

Exercising Ownership:

Responsible Investing at the
University of Toronto

A Report by the Responsible Investment Working Group

January 2006

Foreword

Questions about environmental, social and governance issues in the context of the University of Toronto's investments have been raised at Governing Council meetings since at least 1974. Most recently, at a meeting of the Business Board in April 2005, a member requested that the University undertake a policy review to explore its role in promoting corporate social responsibility. In response to the member's question, Ms Catherine Riggall, Vice-President of Business Affairs, agreed to conduct such a review as a low-priority matter.

The Responsible Investment Working Group was created in September 2005 to provide a student-led submission to this review. Approaching the task with an open mind, we wanted to provide a well researched and carefully thought out proposal. With just over a dozen very active members, this group has spent the last couple of months diligently researching the broader trends of responsible investing. We read papers and scoured Web sites. We spoke to experts, interested parties and administration officials by phone, by email and in-person. We deliberated and brainstormed.

The report that follows lays out what we have learnt and what we believe are the implications for the University of Toronto. However, this report does not purport to represent the views of the student body at large.

I would like to thank the students involved in this initiative, the various individuals who gave of their time to correspond with us, and the University's administration, who made this form of student input possible. I would also like to thank the Student Law Society for their gracious support of this initiative.

Ran Goel
January 2006

Executive Summary

Mainstream institutional investors around the world are increasingly incorporating environmental, social and governance factors into their investment and management decisions. Coined ‘responsible investment’, this phenomenon differs from ‘ethical investing’. The latter approach is familiar to many in the form of campaigns to divest from companies that operated in apartheid South Africa or that manufacture military weapons. Ethical investing has been limited to a significant—yet ultimately small—number of investors, chief among them mission-based organizations and retail mutual funds. In contrast, responsible investing has made significant inroads among large institutional investors.

What is responsible investing? While its manifestations are varied, all responsible investment approaches are based on the notion that environmental, social and governance (ESG) factors are material to shareholder value. Equally important is the widely substantiated belief that ESG factors are not being systematically and effectively incorporated into the investment decision-making process under the current paradigm. There is a mounting body of evidence that ESG factors will have an increasingly large effect on long-term value. The link posited is not abstract in nature. It guides the actions of many large institutional investors in the here and now. Believing that various ESG factors are material to shareholder value, these investors are actively voting their proxies, engaging with corporate management and boards, making submissions to regulatory agencies, commissioning a widening ranging sell-side research, and collaborating with fellow investors. The trustees of these investments are addressing ESG factors in the belief that doing so is a fulfillment of their fiduciary duties, rather than a derogation from them. Recent comprehensive legal studies strongly buttress this viewpoint.

Responsible Investing at the University of Toronto

In formulating recommendations, the Responsible Investment Working Group researched the responsible investing approaches undertaken by over two dozen institutional investors and endowment funds. A few detailed case studies are featured in this report and case briefs appear in the appendices. The group has also noted the specific circumstances of the University’s investments that must be taken into account, including:

- External management of all equities
- Placement of much of the equity portfolio invested in pooled funds
- Need to keep implementation costs low
- Relatively small size of investments at \$4 billion

Cognizant of these factors, the Responsible Investment Working Group strongly urges the administration, the Governing Council, the

‘The question is not if environmental, social and corporate governance considerations (ESG) are material but rather when, under what conditions, by how much, the timing and what the appropriate corporate response should be.’
Carlos Joly, co-chair of a group of 13 institutional investors that collectively manages US\$1.7 trillion

University of Toronto Asset Management Corporation, and the wider University community to undertake the challenge of making the University of Toronto a Canadian leader in responsible investment. We do not underestimate the complexity of such a task. It will require a sustained, long-term effort. It will require open-mindedness. It will require a mindset of collaboration rather than confrontation. But as outlined below, we think it is well worth the effort.

Recommendations: Providing Leadership

While the 1978 policy, *Social and Political Issues With Respect to University Investment*, certainly still has a role to play, our research strongly suggests that the University requires a new policy that incorporates a long-term, systematic, and collaborative approach for addressing environmental, social and governance (ESG) issues in its investments.

The key planks of the recommendations follow. More detailed recommendations appear in the text of the report.

- **Actively voting and disclosing proxy votes**

Follow current industry best practices in developing Proxy Voting Guidelines, actively vote shares, and publicly disclose the voting record. Share voting rights are an asset. Effectively exercising those rights can play an important role in conveying shareholder concerns regarding the effects of ESG factors on the bottom line. This can be implemented either by requiring segregated fund managers to vote according to the University's guidelines and then closely monitoring the records or requiring managers to subscribe to a proxy voting service selected by the University.

Swarthmore College

In 1998 Swarthmore College with an endowment of about US\$1 billion started a Committee on Socially Responsible Investing (CSRI). Half the members are students who conduct research; the other half are administrators and trustees who review the research and approve proposals. The CSRI develops and proposes its own shareholder resolutions. A 2002-03 proposal introduced at Lockheed-Martin, garnered 5% of the vote, and induced management to change discriminatory employment policies. Two other such proposals were successful in effecting desired changes before going to a vote.

- **Advisory Committee on Responsible Investment (ACRI)**

Create a permanent committee of faculty members, students, alumni and administrators to propose non-binding recommendations to UTAM and the administration. By maintaining a Web site and hosting an annual community meeting, the committee would be the locus for tapping into the expertise and suggestions of the University community with respect to responsible investment issues. It would play a central role in lowering research and related costs.

- **Executive Committee on Responsible Investment (ECRI)**
The ECRI would meet regularly to consider Advisory Committee recommendations and to monitor and review the implementation of responsible investment initiatives within UTAM. It would comprise senior management at UTAM, the VP Business Affairs and the UTAM staff member coordinating responsible investing issues.

- **Active participation in institutional investor coalitions and policy debates**
The University can leverage the existing expertise of community members in becoming active participants in institutional investor coalitions and in policy debates relating to regulation of the financial industry. The University in its capacity as an investor could tap into the competencies of, for example, the Rotman International Centre for Pension Management on pension fund regulation or the Department of Geography on climate risk disclosure when making submissions to policymakers or participating in investor coalitions.

Investors Joining Forces

Several dozen institutional investors coalitions now focus exclusively on ESG issues. For example, the **Enhanced Analytics Initiative** is a consortium of investors with over \$500 billion under management who actively support better research on ESG issues. Members allocate at least 5% of brokerage commissions to sell-side researchers who are effective at analysing material ESG issues. The **Institutional Investor Summit on Climate Risk** recently issued a call-to-action to companies and the financial industry regarding carbon risk which was signed by investors managing over \$3 trillion.

- **Engage investment managers**
The focus of the University’s engagement program should be on the investment managers. This may include surveying the extent to which they incorporate ESG factors, writing letters urging support of certain investor coalitions and meeting with managers to voice concerns about the effects of certain ESG factors on returns. As UTAM’s experience grappling with ESG factors grows, a manager’s capacity to incorporate ESG issues into the investing process could be one of the factors included in the manager evaluation and selection process.

The Value

There will be a financial cost to implementing the strategy we are espousing. However, these costs are by no means a sacrifice or charitable affair. A responsible investment strategy that is well thought out and well implemented can lead to a number of long-term benefits to the University:

- **Protecting Long-Term Value**
The University of Toronto Asset Management Corporation is clearly committed to fulfilling its mandate.

‘[T]he current CEO-dominant paradigm, with all its faults, will likely continue to be viewed as the most viable form of corporate governance for today’s world. The only credible alternative is for large—primarily institutional—shareholders to exert far more control over corporate affairs than they appear to be willing to exercise.’

Alan Greenspan

The approach advocated here buttresses this mandate by embarking on a process aimed at better understanding the financial risks associated with ESG factors. It provides a structure for building in-house expertise that will likely become more and more valuable as ESG issues play a larger role in the investment process.

