven social, political, economic or environmental rationale.
  2. Reasonable evidence that divestment is an effective way to achieve the desired outcome.
  3. Absence of alternative policies.
  4. Consistency with the University’s legal obligations as trustee.
  5. Consistency with other University relationships.
Divestment Proposal

• The UBC Alma Mater Society held a referendum in 2014 requesting that:
  
  “… UBC should immediately forgo further investments in fossil fuel companies, and divest from all existing fossil fuel holdings within five years.”

• The AMS referendum passed with 77% supporting the motion.
• UBC Faculty also voted 62% in favour of calling on the University to divest itself of its fossil fuel stocks.
• The AMS presented UBC with a paper outlining the case for divestment.
Divestment Response

- UBC hired an independent third party with responsible investment expertise to determine if the five divestment criteria were met.
  - They were not.
- UBC did not write a paper clarifying the University’s approach and response.
  - We should have.
- UBC committed to establish a “Sustainable Future Fund.”
UBC Sustainable Future Fund

• A low CO2, high ESG fund separate from the main endowment.
• 35% low CO2 equities, 35% high ESG equities, 30% bonds.
• Intended to address more than just fossil fuel divestment.
• Initially funded by $10 million of UBC discretionary endowment funds.
• Open to donors.
• Will act as a comparator to the main endowment.
• Still under discussion.
Lessons Learned

• Engage your Board early.
• Get good legal advice.
• Work with your investment managers – they are doing more than you realize.
• Meet with divestment proponents.
• If you are not likely to divest and not likely to convince divestment proponents, focus on your real audience.
• Communication is key.
Other Lessons Learned

- Faculty, staff, and students have a contractual relationship with the University.
- We have a legal obligation to invest monies in accordance with our university’s governing statute; differences abound within and across provinces.
- We do try to accommodate our donor’s wishes, but we have to do it within the limits of the trust terms.
- We cannot invest to promote an agenda that is collateral to the interests of the beneficiary of the trust.
- We have a duty to prioritize the financial interests of the beneficiaries to earn a return that is prudent – to balance appropriate levels of risk and return.
- I am not a lawyer so please seek legal advice.
Questions?