

Money CAN Grow on Trees:

Developing a Responsible Investment
Committee for our Endowment Fund

ENVS 401 April 8, 2015

By:

Alexandra Gresiuik, Amie Vowles, Rebekah
Esau, Bryce McCall, Vince Zhang



Contents

Introduction 1

Background 2

 University of Saskatchewan Endowment Funds 2

 Past Success 4

The Problem 5

Committee Structure 7

 Major Responsibilities 8

Survey Results 10

References Cited 15

APPENDICES 16

 Appendix A: Survey Questions 16

 Appendix B: Comparison of Characteristics of Responsible Investment Committees 18

Introduction

As part of 2015's ENVS 401 class we were tasked with identifying ways in which the University of Saskatchewan might obtain more Sustainability Tracking, Assessment and Rating System (STARS) points and achieve a silver rating. After careful consideration we came to the conclusion that one of the most effective ways to do this would involve the creation of a Responsible Investment Committee. This committee would facilitate stakeholder involvement when it comes to decisions regarding the long term investing of the university's endowment fund in a variety of ways. By performing this role the University of Saskatchewan would facilitate stakeholder involvement, allow for the creation of an appropriate definition of responsible investing on campus, and increase the current STARS rating.

To facilitate the creation of the Responsible Investment Committee we have created this document to state the problems that have led to the proposal of this committee, outline the structure of the committee, the role of the committee and explore stakeholder support for the committee. It is our hope that this document provides sufficient information for the creation of this committee.

Background

University of Saskatchewan Endowment Funds

Decisions made regarding the financial activities of the University are overseen by the Board of Governors (Figure 1). The Board of Governors oversees the Finance and Investment Committee, which makes most of the decisions regarding the allocation of funds to investments.

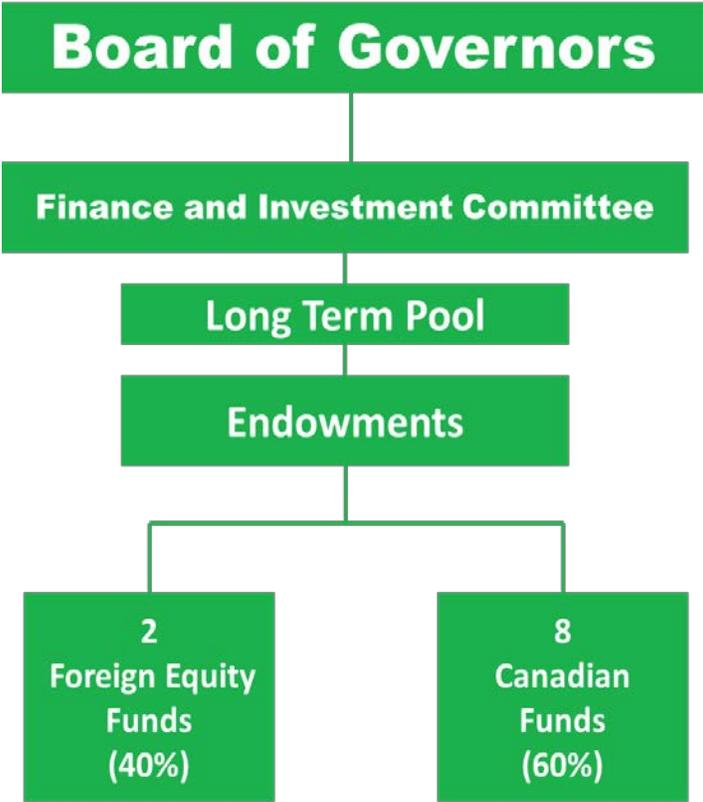


Figure 1: Investment Decision Structure at the University of Saskatchewan

The University divides all investments into three categories: short-term, fixed income, and long-term investments. All endowment funds are allocated to the long-term investment category. Funds within this category are divided into 10 different funds, which are each managed by a designated fund manager. These funds operate in different investment sectors such as foreign

equity, real estate, bonds, and Canadian equity. The standard that guides the selection of investments is a required minimum return on investment (ROI). A minimum of six percent ROI is required, on average, for all funds. Approximately four percent of the fund balance is expended each year, and additional interest must be earned to match the inflation rate (Jeff Dumba personal communication).