- **Promoting Interdisciplinary Research on Social Impact**

The University’s Stepping UP plan aims to promote ‘interdisciplinary, interdepartmental, [and] interdivisional’ research. The Advisory Committee on Responsible Investment (ACRI) will bring together students, academics, administration and alumni to consider how seemingly unrelated issues such as climate change or HIV/AIDS should (or should not) factor into the investment process. Through disclosure and UTAM’s involvement in investor coalitions and policy debates, the Advisory Committee could help facilitate the transmission of information and ideas from the greater University community to a wider audience.

- **Engaging and Leveraging the University Community**

By disclosing proxy voting histories to the community and providing a committee-based forum, the University can take an important step towards fostering healthier and more productive dialogue around an historically divisive issue. This approach would both encourage and enable student input and challenge students to make cogent and documented arguments regarding University investments and ESG factors. Of course, the ultimate responsibility for investment decisions will and legally must remain with the trustees of the pension and endowment fund.

- **Positive Effects on Reputation**

The University of Toronto will be able to claim that it is the first university in Canada to adopt a comprehensive responsible investment policy. Publicized appropriately, the policy could provide an ongoing example of the leadership of the University in constructive collaboration between the students, faculty members and administrators. This could arguably have positive effects on the University’s reputation that would be particularly desirable in a broad alumni-based fundraising campaign.

‘Shareholders must exercise their rights, or those rights will atrophy.... “Shareholder capitalism” in the United States today has been trivialized because the most learned and respected institutional investors—the universities and the foundations—have conspicuously declined to be associated with the effort.’

Robert Monks. investor activist

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‘We need to ask ourselves a simple but profound question; is the long-term different to a succession of short-terms? ...if the stock market were to close tomorrow and not reopen for three years, would you hold a different portfolio to the one you currently own?’

Watson Wyatt

Responsible Investing: Towards the Mainstream

The history of demands for divestment and screening at the University of Toronto can most aptly be described as ‘ethical investing’. However, the last few years have witnessed a growing interest worldwide in a broader and farther-reaching approach, generally termed ‘responsible investing’. Responding to mounting evidence that environmental, social and governance (ESG) factors contribute to long-term financial returns, institutional investors are increasingly grappling with how, rather than if, to incorporate ESG issues into their investment decisions. There are several factors that have driven this trend including:¹

- Growing evidence of a link between ESG factors and financial performance
- Stakeholder activism
- Reputational concerns
- Consumer pressure/public opinion
- Pressure from research bodies, investor initiatives and non-governmental organizations (NGOs)
- Pressure from the insurance industry
- Corporate environmental reporting obligations
- Rise of the global company
- Adoption of investment guidelines by the World Bank, IFC and other intergovernmental lenders
- Growing corporate transparency
- The information technology revolution
- Regulation mandating disclosure of ESG investment policies

In outlining the contours of the responsible investing trend, the next chapter will outline the rapidly emerging consensus that a trustee’s fiduciary duty, rather than posing an obstacle, actually buttresses the argument for explicitly incorporating ESG factors in the investment process. The subsequent two chapters will provide short case summaries for how over two dozen institutional investors—mostly endowments and pension funds—have attempted to address these issues. The remainder of this chapter will summarize other market developments illustrating increased attention to responsible investment.

Investor Coalitions and Initiatives

Perhaps the most visible development has been the surge in investor coalitions and initiatives that emphasize the materiality of ESG factors to financial performance. A list and brief description of these coalitions is provided in Appendix IV. Institutional investors have been the protagonists in this development. For example, the Institutional Investor Summit on Climate Risk in May 2005 produced an action plan that was endorsed by institutional investors managing over US\$3 trillion in assets.² The plan called on companies, the financial industry and

‘Institutional investors are interested in sound, long-term value, but our ability to make solid investment decisions depends on a thorough evaluation and full disclosure of risk.’

Denise L. Nappier,
Connecticut State Treasurer

regulators to provide improved analysis and disclosure about the financial risks rooted in climate change.

The UK-based Pharmaceutical Shareowners Group is a grouping of fourteen institutional investors managing US\$1.5 trillion that are concerned with how the pharmaceutical sector is 'addressing the challenges related to the public health crisis in the emerging markets and the impact of this issue on long-term shareholder value.'³ Closer to home, the largest responsible investing conference ever held in Canada, the Social Investment Conference, took place in June 2005 with over 200 in attendance. Moreover, many Canadian institutional investors have joined the mostly UK- and US-based coalitions. For example, the Ontario Teachers' Pension Plan and York University have supported the Extractive Industries Transparency Initiative, and OMERS has signed on to the Carbon Disclosure Project.

Shareholder Resolutions

Although shareholder proposals addressing ESG factors have been filed for over three decades, the quantity and type of resolutions have significantly changed. In the US, 188 social and environmental shareholder resolutions went to a vote during the 2005 proxy voting season.⁴ Many resolutions are withdrawn by investors after companies agree to address their concerns. For example, Best Buy and General Mills agreed to ensure overseas suppliers improved labour practices in response to a resolution filed by the New York City Pension Funds. The Funds has also withdrawn several proposals requesting companies to adopt the Global Reporting Initiative's standardized sustainability reporting guidelines after discussions with management.

In Canada, there were 25 social and environmental shareholder resolutions filed in 2005, compared to 11 in 2004.⁵ The value of share voted under proxy guidelines containing social and environmental criteria quadrupled to \$2.1 billion between 2002 and 2004.⁶ Increasingly, shareholders are requesting more disclosure on companies' social and environmental performance. For example, several resolutions during the 2004 and 2005 proxy voting seasons asked companies to disclose their environmental performance in accordance with the Global Reporting Initiative's standardized sustainability reporting guidelines (see Appendix IV for a description of the Global Reporting Initiative).

'[V]oting records should cause fiduciaries to be concerned about delegation without direction... investment managers voted for the resolution when management supported it and against it when management did not. This raises concerns that votes are being decided based solely on management's recommendation rather than on the merits of the proposal.'

Shareholder Association for Research and Education 2004 Report

Market Indices

There has been a proliferation over the last few years of market indices that track companies with good environmental and social performance. They employ a variety of

criteria for inclusion including best-in-class performers and positive screening. Examples include:

- Domini 400 Social Index: launched in 1990
- Dow Jones Sustainability Indices: first launched 1999, latest in September 2005
- Goldman Sachs Energy Environment and Social Index: launched in February 2004
- FTSE4Good: launched in July 2001
- Jantzi Social Index: launched in January 2000

Government Regulation

The increasing importance of ESG factors is both driven by and reflected in government legislation. The Securities and Exchange Commission and the Canadian Securities Administrators now require all mutual funds to disclose proxy voting guidelines and records.⁷ Australia, France, Germany and the United Kingdom have passed legislation requiring institutional investors, usually pension funds, to disclose the extent to which they consider social, environmental and ethical issues in investing. Manitoba recently passed legislation that expressly allows trustees prudently to consider non-financial criteria in the investment process.⁸

United Nations Principles for Responsible Investment

Convened by United Nation Environmental Programme's Finance Initiative and the UN Global Compact, an effort to draft a set of principles for responsible investment is currently underway. It has brought together a group of the world's largest institutional investors with the goal of developing principles that reflect best practice in the area of responsible investment.⁹ The principles are expected to open for endorsement (beyond the core group of institutional investors involved in the drafting process) in April 2006.

