



Responsible Investment Policy

Category: Financial;

Jurisdiction: Vice-President, Administration and Finance; Board Finance & Operations Committee;

Approval Authority: Board of Governors;

Established on: November 24, 2016;

Amendments: April 26, 2018; September 29, 2022;

1. Purpose

The purpose of the Lakehead University Responsible Investment Policy is to ensure the University exercises its fiduciary duty in achieving the best Return on Investments (ROI) within a tolerable risk profile, in its Restricted Internal Funds and Trust and Endowment Funds; with a view to the impact of governance, environmental and social responsibility factors on the macro political economy, the investment market, and the public interest.

2. Policy Statement

Lakehead University incorporates environmental, social, and governance (ESG) factors, as defined in the UNPRI, into the investment of all Restricted Internal Funds and Trust and Endowment Funds, in the best interests of the university, through the development and application of the associated Statements of Investment Policy and Guidelines. This Policy identifies the University's approach to incorporating ESG factors into its investment decisions across all its Internally Restricted and Trust and Endowment Funds.

3. Scope

Lakehead University investments are currently made in compliance with the Lakehead University Act, Board investment policies, associated Statements of Investment Policies and Guidelines and other approved procedures used for implementing, monitoring and reporting on investment policies outcomes. This Policy applies to all Restricted Internal Funds and all Trust and Endowment Funds.

4. Commitment to Responsible Investing:

The University is committed to Responsible Investing pursued through the consideration of environmental, social, and governance factors, as set out in the United Nations Principles for Responsible Investment (UNPRI), included in Appendix A.

The University uses a number of tools to pursue Responsible Investment, including prospective and current investment fund manager evaluation (paragraph 5), taking action on ESG issues (paragraph 6), ensuring transparency where appropriate (paragraph 8), and ensuring responsible investment monitoring by the Board of Governors through a standing committee of the Board of Governors (paragraphs 7 and 8).

5. Investment Managers:

Competency in and the capacity to take ESG factors into account in investment selection and management will be selection criteria in the retention and review of professional external fund managers. The University expects all professional external fund managers to incorporate ESG factors into the selection and management of their portfolios within 3 years of the effective date of this Policy.

6. ESG Action:

To the extent that it does not conflict with its investment objectives, the University has the authority to take other action on ESG issues. Actions may include, but are not limited to:

- Proxy voting delegated to external investment managers;

- Direct engagement with external investment managers;
- Encouraging academic and other research on this theme; and
- Reporting through the UNPRI.

7. Divestment Considerations:

In consideration of the situation where ESG factors would suggest divestment from an individual fund, specific industry or specific fund manager, with the advice of the Vice-President, Administration & Finance, the Board Finance and Operations Committee may consider such steps in keeping with the terms set out below. However, such steps may not be taken without consultation with the Vice-President, Administration & Finance.

Divestment or screening is an option through which investors may, for investment purposes, express their dissatisfaction with the environmental, social or governance practices of a company, industry or a nation with the aim of influencing these practices. This option may be more symbolic than effective, and carries the risk of unintended consequences. This option will therefore only be considered when all five of the following criteria are met:

- a) Proven social, political, economic or environmental rationale.** Such a rationale must be supported by a body widely seen as competent and objective, such as the Canadian Coalition for Good Governance or a research or policy institute generally accepted as impartial and credible. Such an assessment does not preclude the University taking a different position on an issue.
- b) Reasonable evidence that divestment is an effective way to achieve the desired outcome.** This would be most compelling if divestment changes the behaviour of an offending company or industry. Divestment from a sector should not facilitate investment opportunities for less responsible investors, nor should it drive investment to countries and regions with weak or nonexistent regulatory regimes or ESG standards. Finally, since divestment would significantly impair, if not preclude the University's ability to engage, the choice to divest should be demonstrably superior to our engagement.
- c) Absence of alternative policies** that are as effective at a lower cost, or more effective at the same cost. Implementation of divestment programs may be

expensive.

Costs of divesting activities include administrative and management resources, investment management fees, and reduced diversification.

d) Consistency with the University's legal obligations as trustee. The University endorses the incorporation of ESG principles into its investment policy, subject to its primary fiduciary responsibility of acting in the best interest of the University. When considering divestment, the University must consider the interest of its multiple stakeholders, which include students, faculty, staff, alumni, donors, the government and taxpayers.

e) Consistency with its other University relationships. Any divestment proposal should be mindful of the University's objects, mission and vision, of its public nature, of its fiduciary duty, and its need to operate in the best interests of the university, which includes public accountability for this matter.

8. Divestment Actions:

On November 26, 2020, the Board of Governors approved a motion noting that they will be:

- a. Initializing steps to become signatory/members of a Responsible Investment organization(s) (such as Responsible Investment Association, UN PRI or IACC)
- b. Developing a fossil-free donor option
- c. Developing a new endowment committed to fossil-free
- d. Working towards total divestment (fossil-free) by the end of the current Strategic Plan in 2023 but in step with the Responsible Investment Policy and aligned and guided by the work that will be completed as part of recommendation (a) above and in a manner consistent with the fiduciary and legal obligations of the Board.

In accordance with the above adopted motion Lakehead University has become a signatory to the IACC, and taken significant steps towards divestment.

9. Monitoring, Accountability and Transparency:

In order to ensure effective and efficient policy implementation, the Vice-President, Administration & Finance will monitor and report quarterly on policy implementation and compliance to the Board Finance and Operations Committee, or as issues arise.

To inform the above, fund managers will report to the Vice-President, Administration & Finance on how they are applying the use of ESG factors in investment decisions annually. Such reporting will also include collaboration with other ESG based organizations such as the Canadian Council of Good Governance (CCGG) to advance responsible investment practices and benchmarks.

Appendix A: UN PRI

The UN PRI initiative is the leading global network for investors to demonstrate commitment to responsible investment. It enjoys a strong global credibility as a leader in the governance of responsible investment policy, and contributes to ongoing global dialogue about the emerging regulation of responsible investment. www.unpri.org

“The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policy makers but is not associated with any government; it is supported by, but not part of, the United Nations.” www.unpri.org

UN PRI investors commit to the following Principles for Responsible Investment:

1. Incorporate ESG issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into our ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance our effectiveness in implementing the Principles
6. Report on our activities and progress towards implementing the Principles.

Review Period: 5 years;

Next Review Period: 2026-2027;

Related Policies and Procedures: Statement of Investment Policies and Guidelines for Trust and Endowment; Statement and Investment Policies and Guidelines for Restricted Internal Funds Policy;

Policy Superseded by this Policy: None

The University Secretariat manages the development of policies through an impartial, fair governance process. Please contact the University Secretariat for additional information on University policies and procedures and/or if you require this information in another format:

Open: Monday through Friday from 8:30am to 4:30pm;

Location: University Centre, Thunder Bay Campus, Room UC2002;

Phone: 807-343-8010 Ext. 7929 or Email: univsec@lakeheadu.ca.