The current balance, in Canadian dollars, of the endowment fund is approximately \$300 million (Figure 2). Total contributed capital, through donations, was \$191 million in 2013/2014, with interest earned on the contributed capital \$107 million.



Figure 2: Current Balance of Endowment Funds at the University of Saskatchewan (Currell 2014).

Past Success

Last year a group of ENVS 401 students took it upon themselves to better understand why the University of Saskatchewan was not investing any of its long term endowment funds into sustainable funds, and understand what it would take to change this. To explore this they held several meeting with a variety of members from the Financial and Investment Committee, researched sustainable investment opportunities for the university, and presented their findings at the 2014 Sustainable Living Lab Symposium.

Inspired by the group's findings the Finance and Investment Committee took it upon themselves to consider adopting responsible investments as part of their endowment fund management. To do this they have hired financial consultants Aon Hewitt to propose responsible investment options. This firm selects these funds based on an evaluation of their economic impact, while considering a variety of social, environmental, and governance related issues (Currell 2014) . The Finance and Investment Committee currently expects to have this list for review within the next year, and if realistic options are presented responsible investments are expected to be introduced soon after.

The Problem

The current endowment investing structure at the University of Saskatchewan has proven to be exceedingly effective in terms of ROI, however it is not perfect. Three problems that we have identified and hope to solve with the creation of a Responsible Investment Committee are:

1. A lack of stakeholder involvement in endowment fund investments
2. No formal definition of what responsible investing looks like
3. Zero of seven points available through STARS for responsible investing

To date the university's Finance and Investment Committee has had a fairly limited capacity for stakeholder involvement. By allowing for, and actively participating with, the Responsible Investment Committee stakeholder representation could be ensured. This involvement would allow the investment of the endowment fund to reflect stakeholder values. As an added benefit, it is possible that upon seeing this representation, future alumni would be more inclined to contribute donations to the endowment.

As of spring 2015 the Finance and Investment Committee had hired financial consultant Aon Hewitt to identify responsible investment opportunities for the university's endowment fund. The funds that will be identified by this firm will reflect their definition of responsible investments, however the University of Saskatchewan has not defined what responsible investment looks like. To rectify this, the proposed Responsible Investment Committee would work in conjunction with the Finance and Investment Committee to identify a definition for responsible investments that would reflect both ethical investments and the required financial gains.

In early 2015 the University of Saskatchewan's STARS rating was reassessed and revealed to again be bronze. While several points have been gained in other STARS categories, zero of the seven available points under Investments have been obtained. A first step that the university could take towards gaining two of these points would be to create the proposed Responsible Investment Committee. This would prove to be beneficial in two major ways. The first is that by establishing the committee there would be a group of individuals committed to obtaining the points remaining for investing sustainably (4 points), and investment disclosure (1 point). The second benefit is that by simply enacting this committee the university's STARS score would increase from 43.88 to 45.88, allowing it to be classified as silver instead of bronze.

Committee Structure

The committee would receive opinions from its stakeholders on areas of interests. These opinions would be discussed and background information gathered. If the committee determines that these opinions express the views of the stakeholders, they then would present it to the Finance and Investment Committee. The presentation would be followed by recommendations that the Responsible Investment Committee has determined reflect the views and opinions of the stakeholders. There should be a liaison between the two committees to ensure communication between the committees between meetings. The Finance and Investment Committee would not be obligated to act on the recommendations but only to take them into consideration.

The Responsible Investment Committee at the University of Saskatchewan (U of S) has been constructed from other similar committees. There is a comprehensive table in Appendix B that compares three similar committees from different universities. The three universities that have been compared are Simon Frasier University, University of Colorado Boulder and, McGill University. McGill University was found to have a solid structure to build the U of S Responsible Investment committee from.