Increased Attention by Investment Managers

A recent survey of 190 investment managers conducted by Mercer Investment Consultants indicated that 48% of investment managers thought that engagement (e.g., shareholder activism, proxy voting) would become a mainstream practice in the next 1 to 2 years. A further 29% thought it would take 3 to 5 years. Figures for Canada only are even higher.¹⁰ About 37% thought that integrating corporate social and environmental practices into the investment process would be mainstream in 3 to 5 years. A further 36% thought it would take 6 to 10 years. These figures reinforce the notion that the trend towards responsible investment is decidedly on a trajectory to the mainstream.

Corporate Responsibility

There has been increasing public attention to issues of corporate responsibility, also known as corporate citizenship, triple-bottom line or corporate social responsibility. The last few years have seen a proliferation of corporate responsibility instruments and initiatives: principles, standards, guidelines, corporate coalitions, and so forth. The Global Compact was launched by UN Secretary General Kofi Annan in 1999 and sets out principles of corporate conduct regarding labour, environment and corruption issues. Over 2,200 companies have now endorsed the 10 principles. The Global Reporting

Initiative (GRI) provides corporations with reporting guidelines for companies on sustainability issues; the underlying objective is to provide Generally Accepted Accounting Principles (GAAP) for sustainability issues. Please refer to Appendix IV for summaries of other leading instruments of corporate responsibility.

Notes

¹ Adapted from p. 24 of UNEP's 'Innovative Financing for Sustainability', http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

² 'Summit Press Release', 2005 Institutional Investor Summit on Climate Risk, <http://incr.com/05investorsummit/>

³ The Pharmaceutical Shareowners Group homepage, <http://www.pharmashareownersgroup.org>

⁴ 'Corporate Governance at a Crossroads', Institutional Shareholder Services, <http://www.issproxy.com/pdf/2005PostSeasonReportFINAL.pdf>

⁵ 'Socially responsible shareholder proposals double in 2005; climate change, human rights and leading issues', Social Investment Organization, <http://www.socialinvestment.ca/News&Archives/news-305-ShareholderProposals.htm>

⁶ Canadian Social Investment Review 2004, Social Investment Organization, <http://www.socialinvestment.ca/SIReview04.pdf>

⁷ 'Securities and Exchange Commission Requires Proxy Voting Policies, Disclosure by Investment Companies and Investment Advisers', SEC, <http://www.sec.gov/news/press/2003-12.htm>

⁸ Freshfields, p. 12, http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

⁹ Principles for Responsible Investment, UNEP Finance Initiative, http://www.unepfi.org/work_programme/investment/principles/index.html

¹⁰ 'SRI: What do investment managers think?', Mercer Investment Consulting, <http://www.merceric.com/summary.jhtml/dynamic/idContent/1174905>

Responsible Investing and the Fiduciary Duty of Trustees

Synopsis

This section emphasizes that fiduciary duty permits and may even demand that trustees incorporate environmental, social and governance factors in their investment decision-making structures and the ways in which they may do so. Much of what follows is informed by a landmark study on this issue by the law firm Freshfields Bruckhaus Deringer published in October 2005.¹ Freshfields is a leading international law firm with over 2,400 lawyers in 28 countries. It wrote the report on behalf of the UNEP Finance Initiative Asset Management Working Group, which consists of 13 asset managers with US\$1.7 trillion under management. The chairs of the Working Group remarked that the study dispels the ‘all too-common misunderstanding that fiduciary responsibility is restricted by law, and solely and in a narrow sense, to seeking maximization of financial returns.’²

The study went on to conclude, *inter alia*, that:

‘Conventional investment analysis focuses on *value*, in the sense of financial performance. As we note above, the links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.’

What are the fiduciary duties of trustees?

The members of the Governing Council’s Business Board have a fiduciary duty in relation to the University’s investments. A recent guidance document for Governors described fiduciary duty as

one that is exercised, not in one's own interest, but on behalf of, and solely in the interest of, the person or body that one has been given to safeguard. This is not a mantle that can be put on or off as issues arise. Members of the Governing Council have a strict obligation in law to act in the best interests of the University of Toronto.³

This definition certainly applies to the endowment funds invested by the University. It differs, in theory, from pension investments since the beneficiaries are more narrowly defined as the future retirees. Another complexity is that the scope and content of the duty of a Business Board member is difficult to ascertain: certain investment powers are delegated from Governing Council (and the Business Board) to the University of Toronto Asset Management Corporation (its management and directors) which in turn delegates certain powers to investment managers, and so forth.

In Canada, trusteeship falls under provincial jurisdiction. Trustees must act as prudent persons: ‘when investing trust property in Ontario a trustee must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments.’⁴ In the pension context, an administrator is required to ‘exercise the care, diligence and skill in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another person.’⁵ The common law standard of care generally required of a trustee is that ‘which a person of ordinary prudence would use in managing his or her affairs.’⁶

Prudence in the investment context entails ensuring that adequate processes have been established and followed and

that important information, including expert advice, has been solicited and considered. It is important to note that prudence is not determined by the investment results, but rather by how the investment process is carried out. There is no Canadian case law that addresses the proper exercise of investment powers.⁷ The case frequently referred to, *Scargill* (see text box), is often interpreted as imposing a duty on trustees to maximize returns without undue risk of loss.

Cowan v. Scargill

Subject to statutory exceptions, the UK decision of *Cowan v. Scargill* has generally been thought to apply to the Canadian context. The case concerned the proper investment of a pension trust. Investment decision makers have widely interpreted the case as holding that financial returns must be maximized on an investment-by-investment basis. The Freshfields report disputes this interpretation of the holding and argues that the case does not support a general rule of profit maximization. Rather, the case simply holds that trustees must exercise their fiduciary duties in a manner that respects the original purpose for which they were granted. In the University’s context, that purpose would presumably be to achieve an indicated level of financial return.

Can trustees legally incorporate environmental, social and governance factors into the investment process?

Statutory and case law both accept the centrality of modern portfolio theory in the investment process—investments are selected based on their risk-reward profile on an aggregate, not an individual basis.⁸ Nevertheless, this does not preclude consideration of ESG factors; indeed, investment decision makers must consider such factors at least at some level. This has always been the case. Recently, however, a growing body of evidence has shown that ESG considerations must play an *explicit* role in a prudent analysis of investment value.

Of course, this does not imply that ESG factors must be given the same weight as other factors. What this does arguably imply is that it is increasingly within the fiduciary’s realm of legal responsibility to ensure that the investment process takes ESG factors into account at some level. This is especially the case in the context of the University where investments are of a long-term nature—in fact, much of the endowments is invested in perpetuity.

What are the legal responsibilities of trustees with regard to proxy voting and engagement?

The above analysis notwithstanding, Canadian law currently does not explicitly indicate whether incorporating ESG factors through engagement and proxy voting falls within the fiduciary responsibility of trustees.⁹ Provincial pension fund legislation does require plan administrators to instruct on the ‘retention or delegation of voting rights’ in the investment policy, but it does not provide general guidelines for such a policy.¹⁰ The Office of the Superintendent of Financial Institutions (OSFI) provides some guidelines for federally regulated pension funds that could provide persuasive value in court:

Failure to describe in the investment policy how these rights will be used leaves plan administrators open to charges of either negligence or arbitrary action, possibly in violation of the standard of care requirement. Investment policies should describe and require the use of voting rights, whether directly or through proxy.

