

AMS Advocacy Committee
Report on UBC Investments and Environmental, Social, and Governance Principles

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[Background](#)

On March 23rd, 2022, after a nearly 4-hour discussion, AMS Council passed the following motion with a 2/3 resolution:

“WHEREAS the United Nations Security Council Resolution 2334 has declared that Israeli settlements in the Palestinian Territories are a "flagrant violation of international law" and that they violate Palestinian human rights.

WHEREAS the United Nations has produced a database of companies which are wrongly contributing to the development of these illegal settlements.

And whereas this UN database includes six companies, shares of which are held by the University of British Columbia: Motorola Solutions Inc, General Mills Inc, Partner Communications Ltd, Bezeq the Israeli Telecommunications Corporation, Cellcom Israel Ltd, and Bank Hapoalim BM.

WHEREAS UBC also holds shares in three other companies that have been cited and documented by Investigate (produced by the American Friends Service Committee) and Canadians for Justice and Peace in the Middle East to be violating Palestinian human rights: Caterpillar, Hewlett Packard and Lockheed Martin.

And whereas UBC has a responsible investment policy and has signed onto the United Nations responsible investment program.

[1] Therefore, **BE IT RESOLVED THAT** the AMS will pen a letter to UBC and the Board of Governors to direct the UBC Endowment Fund to divest from the nine companies mentioned above.

[2] Therefore, BIFRT that the AMS will release a statement condemning the Israeli state's system of apartheid and its occupation of Palestine

[3] Therefore, BIFRT AMS refers to advocacy committee in looking into advocacy towards the UBC Board of Governors to adopt a human rights based/ ESG principles in all investments, in decreasing financial risk and exposure, including but not limited to,

- Requesting UBC Disclose information regarding direct investments and undisclosed endowments
- Consulting Students and student groups on developing a strategy to achieve the aforementioned goal by August 30th, 2022”

This report has been prepared by the AMS Advocacy Committee to meet the third resolution of the AMS Motion:

[3] “Therefore, BIFRT AMS refers to advocacy committee in looking into advocacy towards the UBC Board of Governors to adopt a human rights based/ ESG principles in all investments, in decreasing financial risk and exposure, including but not limited to,

- Requesting UBC Disclose information regarding direct investments and undisclosed endowments
- Consulting Students and student groups on developing a strategy to achieve the aforementioned goal by August 30th, 2022”

This resolution directs the AMS Advocacy Committee to research and identify ways the AMS can advocate to the UBC Board of Governors (UBC BOG), specifically how the AMS can advocate for the UBC BOG to adopt human rights based ESG principles in investments. The resolution suggests two options for advocacy work, the first of which would be requesting UBC disclose additional investment information and the second of which would be consulting with UBC students to develop an advocacy strategy. This report explores both of those advocacy options and more.

This report provides information about UBC’s current investments and the incorporation of Environmental, Social, and Governance (ESG) principles in the university’s investment decisions. For further information and resources on UBC’s investments, please consult the attached Backgrounder and Appendix B of this report.

UBC IMANT's Responsible Investing Strategy

UBC Investment Management Trust (UBC IMANT) - a subsidiary of UBC - is a professional investment management company that provides investment services, such as portfolio management and advisory services, to the University. UBC IMANT uses a “manager of managers” approach where external fund managers are hired to manage the university's investments. This means that UBC IMANT does not directly invest in specific companies, individual stocks or bonds, but instead university funds are invested indirectly in over 30 managed funds.

Ensuring university-related funds are invested responsibly is a priority for UBC, and both the University and UBC IMANT have taken a number of steps to ensure this. In December 2019, the UBC BOG passed resolutions supporting the full divestment of fossil fuels from the Trek Endowment Fund (which is managed by UBC IMANT). As part of UBC's divestment, in April 2020 the UBC BOG also committed to implementing a comprehensive response to the climate emergency, including the application of Environmental, Social, and Governance (ESG) investment practices. In response, UBC IMANT developed their Responsible Investing Strategy, which seeks to mainly reduce climate-change related risk in the portfolio and “[advance] social and governance factors”.

Since UBC IMANT uses a “manager of managers” approach, the divestment process works a bit differently as the organization holds no fossil fuel-related investments directly, so specific companies and specific sectors cannot be directly targeted. However, they can target and divest from specific fund managers, and use an ESG integrated manager selection process.