The committee would have six seats and a chair from its various stakeholders. The chair is a non-voting member and would be appointed by the U of S Sustainability Committee. Each seat would be a voting seat and the chair would be responsible to break any ties that arise in the committee. The stakeholder seats are as follows (Figure 3):

- A member of faculty from the U of S
- A staff member from the U of S

- A member of the Graduate Student Association (GSA) at the U of S
- A member from the University of Saskatchewan Students Union (USSU)
- Up to two members of the student body at the U of S

The committee would meet once a year in less otherwise called. Candidates that are multidisciplinary would be ideal fits for this committee due to its small size. Limiting the size of the committee will allow it to be more responsive and flexible to adapt and make decisions.

Major Responsibilities

The committee would have 3 major responsibilities:

1. Define what responsible investments look like.
2. Aide the financial and investment committee in selecting investments that aligned with this definition.
3. Hold the U of S responsible to its commitment to invest responsibly.

The committee should continue to investigate other opportunities to gain STARS points in the investment area.

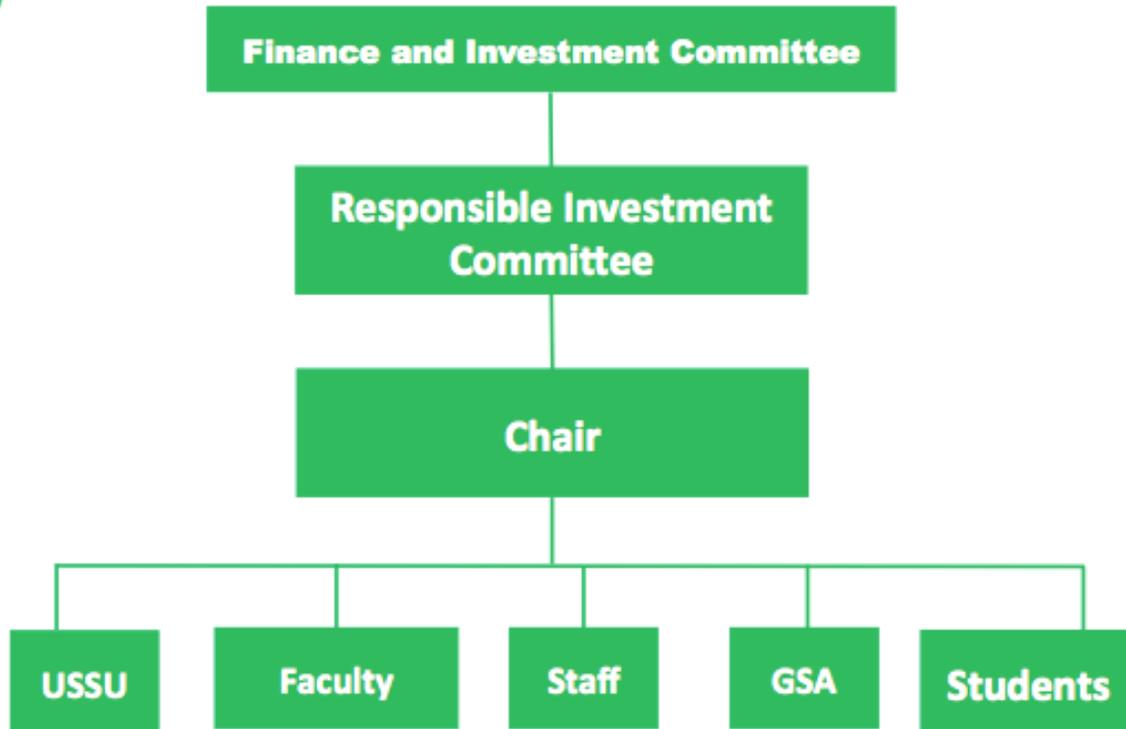


Figure 3: Proposed Responsible Investment Committee Structure

Survey Results

Our group formulated a survey to gather data on student, faculty and staff attitudes towards investments and a potential committee on the U of S Campus. The survey questions are shown in Appendix A. The survey was open from March 11th, 2015 to March 25th, 2015. We received:

