

**BOARD OF GOVERNORS OF LAKEHEAD UNIVERSITY
AD HOC COMMITTEE ON RESPONSIBLE INVESTING**

CONSULTATION BRIEF

Introduction

The concept of Responsible Investing has gained considerable traction at social, public and economic policy levels recently and in the media; reinforced by attention at the World Economic Forum in Davos, and the Paris Climate Change Talks and Agreement. Trends suggest that interest in socially and environmentally responsible investing alongside economically sustainable investing is growing at the governance level, both generally and among colleges and universities. Many universities have researched and adopted Responsible Investment Policies that recognize and incorporate various types of actions used to consider and implement the key elements of responsible investing.

Lakehead is no exception to the events at other Canadian universities where stakeholders such as faculty, staff and community groups have expressed concerns about climate change, environmental sustainability and the impact of fossil fuels on both; resulting in Fossil Fuel Divestment appeals to the University.

On March 12, 2015, the Lakehead University Board of Governors heard deputations from Fossil Fuel Lakehead as well as Dr. David Greenwood and colleagues of the Center for Place and Sustainability Studies at Lakehead, advocating for Fossil Fuel Divestment.

In consideration of the above and action on responsible investing at other Canadian Universities; on April 22, 2015, the Board Finance and Operations Committee struck an Ad Hoc Committee on Responsible Investing (the RI Ad Hoc Committee) to, "Develop a relevant statement of Socially Responsible Investing (SRI), also known as Environmental, Social and Governance (ESG) based investing, for review and inclusion in the Statement of Investment Policies and Goals" for consideration by the Lakehead University Board of Governors.

The RI Ad Hoc Committee was also to consider trends and best practice principles used in Responsible Investment and the experience of other universities with respect to the use of ESG in investment selection and management, in Canada and the US. As a result of an Interim Report to the Finance and Operations Committee, the RI Ad Hoc Committee was further tasked with "Drafting a Lakehead University Responsible Investment Policy for recommendation by the Finance and Operations Committee to the Board."

The RI Ad Hoc Committee further committed to approaching the question of ESG based Responsible Investment with thoroughness and integrity; with regard to the following:

- The essential governance nature of this matter
- Legal and fiscal due diligence
- Potential impact on the University's mandate, mission, vision and values;

- Quality, integrity and ethics in the development and implementation of the policy, and
- Stakeholder Relations.

Overview of ESG Based Responsible Investment Policy

1. The United Nations-supported Principles for Responsible Investment Initiative (UNPRI) was directed by motion from the Finance and Operations Committee to the RI Ad Hoc Committee, as a guide and Best Practices benchmark. The UNPRI is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate ESG issues into their investment decision-making and ownership practices.

2. UNPRI defines Responsible Investment as, “An approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole.” Several Canadian Universities are at various stages in the establishment and use of this framework for Responsible Investment purposes, including for pension funds and endowment investments.

3. The six ESG principles set out in the United Nations Principles for Responsible Investing (UNPRI) represent policy commitments by institutions, consistent with their fiduciary responsibilities, to:

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

4. At the Canadian level, according to the Responsible Investment Association of Canada (RIA Canada), “Responsible Investment (RIA) is the integration of environmental, social and governance factors (ESG) into the selection and management of investments. There is growing evidence that RI reduces risk and leads to superior long-term financial returns.”

5. RIA’s 2015 Canadian Trends Report further states that, in recent years RI has come to encompass, all the components below, that have played a part in its history and evolution.

- Ethical investing,
- Socially-responsible investing,
- Sustainable investing,
- Green investing,
- Community investing,
- Mission-based investing,
- Impact investing.

Commitment to Consult Stakeholders

The Board Finance and Operations Committee expressly committed to consideration of key stakeholders to engage during policy development, including process and timing for doing so. Board members further supported the need for stakeholder consultation, and provided ideas and suggestions for same. Accordingly, the Board of Governors has approved this Consultation Brief and the Consultation Plan (posted at <https://www.lakeheadu.ca/about/sg/board-of-governors-board-committees/ri-consultation>).

Consultation Questions

The Responsible Investment Policy will ultimately be established and overseen by the Board of Governors. Consultation is a key component of the Board strategy to develop a Responsible Investment Policy, and to that end the RI Ad Hoc Committee invites interested parties to submit views that may inform its deliberations. The RI Ad Hoc Committee is particularly interested in responses to the following questions:

- What environmental, social and governance issues and concerns should be addressed in a Lakehead University Responsible Investment Policy?
- What options would you suggest Lakehead University should consider to address these issues and concerns?
- What other factors should we consider regarding processes and procedures for our Responsible Investment Policy?

Consultation Procedure for Submissions

Interested parties should send their submissions to Ad Hoc Committee on Responsible Investing c/o University Secretariat, no later than April 30, 2016, by emailing univsec@lakeheadu.ca or by regular mail to:

Board of Governors of Lakehead University
Lakehead University
c/o University Secretariat, Room UC-2002
955 Oliver Road
Thunder Bay, Ontario, P7B 5E1

To facilitate a transparent consultation process, respondents who wish their submissions to be posted on the University's public consultation website (<https://www.lakeheadu.ca/about/sg/board-of-governors-board-committees/ri-consultation>) should so indicate when making their submission.

Informal comments or requests to present at an upcoming meeting of the RI Ad Hoc Committee in person or by teleconference may also be sent by contacting the University Secretariat at univsec@lakeheadu.ca.

Policy Development Consultation and Drafting Work Plan & Schedule

| Key Milestone | Completion Date |
|---|-----------------------------|
| Establishment of RI Ad hoc Committee | April, 2015 |
| Terms of Reference Established | July, 2015 |
| Backgrounder on Responsible Investing Completed and sent to members of the Board of Governors | September 2015 |
| Board member Input and Direction re Consultation | October 2015 |
| Consultation Brief drafted | December 2015 |
| Consultation Plan approved by Finance and Operations Committee | January 2016 |
| Consultation Plan recommended for Board approval | February 2016 |
| Submission by Finance and Operations of Consultation Plan for Board Approval | March 2016 |
| Further Investigation, Consultation, and Preparation of Report to RI Ad Hoc Ctte | March to end April, 2016 |
| Draft Policy Development by RI Ad Hoc Ctte | Early May to end June, 2016 |
| Submission of Draft Policy to Finance & Operations Committee by RI Ad Hoc Ctte | August to September, 2016 |
| Submission by Finance and Operations to Board of Governors for Approval | October, 2016 |

Additional Resources

For more information, please see the University's consultation website at <https://www.lakeheadu.ca/about/sg/board-of-governors-board-committees/ri-consultation> and the following resources as well:

<http://www.unpri.org/>

<http://curi.ca/>

<http://riacanada.ca/>