ESG investing considers environmental, social, and governance factors impacting a company and its investment value. According to UBC IMANT, they evaluate on the following ESG criteria:

1. **Environmental** concerns including (but are not limited to) air and water pollution, resource depletion, greenhouse gas emissions, deforestation and land use.
2. **Social** considerations encompassing labour standards, workplace health and safety, diversity and consumer protection.
3. **Governance** practices covering shareholders rights, conflicts of interest, board structure, corruption and executive compensation.

As part of their Responsible Investing Strategy, UBC IMANT also releases an annual report.

Responsible Investment Strategy Recent Highlights:

Disclosures

In 2021, UBC IMANT started disclosing their public equity holdings with a long-term strategy of continuing to enhance disclosures. They publicize public equity holdings every six months. Public equity holdings make up the majority of their equity holdings (43.7%), but there is still a substantial amount of alternative holdings (35.4%). Private equity holdings make up 7.2% of alternative holdings, which is not disclosed. According to UBC IMANT, ESG reporting has been expanded to include these alternative holdings (fixed income, private equity, real estate and infrastructure investments) and they have found “high levels of ESG incorporation and transparency by our managers in these asset classes”.

UNPRI

UBC IMANT is a signatory of the UN’s Principles of Responsible Investing (UNPRI) on behalf of UBC and the Staff Pension Plan (SPP). According to the website, signatories commit to 6 principles:

1. Incorporating ESG issues into investment analysis and decision-making processes.
2. Being active owners and incorporating ESG issues into ownership policies and practices.
3. Seeking appropriate disclosure on ESG issues by the entities in which they invest.
4. Promoting acceptance and implementation of the Principles within the investment industry.
5. Working together to enhance their effectiveness in implementing the Principles.
6. Reporting on activities and progress towards implementing the Principles.

Active Ownership

UBC IMANT also established Active Ownership Guidelines that set out priorities for ESG-related engagement, affiliations and advocacy. These are applied to funds managed on behalf of both the University and the SPP. According to UBC IMANT, they “actively engage with external investment managers to provide us with evidence of ESG integration in investment decision-making”. This includes proxy voting and “direct industry contact”. UBC IMANT joined the Canadian Coalition for Good Governance in 2014 as a member, which “promotes good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders”. UBC IMANT President Dawn Jia is also a Director of the CCGG.

ESG Rating

In 2015, IMANT started using “an independent expert” to audit the ESG practices of their public equity managers. Third-party ESG ratings data was also used in evaluating all public investments for the first time. However, it’s unclear who this is outsourced to or if the audits and ESG ratings are made public.

UBC IMANT has also formalized an ESG Rating Framework to assess fund managers within the portfolio using ESG performance and measurement criteria. The measurement approach aligns with the EU’s Technical Expert Group on sustainable finance and the Task Force on Climate-related Financial Disclosures. They no longer rely on external advisors to provide this information. After a request from the VP Academic and University Affairs, the UBC Treasurer provided this information regarding the ESG Rating Framework:

UBC IMANT ESG Evaluation				
Materiality / Inherent Risk <i>“How sensitive is our investment to short and long-term ESG factor risks?”</i>	Manager ESG Integration & Risk Management <i>“How strong is the manager at identifying and assessing ESG-related risks in the investment process and how do they report to investors?”</i>			Residual Risk <i>“After the manager’s ESG risk management process, what level of risk is the investment exposed to?”</i>
	Investment Integration	Commitment	Reporting	
<ul style="list-style-type: none"> • Sector Exposures • Existing holdings or blind pool investment? • Investment Horizon • Fund Liquidity 	<ul style="list-style-type: none"> • ESG Philosophy and Beliefs • ESG linkage to employee compensation • Examples of ESG investment diligence/awareness of ESG risks • Examples of Active Ownership / Engagement 	<ul style="list-style-type: none"> • Firm and Investment Team ESG-related Governance • Memberships in one or more non-profit organizations to advocate for ESG/Climate Change issues • Evidence of research and engagement on ESG / Climate Change issues 	<ul style="list-style-type: none"> • Level of Transparency <ol style="list-style-type: none"> 1. Investment Holdings 2. Carbon emissions 3. Side letter ESG reporting commitments 4. Access to senior leadership to discuss ESG/investment issues 	<ul style="list-style-type: none"> • Key issues that remain despite Manager level of integration <ol style="list-style-type: none"> 1. Reputational risks 2. Investment-related risks 3. Items to engage with manager to encourage progress

According to UBC, this visual summarizes primary criteria for assessment, but is designed to be “flexible” and is “not an exhaustive list of items that UBC Investment Management considers when assessing investment manager ESG risks”. Below is a quote from what UBC has provided on the assessment process:

“UBC Investment Management assesses each prospective and current manager against these factors and updates the assessments each year to: (i) track progress for each manager, (ii) benchmark similar managers against each other to understand best practices, and (iii) inform engagement with managers to specify areas of desired improvement.”