- 225 total respondents
- 148 undergraduate student responses
- 50 graduate student responses
- 13 faculty respondents
- 14 staff respondents

Of these respondents, approximately 87% were in favor of forming a committee on responsible investing for the University of Saskatchewan (Figure 4).

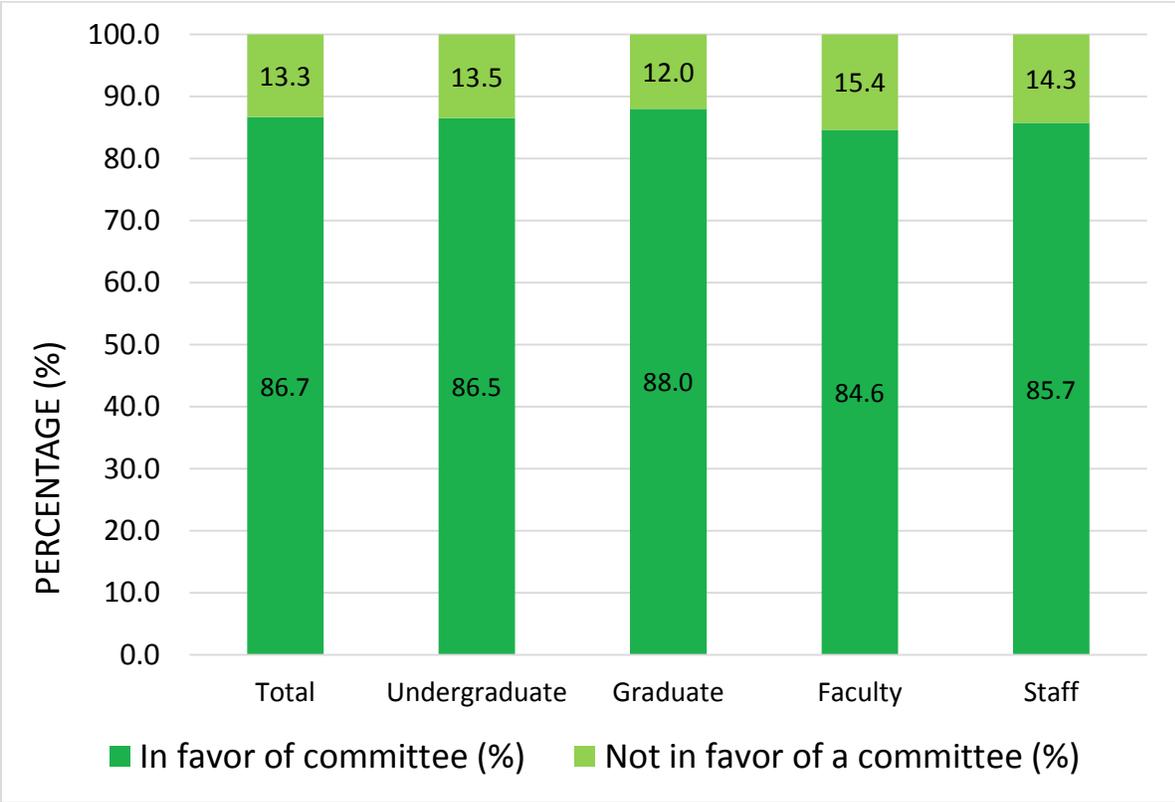


Figure 4: Percentage of Survey Respondents in Favor of a Committee on Investor Responsibility

A majority of respondents cited financial returns, social justice and environmental sustainability as equally important to them in the university’s endowment investment strategy. This indicates that stakeholders at the U of S who support responsible investing do not believe that financial returns need to be sacrificed.