If the power to vote proxies is delegated to investment managers, proxies should be bound by rules established in the investment policy. The administrator should receive a report showing how proxies were voted, and affirming compliance with the administrator’s proxy voting policy.¹¹

The *OECD Guidelines on Corporate Governance* provide similar guidance. The US legal position on pension funds is clearer: the *Employee Retirement Income Security Act of 1974* has been interpreted as meaning that a ‘failure to vote a proxy is a breach of a plan administrator’s fiduciary obligations.’¹²

‘I submit that the common law principles of prudence and loyalty impose an obligation on trustees to establish an engagement policy as part of a strategy to protect the long-term best interests of plan members.’
Gil Yaron, Shareholder Association for Research and Education

Several court decisions would seem to support this interpretation. In *Wagner v. Van Cleef*, the court held that a trustee cannot delegate their entire responsibility for administering an estate to a third party. They have a duty to supervise the agent to ensure that the assets are being properly managed.¹³ A 1995 decision, *R. v. Blair*, has been

similarly interpreted as imposing a duty to supervise.¹⁴

In the context of the University’s investments, this duty to supervise is particularly important since building in-house capacity to vote all proxies would not likely be cost-efficient and would thus entail a certain degree of delegation. Supervision includes:

- Establishing standards against which performance is judged (in the context of proxy voting, this means setting guidelines)
- Selecting the agent and ensuring the agent has the requisite expertise and capacity to fulfill the tasks responsibly

- Monitoring performance on a regular basis including compliance with the plan’s policies and guidelines
- Questioning the agent regarding any issues of concern¹⁵

Vigilant supervision is called for in the University’s specific case in particular since all the funds are externally managed by investment managers—a group which several publications have argued face serious conflict of interest issues.¹⁶ Former SEC Commissioner Paul Carey provided an example of such a conflict of interest:

A fund adviser could have an economic interest to vote the fund’s shares to please company management, even if such a vote might not be in the best interests of the fund. This could be because a fund adviser might manage—or hope to manage—the retirement plan of a company whose stock is owned by the fund.¹⁷

‘[T]he emerging view supported by American law and British pronouncements is that prudence dictates the need to establish and oversee a policy of engagement to be applied in instances where poor corporate practices have the potential of adversely impacting shareholder value.’
 Gil Yaron, Shareholder Association for Research and Education

What about pooled funds?

One obstacle to voting proxies in the University’s situation is that much of its equity investment is through pooled funds. Unlike in segregated funds, in pooled funds the University owns only a beneficial interest in the shares and thus cannot vote proxies.¹⁸ One potential approach to this difficulty is to address proxy voting issues when first investing in a pooled fund. For example, one investment manager has reportedly agreed to vote a proportionate amount of proxies for an institutional investor in a pooled fund.¹⁹ Failing this, the University nonetheless can still engage intermediaries by (1) communicating their voting preferences, (2) requesting the investment manager’s proxy voting guidelines, and (3) requesting disclosure of how proxies are voted.²⁰

Notes

¹ ‘A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment’

² Freshfields, p. 3, http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

³ Being an Effective Member of the Governing Council, <http://www.utoronto.ca/govcncl/tgc/2.03.03.pdf>

⁴ Ontario *Trustee Act*, R.S.O. 1990, c.T.23., s. 27(1).

⁵ *Pension Benefits Act*, R.S.O. 1990, c. P.8, s. 22(1).

⁶ Freshfields, http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

⁷ Freshfields. http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

⁸ Freshfields, p. 7, http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

⁹ Freshfields, p. 52, http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf and http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹⁰ Yaron, p. 14, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹¹ Yaron, footnote 51, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹² Yaron, p. 17, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹³ *Wagner v. Van Cleeff* (1991), 5 O.R. (3d) 477 at 484 (Div. Ct.) and Yaron, p. 25, footnote 81, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹⁴ Yaron, p. 25, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹⁵ Yaron, pp. 26-27, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹⁶ Yaron, p. 28, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹⁷ Stephen I. Erlichman, ‘Canadian Institutional Investor Activism in the 21st Century: The Sleeping Giants Awaken’ (Presented at the 9th Queen’s Annual Business Law Symposium at Queen’s University, Kingston, Ontario, November 8-9, 2003) at p. 5.

¹⁸ Yaron, p. 8, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

¹⁹ Yaron, footnote 123, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

²⁰ Yaron, p.41, http://www.pensionsatwork.ca/english/pdfs/conference_2004/Yaron.pdf

Endowment Funds: Summary

At the university level, responsible investment has been pursued primarily through the mechanism of responsible investment committees, which have been established at a number of universities and colleges in the United States. In general, these committees are created by and report to the board of trustees. They often have a dual structure with an advisory committee comprising students, alumni, and faculty members, and an executive committee, often a subcommittee of the board, comprising administrators and trustees. The mandate of responsible investment committees is constituted broadly over all areas of social and ethical concern related to investment.

In order to execute their mandate, most advisory committees are provided with current investment information from trustees. Access to outside resources, especially the Investor Responsibility Research Center (IRRC) and to a lesser extent the Interfaith Center on Corporate Responsibility (ICCR), is also made available to almost all advisory committees. Advisory committees undertake their own research into socially responsible investors, mutual funds, and coalitions. As proponents of the interests of the university community, they also have been prime movers investigating the difficult issues involved in decisions to divest from or screen companies, as is shown in the example of Harvard below. Nevertheless, in practice, the chief mandate of an advisory committee is to conduct research and make recommendations on social issue proxies, and in a growing number of cases, corporate governance issue proxies as well.

The mandate of responsible investment committees is usually divided such that student, faculty, and alumni conduct necessary research, while decision-making authority rests with administrators and trustees, whether the latter are represented on a unitary committee or form a separate executive body. Where final approval is required at the Board of Trustees, the Board almost always defers to decisions of trustee and administrator members. In making recommendations, committees rely variously on precedent and on proxy voting guidelines that they have created and the Board has approved. In cases where the executive committee disagrees with the recommendation of the advisory committee, it often is required to supply written reasons. These reasons are published together with the social issue proxy voting record in an annual report.

In addition to the schools profiled in Appendix I, this section provides more detailed case studies of two universities,

‘The University has benefited greatly from the Committee’s thoughtful consideration and well-reasoned recommendations. The [Corporation Committee on Shareholder Responsibility] continues to rely heavily upon the ACSR’s [Advisory Committee on Social Responsibility] analysis of issues.... The ACSR’s careful examination of the circumstances surrounding each case greatly strengthens the quality of Harvard’s voting process.’
Corporation Committee 2005 Report

Harvard and Columbia. Whereas Harvard's committee was one of the first—born out of the broad social justice movement in the early 1970s—Columbia's committee is a manifestation of currently growing practice trends.

Case Study 1: Harvard University

The seven-member Corporation is the executive of Harvard University and is responsible for overseeing all of the University's financial affairs and business dealings. Issues of socially responsible investment at Harvard are dealt with through two committees constituted under the Corporation in 1972: the Advisory Committee on Shareholder Responsibility (ACSR) and the Corporation Committee on Shareholder Responsibility (CCSR). The CCSR is made up of two Corporation members: the Senior Fellow and the University Treasurer. It delegates responsibility over social and ethical investment issues to the ACSR but retains final decision-making authority. The ACSR comprises four (4) elected student members (three graduate, one undergraduate), four (4) faculty members nominated by the dean, and four (4) alumni nominated by the President of the Harvard Alumni Association.

As a general rule, the university is against using divestment as a political tool because it does not wish to involve itself in political and social controversy to the detriment of its academic pursuits. Nevertheless, in certain cases such as PetroChina in April 2005 and tobacco in the early 1990s, the university has decided that university investment was inappropriate and divestment has ensued. In the case of PetroChina, a comprehensive report of the ACSR was commissioned by the CCSR and formed the basis for university action.

The ACSR's ordinary mandate is to make recommendations to the CCSR on an average of 100 social issue proxies a year. Decisions are made on a case-by-case basis, with committee precedent being a very significant factor. In 2004, the committees had before them 157 proxy resolutions. The CCSR was in complete agreement with the ACSR in 126 cases (80%), partially agreement in 21 cases (14%), and in the remaining 10 cases (6%), the ACSR was itself split. In no cases were the committees in complete disagreement. The CCSR puts out an annual report presenting the main issues raised in resolutions as well as the proxy voting record. Because decisions are reached based on precedent, the report summarizes both the historical treatment of issues and discussions between the ACSR and CCSR.

