

ESG Guiding Principles

1. The University's approach to investing its assets to support its programs and people must be appropriate for an institution of its stature and calibre. Furthermore it must recognize that its actions will be scrutinized by others and may also carry significant influence in how other institutions approach their investing strategies as it relates to ESG and responsible investing.
2. The University recognizes ESG as an important lens to identify opportunities and risks to the University's investments.
3. The subject of ESG is continuing to evolve in real time. As a leading and innovative University, we commit to reviewing on an annual basis and recommending revisions as appropriate to ensure the University's practices are consistent with best practices for comparable institutions.
4. Waterloo shall utilize ESG as a tool in service of responsibly stewarding its assets, and investment decisions shall be made based on an investment thesis that includes consideration of ESG factors as part of the thesis.
5. ESG factors shall be applied equally across all investment funds, and normally no provision will be made for any differential treatment for a given fund or account within a fund.

Guidelines for the Application of ESG Principles to University Investments

1. ESG factors refer to the environmental, social and governance factors that may have a financial impact on investment.
2. The University bears fiduciary responsibility as the sponsor of the University's pension plans, as well as responsibility for the effective stewardship of funds within the University's endowment, and affirms that ESG factors are important to serving these overarching responsibilities. The University sees no requirement to lower the performance expectations of a given investment or investment manager as a result of the incorporation of ESG factors in investment decisions.
3. The University recognizes that ESG factors and market practices related to ESG are dynamic and may change from time to time. Consequently, ESG factors, trends, and practices shall be monitored and formally assessed on an annual basis through an appropriate mechanism as approved by the Board. The University may retain outside consultants and experts on the subjects of ESG and responsible investing.
4. The University acknowledges that the application of ESG factors to investment decision-making must take into consideration practical factors including, but not limited to:
 - a. Differing potential for impactful action between direct investment holdings vs. investments managed by professional investment managers with discretion over the purchase and sale of assets (e.g. pooled funds, indexed funds).
 - b. Differing levels of disclosure and transparency of information for assets based on factors that include: fixed income, equity, and indexed investment products; publicly-traded companies vs. privately-held companies, and requirements in different geographic domiciles.
5. The University acknowledges that analysis of ESG factors by an investment manager retained by the University is an important consideration in the manager's determination of the viability of a given investment in facets including, but not limited to: sustainability of a given business; viability and robustness of a business model; potential for societal rejection of a given company or sector; potential for beneficial or detrimental impact on assets, including either or both of tangible and intangible assets. The University affirms that monitoring of current and future investment managers is an important activity and this includes, but is not limited to, the following: review of managers' proactive disclosures, analysis of how ESG factors are considered by the managers, third party reporting on managers' ESG activity, monitoring adherence to UN PRI principles (if the manager is a signatory), and records of proxy voting by managers. Investment managers and commingled investment vehicles will be evaluated on their ESG capabilities and performance. Where possible, the ESG capabilities and performance will be included into the University's investment selection and monitoring processes.
6. The University shall incorporate a thoughtful analysis of ESG factors into its decision-making for the evaluation of direct investments, including for new direct investments, for increases/reductions to existing investments, and for removal of investment in a given direct investment. In carrying out analysis for ESG factors, the University may utilize the services of any consultant or resource that is deemed to be authoritative in these matters.
7. Responsibility for the execution and monitoring of investments impacted by these guidelines shall reside with the Board, and the Board may delegate this responsibility within its sole discretion to any of its committees or the staff of the University.