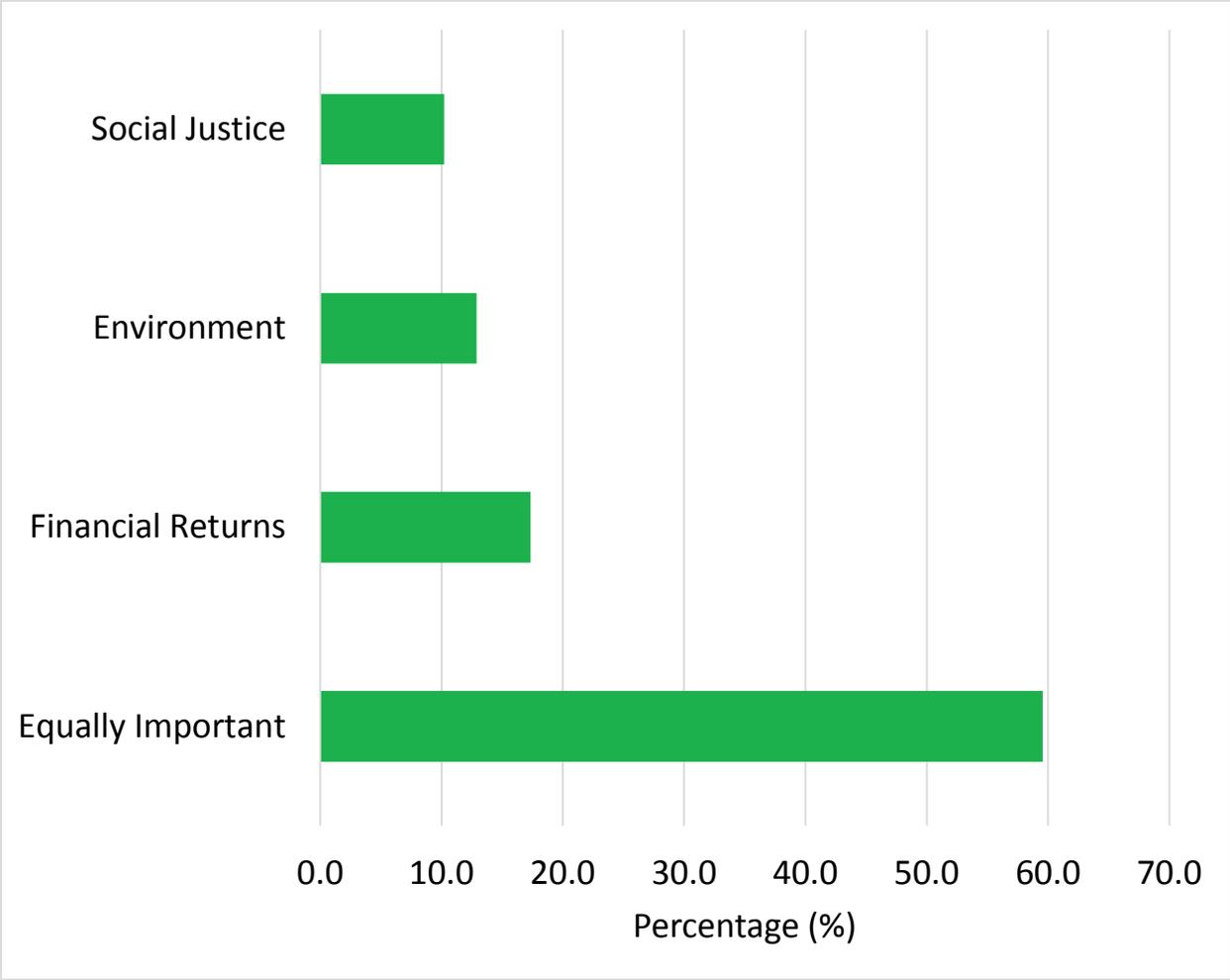


Figure 5: Survey responses from: "Which to you is most important to the U of S Endowment Investment Strategy?"

