

**University of Waterloo Responsible  
Investment Policy**

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## Contents

1. Introduction .....	2
2. Defining ESG .....	2
3. Responsible Investing And Priority ESG Factors .....	3
4. Application .....	3
5. ESG Factor Integration .....	4
6. ESG Engagement.....	5
7. ESG Analysis & Reporting.....	5
8. Review .....	5

# University of Waterloo Responsible Investment Policy

## 1. Introduction

The University of Waterloo's Board of Governors ("Board") exercises oversight of University investments, including the endowment, the Institute of Quantum Computing Trust ("IQC Trust") and the University of Waterloo Pension Plan for Faculty and Staff ("Pension"), from here on referred to as the "Funds" or, individually, the "Fund", primarily through three Board Committees including the Finance & Investment Committee, the Pension & Benefits Committee and the Pension Investment Committee (the "Committees").

These Funds are primarily invested through the selection and retention of external investment managers, investing in institutional pooled funds, which serve a range of clients on a comingled basis.

Each of the Committees fulfills its Board-assigned responsibilities prudently and in accordance with legislation, policies, guidelines and agreements governing the investment of the Funds, respecting its fiduciary responsibilities. The Board acknowledges that as the Pension administrator, it has a fiduciary duty to act reasonably and prudently and exclusively in the best financial interest of Pension members and beneficiaries. As such the Board and Committees will apply environmental, social and governance ("ESG") factors as part of the investment decision making process. ESG factors can have a material impact on the long-term risk and return of a given investment and incorporating relevant and material ESG considerations into investment decision-making processes is consistent with fiduciary duty with respect to the endowment, the IQC Trust and as the Pension administrator.

ESG factors will be integrated into the Committees' investment analysis and asset management activities in accordance with this document and the statements of investment policies and procedures ("SIPP") and fund implementation procedures ("FIP") for each of the Funds, as applicable.

## 2. Defining ESG

- Environmental – factors which relate to the physical environment (including, but not limited to, contamination, greenhouse gas emissions, extreme weather, water scarcity, and biodiversity)
- Social – factors arising from relationships with employees, consumers, suppliers, and communities (including, but not limited to, human rights, labour rights, health and safety, equity, diversity and inclusion, and product safety)
- Governance – factors which relate to the structures in place to ensure the effective direction and control (including, but not limited to, the delineation of roles, executive compensation, and board independence)

### **3. Responsible Investing And Priority ESG Factors**

Responsible investing actively incorporates ESG factors into each investment decision and monitors those decisions. While ESG factors are relevant throughout all stages of the investment process from pre-investment, to monitoring, to exiting, the degree to which ESG factors are integrated depends on many factors such as active versus passive mandates, the asset type, the time horizon, and the specific investment strategy.

The Board affirms the following areas among ESG factors requiring focused investment attention relating to its impact on the financial performance of investments:

- Climate change mitigation
- Internationally recognized human rights, including anti-racism, anti-oppression, indigenous reconciliation, equity and diversity and relevant United Nations (“UN”) standards and principles<sup>1</sup>

#### **Climate Change Mitigation**

The Board is targeting to achieve a 50% carbon reduction by 2030 (relative to base year 2018) in the carbon footprint (scope 1 and scope 2) with an aspirational goal of achieving carbon neutrality by 2040<sup>1</sup>. Progress towards this target is reviewed annually. Any changes to these targets will be promptly reported to the investment managers.

To these ends, investment managers must consider carbon-related emissions and climate change to the extent such factors may have a consequential impact on future investment values and performance.

#### **Internationally Recognized Human Rights**

The Board is committed to incorporating internationally recognized human rights, as enumerated above, within its investment decision making framework. This means that investment managers must consider international human rights, and its various aspects, in their investment decision making processes, to the extent such factors may have a consequential impact on future investment values and performance and share information on their processes and outcomes with the University. This will be incorporated into investment manager selection and monitoring.

### **4. Application**

This policy applies to the endowment, IQC Trust and the Pension, and as such will

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<sup>1</sup> The IQC Trust is excluded from this aspirational goal.

be cited in SIPP for each of the Funds and be communicated to each investment manager.

This policy is intended to be read together with the Endowment SIPP, IQC Trust SIPP and/or Pension SIPP, as applicable, for the Funds, as amended from time to time. While the Board strives to maintain consistency between this policy and the SIPPs, to the extent there is any conflict in the investment principles and approach as set out in this policy or the SIPPs, the SIPP shall govern with respect to the relevant Fund.

To the extent possible, taking into account their particular fund's constating or disclosure documents, the Funds' investment managers are required to integrate this policy into their investment analysis and decision-making based on forecasted financial impacts, in conjunction with traditional financial analysis, to support each Fund's return objectives.

## 5. **ESG Factor Integration**

The Funds' investment approach focuses on long-term value creation in a constantly changing environment experiencing many risks and opportunities. The Committees do not seek to limit an investment manager's investible universe (i.e., no exclusions).

This approach is to be executed by the Committees principally through the rigorous selection of investment managers offering institutional pooled funds which are considered leaders in ESG factor integration. Each investment manager is monitored by the Committees on a quarterly basis to ensure consistency of style/approach including their ESG factor integration strategies, reviewing any significant personnel changes, reviewing the consistency of their proxy voting actions with their policy statement, and the Fund's investment performance metrics. The Committees encourage each investment manager to engage on ESG matters with the companies they invest in and report on such engagement and how it supports the manager's duty to act in the best interest of the Funds.

Investment managers are expected to consistently enhance their quarterly reporting to address evolving areas such as ESG factor integration.

The Committees prefer each Fund's investment managers to be signatories to UN PRI.

Notwithstanding the foregoing, any and all investment decisions in respect of the Funds shall be subject to appropriate due diligence and analysis that support the conclusion that the decision is in the best financial interest of the Fund as outlined in the governing documents for the Fund and, with respect to the pension Fund, as required by applicable law.

## **6. ESG Engagement**

The University will engage directly with its investment managers, and other investment service providers as necessary, to fulfill the commitments of this policy.

The University will participate in investor coalitions and collectives, both formal and informal, where appropriate, where partner members have similar fiduciary responsibilities and will periodically review the effectiveness of those collective approaches.

## **7. ESG Analysis & Reporting**

The Committees will require its investment service providers to have the necessary systems, resources, and experience to support evolving ESG analysis and reporting standards.

The University will report annually to the Board, to the Committees, and to the public on its progress against carbon emissions reduction targets within the Funds.

University staff will work with investment managers to determine appropriate reporting related to the consideration of international human rights in investment decision making and will publish summaries of such reports as they are available. This reporting may include details related to proxy voting and/or compliance with UN frameworks.

As a signatory of the UN Principles for Responsible Investment, the University is also committed to completing its annual reporting requirements under this framework, which includes reporting on its ongoing responsible investment progress.

To enhance transparency, the University will also, where permitted, publicly report listings detailing the individual investment holdings, both direct and indirect, within the Funds. These lists will be made available annually and align with updates to the annual carbon emissions reporting.

## **8. Review**

This Responsible Investment Policy will be reviewed concurrently with the review of the Endowment SIPP, IQC Trust SIPP and Pension SIPP, including an overall assessment of the current ESG landscape, future risk & opportunities, and the identification of any changes to priority areas of focus.

The University will solicit feedback from the University community on a periodic basis to guide and inform future updates to ESG integration in investments and will share updates with the community.