

# **Pension Plan for the Employees of the University of Prince Edward Island**



**UNIVERSITY**  
*of Prince Edward*  
**ISLAND**

**PENSION PLAN FOR EMPLOYEES OF THE  
UNIVERSITY OF PRINCE EDWARD ISLAND  
SPONSOR BOARD**

## **Environmental, Social, and Governance (“ESG”) Policy**

**Policy Approval Authority: Sponsor Board**

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## 1. Our Objectives and Beliefs

- 1.1 The Sponsors of the Pension Plan for the Employees of the University of Prince Edward Island (“the Plan”) are long-term investors focused on the goal of securing the financial strength of the Plan and sustainability of the pension of the Plan Beneficiaries.
- 1.2 Investments are structured to achieve a maximum rate of return without undue risk of loss, with consideration to factors such as the pattern of obligations of the Plan and other aspects that can affect the ability to meet obligations.
- 1.3 Fundamentally, we believe that placing Plan assets with third-party investment managers that actively engage with companies on environmental, social, and governance (“ESG”) issues will, over the long-term, improve sustainability and enhance the performance of the Plan assets.
- 1.4 Our Sustainability Policy is built on the following fundamental beliefs:
  - 1.4.1 Companies that do well in managing ESG matters should have less financial risk and should perform better financially over the longer term.
  - 1.4.2 Taking ESG matters into account enables investors to better understand, manage and mitigate risks associated with long-term investments.
  - 1.4.3 Companies that employ robust ESG practices are better positioned to generate long-term value for investors than similar companies with less favorable practices.
  - 1.4.4 ESG factors may affect investment performance over time and to varying degrees across companies, sectors, regions, and asset classes.
  - 1.4.5 We prefer companies that act responsibly in their operations, adopt good standards of occupational health & safety, and effectively manage stakeholder relationships.
  - 1.4.6 Shareholder engagement is a more effective tool for seeking to initiate change and influence corporate practices than divesting of investments.

## 2. Our Key ESG Factors

- 2.1 The ESG factors that are of particular interest to the Plan Sponsors are as follows:

### **2.2 Environmental (Conservation of the natural world)**

- 2.2.1 The Plan Sponsors wish to engage with investment managers on environmental factors to foster the conservation of the natural world. Key factors include, but are not limited to, climate change and carbon emissions, air and water pollution and energy efficiency.

### 2.3 Social (Conservation of people and relationships)

- 2.3.1 The Plan Sponsors wish to engage with investment managers on social factors to foster the conservation of people and relationships. Key factors include, but are not limited to, customer and employee satisfaction, human rights and labour standards, data security, diversity and inclusion.

### 2.4 Governance (Standards for running a company)

- 2.4.1 The Plan Sponsors wish to engage with investment managers on social factors to foster the highest standards for running a company. Key factors include, but are not limited to, board and committee composition, executive compensation, bribery and corruption, respectful workplace and whistleblower policies.

## 3. ESG Integration

- 3.1 Given our objectives, we consider and integrate ESG risks and opportunities into the analysis and monitoring of all investment managers we engage to manage our investments. Our goal is to promote improved reporting, monitoring, and management of ESG issues in our portfolio.
- 3.2 This approach is integrated into the due diligence process of all aspects of the implementation of the Plan's investments. This will include the hiring and firing decisions of investment managers, as well as the ongoing monitoring of the portfolio.
- 3.3 The investment manager assessment and ongoing monitoring as it pertains to ESG factors will be comprised of, but not limited to, the following factors:
- 3.3.1 Commitment to the UNPRI and ongoing assessment scoring.
  - 3.3.2 Existence of a firmwide, quality ESG policy.
  - 3.3.3 Engagement and collaboration with other like-minded investors.
  - 3.3.4 Degree of alignment of ESG beliefs to the beliefs herein.
  - 3.3.5 How ESG is integrated into portfolio construction and ongoing management:
    - ESG ratings
    - Screening
    - Valuation
    - Buy and sell decisions
    - Proxy voting records
  - 3.3.6 Assessment of ESG factors on risk and performance.



## 4. Engagement

- 4.1 We expect the investment managers we hire to be well aligned with our beliefs. We expect ESG factors to be integrated into the portfolio construction process with investments managed in the best interest of Plan Beneficiaries.
- 4.2 Through engagement and communication with our investment managers, we can influence change, reduce risk, enhance sustainability, and improve long-term investment performance.
- 4.3 Each investment manager will be required to report on ESG factors within the portfolio and provide ongoing proxy voting reports where applicable. Details of these reports and progress made on ESG initiatives will be disclosed to Plan Stakeholders.

## 5. Exclusions

- 5.1 As a long-term investor, we believe that active engagement with our investment managers can influence decisions and actions when we fundamentally disagree with the decisions of the investment manager.
- 5.2 While we could be a patient provider of capital, and work with our providers to bring about change, we may conclude to not engage with certain investment managers, or not to maintain investment manager relationships when we collectively conclude:
  - 5.2.1 The investment manager's lack of consideration of ESG issues could undermine the long-term performance and sustainability of the portfolio.
  - 5.2.2 That reputational risks and other considerations from ESG factors may generate risks that have impacts beyond expected performance.

## 6. Reporting

- 6.1 The Plan Sponsors are committed to transparency of sustainability activities to the Stakeholders of the Pension Plan. The Sponsors will engage with the Plan's investment manager(s) to improve reporting and disclosures and integrate these performance metrics into the ongoing reporting to the Plan Beneficiaries.

## 7. Review

- 7.1 This policy will be reviewed every two years.