Our survey also included the opportunity to include comments and feedback. Most of these responses were positive including comment such as:

- “Thanks for doing this! It's about time...”

- “This is an important topic and a strong student voice on it could make a difference.”

On the other hand, some comments voiced potential concerns, such as:

- “I support the general ideal of a committee however it is dependent on what that committee would look like. Is this a volunteer position (people might be underqualified)? Is it a paid position (where is the money from)? Does the committee have any actual power to grant/deny investment ideas or is it more of a suggestions only committee? Would they have the expertise to be taken seriously by the people who are making the fiscal decisions?”
- “Other universities are considering environmental investing policies that starkly contrast the economic development of our province. Such a policy at the U of S would counter our mandate to serve the people of Saskatchewan...”

Our outlined recommendations for the committee address these concerns by explaining the structure of the committee. Additionally, since we spoke with Jeff Dumba, the Associate Vice President of Financial Services, we know that our committee could have enough of an opinion to be seriously considered by financial services. To address the second comment, it is important to explain that our objective and the committee’s objective is not to divest specifically from current investments. Although, through the raising of stakeholder concerns certain areas of investment may be addressed. Lastly, some of the highlights from our survey, including some correlations between opinions are as follows:

- 100% of those survey who said investing in ways that are socially just is unimportant or extremely unimportant stated financial returns as the most important outcome

- 100% of respondents who said investing in ways that are environmentally sustainable is unimportant or extremely unimportant listed financial returns as the more important outcome
- 196 respondents said socially just investing was important or extremely important. 128 said all outcomes were equally important
- 194 of respondents said environmental sustainably investment is important or extremely important. Of these 127 said all outcomes were important.

Conclusion

Starting in 2014, responsible investing has become a concern of stakeholders and financial services. Even though Aon Hewitt has been hired in response to this concern, there exist several problems that can be addressed through the installation of a Responsible Investment Committee.

The survey distributed on campus found that the majority of stakeholders are not only interested in the aspects of responsible investment; but are also in favor of the creation of a committee with the purpose of discussing endowment funds responsibly. The proposed committee will increase awareness about investments and provide a discussion forum for responsible investing concerns. This could be done by replicating the structure and mandate of the McGill University's Committee to Advise on Matters of Social Responsibility (Appendix B).

Through the inclusion of a Responsible Investment Committee in the decision making process this committee would achieve:

- Two additional STARS points, resulting in a silver rating
- Creation of a definition of responsible investing for the U of S
- Facilitation of student, faculty and staff involvement

References Cited

- Association for the Advancement of Sustainability in Higher Education (AASHE). 2012. PAE-16: Committee on Socially Responsible Investment. Accessed April 8, 2015. <https://stars.aashe.org/institutions/mcgill-university-qc/report/2012-08-01/PAE/investment/PAE-16/>.
- Association for the Advancement of Sustainability in Higher Education (AASHE). 2014a. PA-13: Committee on Investor Responsibility. Accessed April 8, 2015. <https://stars.aashe.org/institutions/university-of-colorado-at-boulder-co/report/2014-09-22/PA/investment/PA-13/>.
- Association for the Advancement of Sustainability in Higher Education (AASHE). 2014b. PA-13: Committee on Investor Responsibility. Accessed on April 8, 2015. <https://stars.aashe.org/institutions/simon-fraser-university-bc/report/2014-10-29/PA/investment/PA-13/>.
- Currell, Tim. 2014. Sustainable Investing. Accessed on April 8, 2015. http://www.aon.com/attachments/human-capital-consulting/June-2014-Webinar_Sustainable-Investing.pdf.
- McGill University. 2014. Committee to Advise on Matters of Social Responsibility. April 8, 2015. <http://www.mcgill.ca/boardofgovernors/board-governors-committees-and-terms-reference/social>.
- Simon Fraser University. 2014a. *Responsible Investment Policy (B10.16)*. Accessed on April 8, 2015. <http://www.sfu.ca/policies/gazette/board/B10-16.html>.
- Simon Fraser University. 2014b. *Terms of Reference and Procedures for Board Standing Committees*. Accessed on April 8, 2015. <http://www.sfu.ca/policies/gazette/board/B10-02.html#RIC>.
- University of Colorado Foundation. 2009. *University of Colorado Foundation*. Accessed April 8, 2015. <http://www.cufund.org/about-us/foundation-leadership/foundation-officers-vps/>.