Case Study 2: Columbia University

Columbia maintains a two-committee structure, similar to Harvard. The 12-member Advisory Committee on Socially Responsible Investment (ACSRI) comprises four (4) students, four (4) faculty members, and four (4) alumni, and also includes two (2) non-voting administrators, the Vice President for Finance and the Director for Shareholder Responsibility. The three-member Trustees Subcommittee on Shareholders Responsibility (TSSR) meets in parallel with the ACSRI to review and decide on its recommendations.

The ACSRI was created in 2000 to provide the university community with a means of communicating with those making investment decisions. In particular, it arose out of

dissatisfaction with the practice of Columbia's managers to vote with management on 100% of proxy issues. Thus, the two main roles of the ACSRI are to meet with community members to solicit concerns and to research both proxies related to both social responsibility and corporate governance issues. In total, it makes recommendations on over 130 proxy votes per year, 90% agreed to by the TSSR. It is currently devising a set of proxy voting guidelines.

The position of Director for Shareholder Responsibility was created to support the activities of the ACSRI, with responsibility for organizing public forums and meetings, acting as a spokesperson for the ACSRI within the board of trustees, and answering the questions of and providing information to the university community. Columbia discloses to the university community an annual list of the companies it holds in its endowment and upon request will disclose current information to the ACSRI.

Pension Funds and other Institutional Investors: Summary

A fundamental difference between the ethical investing of previous decades and the responsible investing trend of the last few years is the protagonists involved. Whereas the former phenomenon is commonly associated with mission-based organizations or specialized retail mutual funds, the latter has involved large institutional investors, most typically pension funds.¹ As previously noted, the trend to incorporate environmental, social and governance (ESG) factors into investment decision-making has diverse causes. The Enron and WorldCom debacles undoubtedly prompted many institutional investors to become more active owners, especially on governance matters. Yet, as suggested by the increasing use of the ESG acronym, the lines between corporate governance versus environmental and social issues is becoming increasingly blurred.²

More and more institutional investors are recognizing this. European institutional investors have led the way in engaging companies and integrating ESG factors into the investment process. Canadian institutional investors in general have been a laggard in this respect, but there has been significant movement over the last 12 months with the unveiling of comprehensive responsible investing policies at the Caisse de dépôt and the Canada Pension Plan Investment Board (CPPIB).

‘We believe that it is in most pension funds’ interests to take stronger stances as owners in their relationships with company managements.’
Watson Wyatt

In addition to the fifteen institutional investors profiled in Appendix II, this section provides more detailed case studies of the experience of two institutional investors, the Canada Pension Plan Investment Board and the UK-based Universities Superannuation Scheme.

Case Study 1: Canada Pension Plan Investment Board

Headquartered in Toronto, the Canada Pension Plan Investment Board (CPPIB) currently manages \$91.7 billion dollars for the benefit of Canada’s future retirees. By 2015, the fund is estimated to grow to \$200 billion and will begin payouts in 2022. It is thus a long-term investor in the broadest sense of the term.

In October 2005, the CPPIB laid out one of Canada’s most comprehensive responsible investing strategies. The depth of the Investment Board’s commitment to this strategy is perhaps best illustrated by the fact that it is apparently the only major Canadian institutional investor involved in the drafting of the United Nations Principles of Responsible Investment, to be unveiled in April 2006. The strategy is underpinned by a belief that³

‘Environmental, social and governance (ESG) factors can generally have a positive influence on long-term financial performance.’

The CPPIB defines ESG factors as possessing one or more of the following characteristics:

- ‘are the focus of public concern’
- ‘have a medium to long-term horizon’
- ‘are qualitative and are not readily quantifiable in monetary terms’
- ‘reflect externalities not well captured by market mechanisms’
- ‘are often the focus of a tightening policy and regulatory framework’
- ‘arise throughout a company’s supply chain’

Following in the steps of European institutional investors, the Investment Board has embraced an engagement-based approach, which it views as a buttress rather than an impediment to its duty to maximize returns without undue risk. It will develop in-house engagement capacity in order to

1. Promote disclosure within and outside of CPPIB
2. Vote proxies in support of the *Policy on Responsible Investing*
3. Work in coalitions with other institutional investors
4. Participating in the ongoing dialogue on ESG factors
5. Support research into the relevance of ESG factors
6. Engage corporate management and boards directly

The *Policy on Responsible Investing* explicitly precludes owning companies that manufacture anti-personnel landmines pursuant to the *Anti-Personnel Mines Convention Implementation Act*.

While much of the CPPIB’s responsible investment approach has yet to be put into practice, it has already developed and disclosed proxy voting guidelines and has begun disclosing proxy voting records. Moreover, it has already become actively involved in several institutional investor forums.

Key differences vis-à-vis the University of Toronto:

- Large fund size
- Most equities internally managed
- To date, most equities passively invested

Case Study 2: Universities Superannuation Scheme

The UK-based University Superannuation Scheme (USS) manages £21.7 billion for future retirees. The Scheme began systematically considering ESG factors in 1999 and is considered a pioneer because its adaptation of the shareholder engagement approach. Indeed, its far reaching disclosure policy—voting guidelines, voting records, quarterly engagement reports, and a list of external investments are all posted online—coupled with its manual, *How to be a Responsible Pension Fund*,

‘USS is a large and immature fund with long-term liabilities and therefore has particular interest in ensuring the durable success of the markets in which we hold significant investments. An important part of the solution...is for corporate and financial decision-makers to take a longer-term perspective in their decision-making.’

make it an invaluable resource for institutional investors that are designing a responsible investing approach.

USS's engagement activities are directed at three primary groups. First are companies which the Scheme engages in a planned, informed and systematic fashion, often in coordination with other institutional investors. USS has focused on certain industries including oil, gas and pharmaceuticals.

Second are regulatory agencies and other governmental bodies. For example, in August 2004, USS made a submission to the UK Department of Trade and Industry regarding regulation of corporate disclosure on ESG factors. A key plank of their approach is to tackle issues that it may not make business sense for an individual company to address but would be beneficial for the market (and hence the institutional investor) as a whole.

Third are other actors in the financial industry, including other investors. USS is actively involved in range of institutional investor coalitions and forums. In particular, it was a founding member of the Enhanced Analytics Initiative, which seeks to encourage quality sell-side research on material extra-financial issues. It has also played a leading role in convening other institutional investors in an effort to better understand the financial implications of climate change.

‘Fund management is constantly evolving and we are increasing the resources we devote to corporate governance, social and environmental factors which can either destroy shareholder value or which—because the market does not recognise them adequately—allows us to find assets which are mispriced.’

Peter Moon, CIO, USS Ltd

Notes

¹ ‘The Maturing of Socially Responsible Investment: A Review of The Developing Link with Corporate Social Responsibility’, Russell Sparkes, Christopher J. Cowton, Journal of Business Ethics, June 2004, 52, 45-57.

² See for example, ‘Corporate Governance at a Crossroads’, Institutional Shareholder Services, p. 41: <http://www.issproxy.com/pdf/2005PostSeasonReportFINAL.pdf>

³ Page 3, http://www.cppib.ca/who/policy/Responsible_Investing_Policy.pdf

Recommendations

As previously noted, the following set of recommendations takes into account both the wider trends amongst institutional investors and the University's particular situation. We have attempted to provide a sense of how the process could unfold chronologically.

We believe that it will be crucial for the University to leverage effectively pre-existing resources among students, faculty and alumni to make this a successful and cost-effective process. The University should also, at an early stage, tap into the widespread goodwill felt towards it in order to establish a long-term partnership with a larger institutional investor similarly committed to pursuing a responsible investment strategy.