UBC IMANT has also joined the ESG Data Convergence Project, a collaborative effort supported by institutional investors to standardize ESG data reporting from private market investments.

Progress

According to UBC IMANT, they have met their goal of 2/3rds of managers with ESG policies, reporting, and memberships. In their 2021 annual report they state that 97% of their managers incorporate ESG principles into their investments. This academic year (2022), UBC IMANT is working on “improving the availability and quality of ESG data in private market investments and are pushing private asset managers to enhance disclosures” as well as “evaluating leading ESG recommendations and frameworks as a way to enhance our ESG targets and disclosures”.

AMS Strategy

There are many avenues for the AMS to advocate for the UBC BOG to better incorporate human rights and ESG principles in their investments. We have identified several options for advocacy work, which are discussed below, along with the pros and cons of each approach.

Option 1: Conduct Advocacy Research

1.A: Consult students and student groups about the kind of advocacy they would like to see from the AMS on this issue

Pros: This advocacy option provides direct representation of the students through their feedback and personal opinion. The AMS can get a wide perspective of what issues the students are concerned of, which could in turn help the AMS in ensuring that our resources and time are allocated accordingly.

Cons: This advocacy option can be inefficient as the process of consulting with various student groups can be time consuming for the people who are conducting the consultation and for the student groups involved. Time availability is also a concern as this would be a time-intensive option. The AMS would also need to determine which groups would be suitable for consulting on this issue.

1.B: Conduct specific research on student opinion on UBC investments and divestment

Pros: This advocacy option would provide valuable information on what students already know - or don't know - about UBC's investments (would provide a "litmus test"), and it would allow students to directly share their feedback and personal opinion. This would help the AMS get a wide perspective of what issues students are concerned about, which could in turn help the AMS in ensuring that our resources and time are allocated accordingly.

Cons: Having the AMS conduct research on student opinion on UBC investments/divestment is somewhat outside the scope of the AMS (it could be argued that this is more the responsibility of the University). This option would also require both educating students on the issue and conducting research, which is time and resource intensive.

1.C: Research leading practices for incorporating human rights/ESG principles in investments, such as researching the financial risks of human rights violations and investments

Pros: Conducting specific research on human rights/ESG principles in investments provides the AMS and the students with a deeper understanding of ESG-related issues and UBC investments, which can better inform UBC students, increase financial literacy, and create community accountability.

Cons: This type of financial research requires advanced understanding of investments and specialized knowledge in human rights/ESG impacts on investments. The AMS does not currently have this expertise and so this option would require considerable time and resource investment.

Option 2: Provide Education and Encouragement

2.A: Share results from the AMS Academic Experience Survey (AES) or other AMS surveys with the UBC BOG, UBC IMANT, or other stakeholders

Pros: The AMS runs an annual survey (AES) which gathers important data on student's experiences and opinions at UBC. By reviewing the relevant data and sharing it with the relevant stakeholders, we can directly provide student input to the investment making process. The AMS also runs other surveys which could also provide the university with valuable information on the priorities of its members.

Cons: This would require time and resources for the AMS to review our data and find the relevant information. The AMS has also never collected targeted data on these topics, so our findings may be limited.

2.B: Educate the student body on UBC Investments, divestment, and ESG principles

Pros: Would better inform UBC students about how their university allocates their tuition, would increase financial literacy and create community accountability.

Cons: Educating students on UBC investment processes is somewhat outside the scope of the AMS. The AMS would also have to determine if there are requests for raising awareness on this issue from the student body.

Option 3: Direct Action or a Campaign

3.A: Write letters or reports to the UBC BOG. See Appendix A for potential topics and asks

Pros: This type of advocacy would allow us to directly communicate student priorities to the UBC BOG. Allows us to clearly lay out topics of interest and asks.