APPENDICES

Appendix A: Survey Questions

Survey Purpose: We are a group of students in ENVS 401 that are part of a group project interested in the installation of a Committee on Responsible Investment. The problem that our project is designed to address is the need for increased investment in environmentally and socially sustainable funds. On campus the current endowment fund does not track where all of its investments are going, nor does it have any sort of policy or directive for investing in an ethical and sustainable way. The University of Saskatchewan Campus currently has a zero in the investment category of the Sustainability Tracking, Assessment and Rating System (STARS). We believe that the installation of a sustainable investment committee to discuss and make recommendations of sustainable investments would help the campus move towards instituting a sustainable investment policy and lead to better accountability of investments. This survey is designed to gauge the knowledge and interest level in the idea of responsible investing within faculty and student bodies.

Question 1: I am a U of S:

- Undergraduate Student
- Graduate Student
- Faculty Member
- Staff Member

Question 2: What do you believe is the current dollar amount invested in the UofS Endowment fund?

Endowments are donated by alumni and invested for the purposes of providing scholarships and bursaries for students.

- 5 billion
- 600 million
- 250 million
- 5 million

Question 3: How important do you think it is to invest this money (Endowment Funds) in ways that are socially just?

- Extremely Important
- Important
- Neutral
- Unimportant
- Extremely Unimportant

Question 4: How important do you think it is to invest this money (Endowment Funds) in ways that are environmentally sustainable?

- Extremely Important
- Important
- Neutral
- Unimportant
- Extremely Unimportant

Question 5: Which to you is most important for the university's endowment investment strategy (check only one):

- Financial Returns
- Environmental Sustainability
- Social Justice
- All of these are equally important to me

Question 6: Would you be in favor of a committee dedicated to researching and encouraging sustainable investment of endowment funds on the U of S campus?

This committee would have representatives from all stakeholders including students, staff, faculty and any other interested parties.

- Yes
- No

Appendix B: Comparison of Characteristics of Responsible Investment Committees

	<p>McGill University (AASHE 2012; McGill University 2014)</p>	<p>Simon Fraser University (AASHE 2014b; Simon Fraser University 2014a; Simon Fraser University 2014b)</p>	<p>University of Colorado Boulder (University of Colorado Foundation 2009; AASHE 2014a)</p>
Stars Rating	<p>Silver 2/2 points for a committee on responsible investment</p>	<p>Gold 2/2 points for a committee on responsible investment</p>	<p>Gold 2/2 points for a committee on responsible investment</p>
Description	<p>The committee is to consider report on and make recommendations to the Board of governors with respect to written expressions of concern from the University community about matters of social responsibility related to University investments falling within the mandate of the Investment Committee. Concern by the university community means any injurious activities of a company is found to have on consumers, employees, or other persons, or on the natural environment. Entitled the Committee to Advise on Matters of Social Responsibility.</p>	<p>The Responsible Investment committee is a standing committee of the Board of Governors with the following responsibilities:</p> <ul style="list-style-type: none"> • Investigate responsible investment concerns • Review Responsible Investment Policy and approve changes when required • Approve United Nations Principles on Investment annually • Review and make recommendations related to responsible investment proposals • Address other matters as appropriate 	<p>The Investment Policy Committee and the Board of Directors at the University of Colorado Foundation have adopted a set of shareholder responsibility guidelines that considers social repercussions of investing (see mandate) and has multi-stakeholder representation. The foundation has collaborated with the university of Colorado to raise, manage and invest private support for the university's benefit.</p>
Members	<p>The committee consists of six members exclusive of two ex</p>	<p>The Responsible Investment Committee's Membership (9</p>	<p>Investment Policy Committee members:</p>