Phase I—First Steps

Recommended Actions

Acknowledge the importance, in general terms, of environmental, social and governance issues to long-term investment risk and return

Why?

As documented throughout this report, leading institutional investors are recognizing the importance of ESG factors in the investment process:

- Caisse de dépôt: 'This policy therefore is intended to define a clear but flexible framework within which the Caisse can make a credible and effective contribution to improving corporate social balance sheets while promoting optimum returns on depositor capital and respecting depositor rights and expectations.'¹
- CPP Investment Board: 'Recognizing that the importance of environmental, social and governance (ESG) factors varies across industries, geography and time, responsible corporate behaviour with respect to ESG factors can generally have a positive influence on long-term corporate performance'²
- Universities Superannuation Fund (UK): 'USS believes that the willingness and ability of companies to adopt the highest standards of social responsibility is increasingly important to long-term growth in the value of their businesses.'³

How?

Add a section regarding importance of ESG factors in the *University Funds* and *Pension Master Trust* Investment Policies. Potential wording for such a statement (adapted from a model statement):

The University recognizes the importance of environmental, social and governance factors in

ensuring the long-term financial performance of the companies in which it is invested. Consequently, the University believes that it has an interest in encouraging the companies in which the University ultimately invests to adopt good practice on these issues. Furthermore, the University believes that it is in the University's interest that its investment managers take due regard of these issues in their investment decision-making.

Assign responsibility within the University of Toronto Asset Management Corporation (UTAM) to lay the groundwork for disclosure of proxy voting, disclosure of portfolio, and the creation of the Executive Committee on Responsible Investing and the Advisory Committee on Responsible Investing (see phase II)

How?

There are many resources available for institutional investors seeking information about getting started with responsible investing. Please see Appendix III for a list.

Phase II—Building a Foundation

Recommended Actions

Disclose

- Proxy voting record
- Portfolio (bi-annually)

Why?

Publicly disclosing voting record is becoming best practice:

- As of August 2004, the SEC required all mutual funds to publicly disclose, without charge, how they cast their proxy votes.⁴
- In March 2005, the Canadian Securities Administrators followed suit with a similar disclosure requirement.⁵
- Leading Canadian pension funds such as the Ontario Teachers' Pension Plan, the Canada Pension Plan Investment Board and the Ontario Municipal Employees Retirement System disclose their proxy votes on an ongoing basis.

Likewise, many institutional investors are now publicly disclosing their equity portfolios at regular intervals.

How?

Disclosure could be outsourced to a proxy voting service or executed in-house upon receiving voting records from investment managers.

Create a permanent Advisory Committee on Responsible Investment (ACRI)

Why?

This approach has been employed at most of the university endowment funds that address ESG issues. Among others, these institutions include:

In an advisory capacity, the ACRI would function to:

- Work closely with UTAM on creating and periodically updating Proxy Voting Guidelines (see below).
- Review documented suggestions by members of the university community regarding social and environmental issues and the University investments.
- Issue recommendations regarding joining given institutional investor coalitions and initiatives.
- Vote on and propose ESG issue shareholder resolutions.

The Executive Committee on Responsible Investment would be obligated to consider all Advisory Committee recommendations in good faith and within a reasonable period of time. The reasons for rejecting a certain recommendation must be documented and publicly disclosed on the Advisory Committee Web site (see below).

Advisory Committee structure:

The ACRI would be appointed by the President after consultation with the represented constituencies, would meet quarterly and would comprise the following:

- 1 member from UTAM management (point person on responsible investment issues)
- 1 member from Business Board
- 3 faculty members
- 3 alumni
- 4 students (undergraduate/graduate)

Details:

- All members would serve three-year terms, except for student members who would serve two-year terms.
- The ACRI would have a dedicated Web page with a list of members, links to key documents, previous meeting minutes, anticipated agenda and request for nominations.
- Every January, the ACRI would host a town hall meeting that

- Barnard College
- Brown University
- Columbia University
- Harvard University
- Smith College
- Stanford University
- Swarthmore College
- Vassar College
- Williams University
- Yale University

See Appendix I for more information about these and other universities.

The Advisory Committee provides several other potential advantages:

- Lowers research costs
- Taps into current research at the University
- Involves the University community

<p>was widely publicized (in the campus press and on university Web sites) for input from members of the University community.</p>	
<p>Create an Executive Committee on Responsible Investment (ECRI)</p> <p>The ECRI would be responsible for reviewing and responding to recommendations of the Advisory Committee on Responsible Investment.</p> <p>The ECRI would meet quarterly and could be structured as follows:</p> <ul style="list-style-type: none"> - President and CEO of UTAM - VP Business Operations - UTAM personnel assigned responsible investing responsibility. 	<p><i>Why?</i></p> <p>This parallel committee approach has been employed in most of the endowment funds that address ESG issues.</p> <p>Regardless of how structured, there would need to be a parallel governance mechanism to review both the recommendations of the Advisory Committee on Responsible Investment and any initiatives proposed by UTAM personnel.</p>
<p>Create and disclose Proxy Voting Guidelines.</p>	<p><i>Why?</i></p> <p>It is considered best practice:</p> <ul style="list-style-type: none"> • Many Canadian pension funds have created publicly disclosed proxy voting guidelines. • All US and Canadian mutual funds are now legally required to create and disclose their voting guidelines. • Several institutional investor coalitions and forums urge members to create guidelines. • Quasi–standard-setting bodies have urged investors to create guidelines, e.g., OECD Guidelines on Corporate Governance and Canada’s Office of the Superintendent of Financial Institutions. <p>Some examples:</p> <ul style="list-style-type: none"> • Canadian Coalition for Good Governance: ‘With share ownership comes the responsibility to vote, and we call on all shareholders to examine the issues and exercise their votes.’ • US Government Accountability Organization, August 2004: ‘Conflicts of interest exist in proxy voting and occur because of the various business relationships that may influence a proxy voter’s vote.’⁶ <p><i>How?</i></p> <p>In addition to the many Proxy Voting Guidelines</p>

posted on the Web sites of various mutual funds, pension funds and other institutional investors, there are several model guidelines available. See Appendix III.

Another alternative is to retain a proxy voting service with independent capacity to research corporate governance and corporate social responsibility issues.

Join widely subscribed to institutional investor coalitions on a passive basis

Why?

It would signal the University’s awareness of the importance of ESG issues and would require a very limited amount of resources. Moreover, it would begin building the in-house expertise for more active future engagement in such coalitions and initiatives. Most coalitions provide a choice of different levels of membership depending on the resources and commitment required.

How?

Examples of coalitions with broad institutional investor support include:

- Canadian Coalition for Good Governance—40 members with \$800 billion under management. In addition to educational institutions such as York University and the Colleges of Applied Arts and Technology, members include OPSEU, OMERS, Teachers’, RBC Asset Management and TD Asset Management.
- Carbon Disclosure Project—155 members with assets of \$21 trillion under management.
- UNEP Finance Initiative—170 members including Export Development Canada, Bank of Montreal, CIBC, TD Bank, Scotiabank and Manulife.

Phase III: Engagement Focus

Recommended Actions

Survey segregated and pooled fund managers with regard to how

Why?

