HIGHER EDUCATION ON FOSSIL FREE DIVESTMENT

Summary of Actions Taken across Canadian Universities To-Date

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Summary of Actions To-Date

• Most activities are reactive not proactive
  
  • Actions are initiated after received of a petition
  
  • Petitions are from: Students, Faculty, Combined
  
  • Usually addressed to:
    
    • President,
    • Board of Governors,
    • Finance Committee, or
    • Investment Committee
Summary of Actions To-Date

• Most common action following petition receipt:
  • Establishment of a special review committee,
  OR
  • Delegation of review to an existing Committee

• Recommendations to be made for President and/or Board consideration

• When petitions or a request comes forward during a Board meeting – most immediately receive (**listen only**) and delegate review to management or committee
Summary of Actions To-Date

• Review outcomes similar/common to-date:
  • **No** to full divestment
  • **Yes** to reviews of SRI and ESG statements in SIPPs
    • Refinements to deal with broad societal concerns
  • **Yes** to reviews of UN PRI with an objective to sign

• Some outcomes, more limited;
  • **Yes** to establishing a sustainable investment fund
  • **Yes** to signing UN PRI and/or Montreal Carbon Pledge
Considerations for SRI Policies

- SRI basis modify from Human Rights to broader societal concerns view.

- Consider and clarify if:
  - after investigation, a held entity is found culpable, actions morally reprehensible, and no changes after consultation, then divest? *Who makes this judgment? Individual? Team? Employees? Volunteers?*
  - If divesting deemed is it immediate or over time?
  - What happens if company changes its act/direction? Is divestment a permanent decision?
Considerations for SRI Policies

- SRI on divestment will have to deal with:
  - Other business relationships with divested entities
    - Funding for research affected?
    - Gifts from divested entities accepted?
    - Students funded from parents employed by entities?
      - *Where do you stop this list to fully sever entity relationship?*

- SRIs should be clear on proxy voting transparency – to Treasurer or Investment Committee, in-house or externally, frequency of review (quarterly / annually)
  - *If externally voted are ESG views aligned?*
Considerations for SIP&Ps

• Include ESG statement:
  • State what you actually do
  • Be transparent
  • Be prepared for ESG practices to evolve so this statement may need updating

• Include Proxy Voting approach

• Include SIP&P review frequency (most SIP&Ps are review 1 to 5 years)
Considerations if adopting UN PRI

• How quickly can the steps supporting the UN PRI principles be achieved? 1-5+ years?

• Will measuring carbon footprint be undertaken – Carbon Pledge direction?
  • If yes, what methodology will be used? How will it be funded? What will it be used for – transparency and/or reduction targets? Etc., etc..
Proactive Plan

1. **Identify your University’s SRI stance & incorporation of ESG factors into decision making.**

2. Complete SRI and SIP&P reviews to ensure alignment to the University stance.

3. Consider stance in relation to direct or co-mingled (pooled) investment holdings.

4. Consider a work plan toward becoming a UN PRI signatory.

5. Consider taking steps necessary toward becoming a signatory to the Montreal Pledge (evaluate cost, benefit, and capability).

6. Agree on the level of direct or indirect engagement with entities held within investment portfolios (University role or investment manager role? Consider resources and effectiveness of engagement).

7. Agree on the degree and frequency of reporting: proxy vote summaries, environmental and carbon footprint measurements. Including who/what committee will be responsible to review such reports.
8. Agree on the level of reporting required if divestment is not adopted, for example, finance or investment committees may desire increased ESG analysis since ESG factors can have a material impact on company intrinsic value and market capitalization.

9. Investigate the extent of exposure to The Carbon Underground List residing within portfolios, whether through segregated accounts or within pooled funds (or if list is not available, work with investment managers or consultants to understand portfolio holdings exposure to oil and coal).

10. Estimate the transition cost, if divestment is determined, associated with exiting with direct or co-mingled funds.

11. Consider whether additional investment funds should specifically focus on sustainability or renewable energy. This consideration could be for multiple purposes:

   (1) providing an additional donor option for ESG concerned donors;
   (2) as an internal performance study relative to other holdings; and
   (3) as a new asset pool that integrates results into student learning curriculum.
Undertaking a Divestment Review

1. Undertake a detailed review of the divestment request, including the implications of divestment.
2. Complete a detailed review of existing investment related policies and fiduciary and trust responsibilities.
3. Consult broadly with interested members of the University community.
4. Review similar divestment requests and conclusions reached by other Canadian universities.
5. Conduct analysis of holdings to determine the overall impact of divestment.
6. Review alternative investment approaches to incorporating ESG factors into investment decisions and consider the impact of different models.
7. Provide recommendations to respond to the divestment request.
Using a Consultation Approach?

Consultation considerations:

- Broad Survey
- On Campus Seminars / Forums
- Hosting group workshops
- Open Town Halls or Community Drop-in Sessions
- Open Letter Submission Process
If using a Consultation Approach?

- The consultation will need to consider resources to:
  - Review responses,
  - Possibly summarize the consultative process results, and
  - Draw conclusions from the information.

- The consultation needs to consider the form and type of feedback needed to respond to the divestment question effectively.

- The consultation process should have a strategy to manage media involvement during the period of consultation.

- The consultation period should have a defined end date and reporting back strategy from the onset.
If Consultation Used – key people:

- Government Relations (federal reaction to divesting from Canada’s key economic resource)
- VP University Advancement
- Select donors – private and corporate, including those from oil, gas, coal industries, if any
- Legal counsel
- Investment Pool Committee members
- Investment Managers
- Investment Advisors
- Senate
- Aboriginal communities and organizations
If Consultation Used – key issues:

What does divestment mean to:

• Existing research funding from oil, gas, or coal companies

• Donations and pledges from oil, gas, or coal companies or individuals wealth derived from oil, gas, or coal

• Existing partnerships directly related to the oil, gas, or coal companies

• Existing partnerships with indirect demand drivers for the oil, gas, or coal companies – e.g. auto-industry.

• University’s own use of oil, gas, and coal in campus operations.
If Possible be: Proactive

1. Identify your University’s SRI stance & incorporation of ESG factors into decision making.

2. Complete SRI and SIP&P reviews to ensure alignment to the University stance.

3. Continue onto next steps…
SUMMARY OF ACTIONS TAKEN ACROSS CANADIAN UNIVERSITIES TO-DATE

Questions?

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