	<p>officio members.</p> <ul style="list-style-type: none"> • 1 board investment committee • 1 student • 1 administrative • 1 support staff • 1 academic Staff or • 1 Senate member • 2 members from: at-large members of the board, Alumni Association, Governor Emeriti or general public <p>Appointment of the chair is done by the board based on a recommendation from the nominating, governance and ethics committee.</p>	<p>members):</p> <ul style="list-style-type: none"> • 1 Chancellor • 1 President • 1 Chair of the Board • 1 Chair of Investment Advisory Committee • 1 student • 1 faculty • 1 staff • 1 alumni • 1 Order In Council member 	<ul style="list-style-type: none"> • Chair • 6 alumni • 1 Board Chair • 2 University Designees
<p>Pros</p>	<p>The committee reports directly to the board of governors. There are multiple members from different backgrounds on the committee. The committee takes concerns from its stakeholders. The committee seeks help from resources to make reports to back up its recommendations.</p>	<p>The Sustainability Strategic Plan establishes a foundation for SFU's integration of sustainability into the full range of its academic, operational and community activity and will guide the beginnings of the implementation process</p> <p>-Adopts investment policy grounded in United Nations' Principles for Responsible Investment</p>	<p>Includes Shareholder Responsibility Guidelines that address social responsibility in investment, keeps a close eye on certain member representatives, have some investments in "green" funds. Example: Sudan divestment via a negative screen of the entire investment pool. They have invested in sustainable investment funds and sustainable industries (renewables, forestry).</p>

Cons	The committee can only make recommendations and cannot forcefully make changes. There are requirements to stakeholders looking to present concerns.		The committee’s shareholder responsibility guidelines are not very binding or specific, the committee is not separate from the internal investment committee like we are proposing on the U of S campus, the guidelines do not consider the environment specifically.
Mandate	The committee will advise the Board of governors on matters concerning social responsibility related to University investments within the bounds of the Investment Committees mandate.	The University incorporates environmental, social, and corporate governance considerations into its investment decisions.	The University of Colorado Foundation, to the degree to which it can reasonably evaluate the impact of a proposition, will attempt to vote for propositions, which seek to eliminate or reduce the social injury caused by a company's activities to the degree that there is no negative economic impact to the Foundation's assets.
Policy	The board has a policy under General Provisions to review its terms at least once every three years and recommend any changes.	The University Act, the Investment Governance Policy and the Endowment Management Policy. Responsible Investment Policy identifies the university’s approach to incorporating environmental, social and corporate governance into its investment decisions. Their policy was adopted from the United Nations Principle for	University of Colorado’s Foundation Shareholder Responsibility Guidelines; see mandate.

		Responsible Investment.	
Stakeholder Input	<p>So if there is a concern from university community (student, staff etc.) it must:</p> <p>a. initiated by one or more members of that community;</p> <p>b. supported by a fully documented brief identifying the concern and alleged “social injury” that should be taken under consideration in investment decisions or the exercise of shareholders’ responsibilities;</p> <p>c. supported by a petition of at least 300 signatures, deposited with the Secretary-General, in either hard copy or electronic copy, of which:</p> <ul style="list-style-type: none"> • Up to 200 shall be from a single one of the four constituencies of the University community (academic staff, administrative and support staff, students and alumni members); and • At least 100 shall be from at least two other University 	N/A	N/A

	<p>constituencies with a minimum of 25 from any one constituency;</p> <p>d. all signatures must be collected during the same academic year (September 1st to August 31st) in which the petition is deposited.</p>		
--	---	--	--