Requesting information both signals the importance

they incorporate ESG issues in the investment process.	the University attaches to ESG issues and provides a basis from which to formulate an investor management engagement strategy.
	<p><i>How?</i></p> <p>Several sources offer guidance on how to garner information from investment managers concerning ESG issues. See Appendix III and in particular:</p> <ul style="list-style-type: none"> • The University Superannuation Scheme’s manual, <i>How to be a Responsible Pension Fund</i>
Begin voting segregated fund shares in accordance with proxy voting guidelines.	<p><i>How?</i></p> <p>Either the investment managers or a proxy voting service could vote the shares according to the guidelines. The Advisory and Executive Committees should provide more specific guidance on a case-by-case basis for resolutions dealing with ESG issues.</p>
Monitor compliance on an ongoing basis.	
<p>Begin developing focus and scope of investment manager engagement strategy</p> <ul style="list-style-type: none"> - In conjunction with the university community and the Advisory Committee on Responsible Investment, develop a focus and a scope for UTAM’s engagement strategy. The focus could be issue-based (e.g., climate change), region-specific (e.g., Canadian companies) or sector-based (e.g., extractive or pharmaceutical industries). Existing competencies within the university community can be leveraged in this regard. 	<p><i>Why?</i></p> <p>Notwithstanding the merits of explicitly addressing ESG factors in the investment process, there are palpable disincentives for those in the investment industry to undervalue or disregard the importance of ESG issues. These include compensation based on short-term horizons, conflicts of interest, skepticism about the relevance of ESG factors, lack of know-how, quantification difficulties, legal concerns and a fear of being contrarian. The University can actively encourage and support investment managers in overcoming these obstacles.</p>

Phase IV: Implementation

Recommended Actions

Implement engagement strategy outlined in phase III	<p><i>How?</i></p> <p>Implementation may include:</p> <ul style="list-style-type: none"> - Establishing a long-term partnership with one or two larger institutional investors with prior experience in responsible investment, e.g., CPP Investment Board,
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Caisse or USS.

- Engagement with investment managers on the targeted issues. This may ultimately include choosing or enhancing an existing relationship with an investment manager that has a proven track-record of effectively engaging companies on corporate governance, social and environmental issues.
- Becoming selectively but actively involved with institutional investor coalitions and initiatives.
- Becoming selectively but actively involved in policy debates that shape the investment industry.
- Proposing shareholder resolutions.
- Supporting research within the University that addresses the materiality of ESG factors to shareholder value.

Notes

¹ Caisse de dépôt, Policy on Social Responsible Investment,

http://www.lacaisse.com/media/Politique_ISR_ang.pdf

² Policy on Responsible Investing, CPP Investment Board,

http://www.cppib.ca/who/policy/Responsible_Investing_Policy.pdf

³ Universities Superannuation Scheme,

http://www.usshq.co.uk/special_interest_groups_index.php?name=SPECIAL_INTEREST_GROUPS_INVESTMENT#

⁴ 'New Proxy Voting Disclosure Requirements For Mutual Funds', Quarles & Brady LLP,

<http://library.findlaw.com/2003/May/1/132903.html>

⁵ 'Regulators release rules to open up mutual fund voting', Social Investment Organization,

<http://www.socialinvestment.ca/News&Archives/news-305-CSAMutualFundVoting.htm>

⁶ 2004 Key Proxy Vote Survey, SHARE,

<http://www.share.ca/files/pdfs/EXECUTIVE%20SUMMARY2.pdf>

Ethical and Responsible Investment at U of T: Brief History

The policy most applicable to the issues of responsible investing is the University of Toronto policy on *Social and Political Issues with Respect to University Investment* adopted in 1978. It requires a documented submission of concerns by a member of the University community and must be accompanied by at least 300 signatures of support. The President, after a consultation process with his advisory board, can take the necessary steps to adjust the University's investment practices when its reputation as an investor comes into doubt and concern is manifested through appropriate channels by members of the University community. Such necessary steps can include, *inter alia*, supporting stockholder's resolutions critical of management through proxy voting, preparing and presenting stockholders' resolutions critical of management practice, and divestment.

In what follows, we have provided a history of this policy as well as of ethical and responsible investment in general at the University of Toronto.

Proxy Voting

In May of 1974, the Business Affairs Committee of the University of Toronto's Governing Council agreed to support in principle a shareholder resolution that was to be presented to the Exxon Corporation, 'that the Corporation should not undertake certain activities in relation to the Republic of Guinea (Portuguese Guinea).'¹ There was some concern over the relationship between Exxon and the dictatorship running Guinea. The issue of supporting the shareholder resolution itself was somewhat moot, since the proposal was to be presented to Exxon before the next meeting of the Governing Council, and the Council itself would not have the opportunity of ratifying the Business Affairs Committee's recommendation. Nevertheless, though agreeing to support the resolution in principle would have no tangible results, the issue seems to have caused some controversy within the Business Affairs Committee. It was only by a very close vote that the Committee agreed to support the shareholder resolution.²

At the time, the issue of how universities should exercise their power as institutional investors was beginning to divide campuses across North America. The Business Affairs Committee felt that the University should develop a policy with regard to the use of its proxies 'when the activities of...corporations raised moral issues. It was noted that it was present University policy not to undertake to sign proxies.'³ A Task Force on Proxies was subsequently established under the auspices of the Business Affairs Committee.

This Task Force developed a mechanism that would allow the University to respond to concerns about proxy votes brought forward from the larger University community. According to the records of the Governing Council,

After lengthy debate in the Governing Council, a Subcommittee on the Voting of Proxies was established. In 1975, this Subcommittee dealt with its first issue, that of complaints that the University held investments in banks whose policy included making loans to South

Africa. After studying the issue for three months, the Subcommittee recommended that the Business Affairs Committee should take certain action against the banks concerned. This recommendation was not accepted by the Business Affairs Committee.⁴

It appears that the University's first attempt to develop a framework to address shareholder responsibility was not a success. In 1977, the External Affairs Committee concluded that the social and political aspects of University investment policy fell under its jurisdiction as well as that of Business Affairs. A joint Task Force was established between External Affairs and Business Affairs to develop a new mechanism 'to deal with complaints against certain aspects of corporate behaviour and the voting of proxies.'⁵ By September of 1978, such a mechanism had been developed. With minor modifications, it would become the current Governing Council policy, described in a document entitled *Social and Political Issues With Respect to University Investment*.

In presenting this policy, Sonja Sinclair, the Chair of the External Affairs Committee, stated, 'It was felt that the University could not sit as judge and jury on corporate behaviour but that if a complaint was serious enough and if the University felt it incumbent to take a stand on any issue, there should be a mechanism in place.'⁶ At the time, the University was breaking new ground in Canada. As far as the Governing Council was aware, no other Canadian university had yet addressed this issue. The responses of various American universities to the issue had been canvassed, but with little success. However, the University was able to make use of Yale University's criteria for the definition of 'social injury'.⁷

The policy aims to prevent 'frivolous' complaints, and thus requires a documented submission supported by a minimum of three university constituencies. Under the policy, such a submission is then forwarded to the President 'for the attention of the Advisory Board charged with responsibility for reviewing the evidence and recommending a course of University action.'⁸ Though the drafters of the policy intended for the Advisory Board to be made up of members of the Governing Council, the Board is to be appointed by and responsible only to the President. According to the policy, the Advisory Board shall have six members, one from each of the University's constituencies, and shall be chaired by the Vice-President of Business Affairs.⁹

During the Business Affairs Committee debate over the proposed policy, it was made clear that the President would be able to pursue whatever action he or she felt appropriate after the Advisory Board had made recommendations. According to Sonja Sinclair, the Chair of External Affairs, 'the President was only required to report for information, all initiatives suggested and all actions taken' to the Governing Council. One member objected that the President should not be able to take any action without consulting with the Governing Council. In the end, the Committee decided that the President would likely consult with the Governing Council before taking any course of action. However, the proposed policy was altered to make the 'option to consult' more explicit.