Cons: The preparation, research and writing of letters or reports takes time and resources. Additionally, the content of these letters or reports may require consultation with students or other experts, which would also require time and resources.

3.B: Have meetings with UBC BOG

Pros: This type of advocacy would allow us to directly communicate student priorities to the UBC BOG. Would provide a forum for UBC BOG members to ask questions and better understand student priorities.

Cons: UBC BOG is a busy body and scheduling may be an issue. Time and resources are required for preparing for a meeting.

3.C: Run a referendum

Pros: The AMS could run a referendum in the spring elections asking students if they would like to see the University divest from companies violating human rights. This would be a direct way to ask students their opinion on this issue and would give a strong mandate for the AMS to advocate to the University.

Cons: Running referendum questions are often time and resource intensive.

Appendix A

At the AMS Advocacy Committee, committee members discussed the importance of directly engaging with the UBC BOG, either by a submission or a meeting. In the above report we have outlined how the AMS can partake in direct action (outlined in AMS Strategy: Option 3). While further research and consultation with the student body is required, we have identified potential topics and asks that could be included in meetings or submissions to the UBC BOG and UBC IMANT.

1. Potential Asks for UBC BOG

- Better communication from the UBC BOG on its responsibility and its role in the universities investments, such as:
 - Including more frequent updates to the UBC BOG website;
 - Including more explanatory information on the UBC BOG website, including the relationship between the UBC BOG and UBC IMANT;
 - Conducting communication targeted to UBC students;
 - Better publicization of public meetings and public meeting minutes.
- Clarification on how student interests and student input is incorporated into investment decisions and including expanded options for student engagement.

2. Potential Asks for UBC IMANT

- Better communication from UBC IMANT on its responsibility and its role in the universities investments, such as:
 - Better publicization of UBC IMANT;
 - Including more frequent updates to the UBC IMANT website;
 - Including more explanatory information on the UBC IMANT website, including plain-language information for UBC students;
 - Better website organization and layout, with the financial information easy to navigate;
 - For example, have a section on the UBC IMANT website where all disclosures are located, sorted by chronological order. Currently annual disclosures are located in the “News” section of the website, which is not easily accessible.
- Update UBC IMANT’s investment beliefs and the Responsible Investing Policy:
 - UBC IMANT’s investment beliefs were last updated in 2018, prior to UBC declaring a climate emergency, and the Responsible Investing Policy was

last updated in 2014. Updates to these could include specific language on human rights;

- Develop documentation that clearly lays out how the investment beliefs are realized or practiced;
 - For example, one of the current investment beliefs is “Most investors are risk averse and [fund managers] must be rewarded for taking on more risk.” Clearly identify how those fund managers are rewarded for taking on more risk.

- Provide more information on what responsible investing looks like at UBC IMANT and expanded information on the ESG criteria used:
 - Provide the metrics UBC IMANT uses in their ESG criteria;
 - Track and share the ESG scores/reports of the fund managers with the UBC community;
 - Provide the metrics UBC IMANT uses to assess the incorporation of ESG principles in investments and other aspects of responsible investing;
 - For example, providing the metrics of assessing active ownership of funds.
 - Make human rights an explicit part of the ESG criteria used in UBC IMANT’s responsible investing.

Appendix B

All of the information contained in this report on UBC BOG investments, UBC IMANT, and ESG practices can be found on UBC’s website at the cited links below. For further research on environmental, social, and governance principles and how they relate to ensuring that human rights issues are put at the forefront of the organization’s investing guidelines, the AMS has compiled a list of helpful links and resources that are easily accessible to students and stakeholders.

Relevant parts of UBC’s website:

- [Board of Governors, April 16 2020: Responsible Investment Update – Divestment Financial Justification](#)
- [Board of Governors Sustainability and Climate Action Committee, September 10 2020: Investing Update](#)
- [Climate Emergency Declaration and Commitment to Divestment Update, January 10 2020](#)
- [Board of Governors Sustainability and Climate Action Committee, June 16 2022: Responsible Investing Update](#)
- [UBC IMANT’s Investment Beliefs](#)
- [Responsible Investing at UBC IMANT](#)

Further Research:

- [Human rights in private markets: identifying and assessing negative human rights outcome](#)
- [Advance: A stewardship initiative for human rights and social issues](#)
- [Why and how investors should act on human rights](#)
- [Guiding Principles for Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework](#)
- [OECD Guidelines for Multinational Enterprises](#)