It was also pointed out that while the mechanism required a submission by concerned members of the community, it did not provide for the defence of the company under scrutiny. A member ‘asked who would have the responsibility to bring forward “the other side of the story.”’ Sinclair responded that the Vice-President of Business Affairs, who was to chair the Advisory Board, ‘would have to assume the largest burden of responsibility for conducting investigative work.’¹⁰

The Executive Committee approved the proposed mechanism in early December 1977. Before the vote was cast, the matter of the Advisory Board was raised. Was it to be a permanent committee, annually appointed, or would it be appointed ‘on an ad hoc basis as issues arose’? As the minutes record,

It was noted that this was intended as an advisory committee to the President who would have the authority to establish the type of committee he felt appropriate. The President [Dr. James Ham] suggested that an annual committee appointment would seem appropriate in this case.¹¹

The President also noted that five other American universities had developed similar committees. On December 21st, 1978, the Governing Council approved the new policy. At the same time, the old Business Affairs Subcommittee on the Voting of Proxies was dissolved. During the final discussion on the matter, one member commented that the new policy would place ‘the University of Toronto in the forefront of the area of social justice.’¹²

While the Presidential Advisory Board was to be representative of the entire University, the policy designed in 1978 fell primarily under the control of the University administration. The bulk of this Board’s work was to be conducted by the Vice-President for Business Affairs. The President was not actually obliged to bring forward Advisory Committee’s recommendations to the Governing Council, nor was he obliged to receive the Council’s approval or even consult with the Council before deciding on how to respond to any given petition. In addition, though President Ham had stated that the Advisory Board should probably be annually appointed, we have been able to find no record in the 1979 minutes of the Governing Council or its committees to suggest that any action was taken to appoint such a Board that year.

South Africa

During the debates surrounding the new policy, one of the members of External Affairs who had drafted the mechanism ‘felt that now was a good time to develop and implement a procedure as at present there are no contentious issues.’¹³ All this would soon change as the issue of apartheid in South Africa inflamed American and Canadian campuses. Throughout the decade, campus activists would push universities to divest from companies operating in South Africa, claiming that such companies were offering economic support to an oppressive regime.

Due to increasing concern about the conduct of Canadian businesses in South Africa, the Government of Canada had instituted a *Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa*. The Code set out a series of guidelines for Canadian companies operating in South Africa that would ensure that such companies did not become complicit in the apartheid program by maltreating their black employees. The Canadian Government also established an Administrator of the Canadian Code of Conduct, who would issue annual reports on which companies complied with the Code. In the United States, a similar framework had been developed, known as the Sullivan Principles. Arthur D. Little Inc. provided annual reports on which companies complied with the Sullivan Principles.

In September of 1985, the Governing Council decided to ‘develop a policy of making no further investments, and divesting holdings in, companies and banks with investments in South Africa that failed to meet the Government of Canada’s guidelines for conduct or failed to report adequately on their adherence to these guidelines.’ In November, the Vice-President of Business Affairs presented the new policy. The Presidential Advisory Board on the Social and Political Aspects of University Investment would be responsible for ensuring that the University did not invest in any company that was not in compliance with the Canadian Code as well as the Sullivan Principles. We have been unable to ascertain whether or not the Advisory Board had been active before this time. However, it does seem that the Advisory Board was active from this point until the University divested from South Africa in January of 1988. Under the new policy, the President was responsible for reporting annually to the Governing Council on any actions taken concerning South African investments.¹⁴

Even with the new policy there were still those on campus who were displeased with the University’s stand on South African investment. In February of 1987, a member of the Governing Council gave notice of motion that the University completely divest from companies with investments in South Africa. In March, the Executive Committee announced that the motion would not be considered until the President made his annual report on South African investment later that year. By this time, the Advisory Board had encountered difficulties in its new South African mandate due to the insubstantial report provided by the Administrator of the Canadian Code of Conduct. It had been necessary for the Board to solicit companies directly for information concerning their practices in South Africa. The President, now Dr. George Connell, had contacted Joe Clark, Minister of External Affairs, and the new Administrator of the Code, detailing the report’s shortcomings. President Connell believed that a review of the current University policy might be necessary, but that it should wait for the next report from the Code’s Administrator.

Those supporting divestment argued that the ‘foreign investment had served to give the government the means to impose apartheid’ and that the issue should be voted upon immediately.¹⁵ When a motion to add such a discussion to the meeting’s agenda was defeated, ‘the meeting was disrupted by observers.’ The minutes note that ‘some

members of the Governing Council had suffered verbal abuse from some of the observers present in the Council Chamber.’¹⁶ Despite this riotous behaviour, the Governing Council continued to implement its South African policy, and that October President Connell reported on the various companies that the University had divested from.¹⁷

The matter was raised once again at a meeting of the Governing Council in January, 1988. It was once again moved that the University divest entirely from companies with investments in South Africa. During the debate over this motion, President Connell ‘stressed that the University as a corporate entity should not take actions designed to achieve change in political, economic or social structures or policies in Canada or elsewhere.’ He further argued that ‘to approve the present motion would be to signal to other interest groups that the University and its Governing Council could be used as an instrument to further their goals.’¹⁸ However, President Connell did acknowledge that according to his Advisory Board, no financial harm would be caused to the University by divestment from South Africa. Thus, the issue of fiduciary responsibility did not enter into the deliberations of the Governing Council. In the end, the Governing Council voted in favour of divestment. Thirty members supported this motion, twelve voted against it, and there was one abstention.¹⁹ As a result, what was perhaps the longest running ethical investment controversy at the University of Toronto came to a close.

Tobacco²⁰

In April 1991, law student Rob Behboodi and medical student Ian Carmody presented a petition to the Governing Council entitled ‘Statement On Divestment Of The University of Toronto From The Tobacco Industry.’ An Advisory Board was set up to examine the issue, and the Board released a report the following April. The Board recommended that the petition be rejected and that the existing Governing Council Policy on Ethical Investment be reviewed.

While agreeing that tobacco posed a major health risk, the Board did not believe that it met the definition of ‘social injury’ as put forth in the investment policy. Moreover, the report quoted the University’s solicitors on the binding nature of fiduciary responsibility, which states that the University’s sole concern when investing must be maximum return. All public trusts and funds are subject to this rule. According to the solicitors,

The Governing Council is the trustee of its endowment and pension funds.... If it departs from the principles enunciated in this letter and its enclosures, it will render itself exposed to possible liability to staff members, pensioners, beneficiaries of its education and research trusts and others who may have a direct interest in the proceeds of the invested funds, and it may also attract unfavourable criticism and possible action on the part of those who hold opposing views, donors and the Public Trustee of Ontario....²¹

Due to these concerns, the Board was convinced that it was impossible to divest. Believing the Governing Council’s ethical investment policy to be weakened by

fiduciary responsibility, the Advisory Board recommended that the ethical investment policy should be reviewed ‘with specific attention to the responsiveness and effectiveness of the process as well as with respect to the substance of the policy.’²² Fiduciary responsibility, then, formed the main objection and obstacle to the University’s divestment of tobacco shares.

Calls for a New Review

In his introduction to the Advisory Board’s final report, J. Robert S. Prichard makes it clear that he had appointed a new Board to deal specifically with the issue of tobacco divestment. It appears, then, that the Presidential Advisory Board that had been so active during the years of the South Africa debate had been disbanded and that Advisory Boards were being appointed on an ad hoc basis.

Though the Advisory Board had concluded that the 1978 policy required revision, there is little evidence to suggest that such a revision ever occurred. In the spring of 1992, President Prichard agreed to review the current policy. In October, President Prichard informed the Executive Committee of the Governing Council that he intended to give the Council the ability to resolve social and political issues related to investment. Some members suggested that the University should not establish another Advisory Board, but rather instruct the University treasurer to inform the University Affairs Board of any changes in the portfolio. Matters would then remain under the auspices of the University Affairs Board.

While we have been unable to locate President Prichard’s final recommendations on the issue, it is notable that the current policy, described in *Social and Political Issues With Respect to University Investment*, posted on the Governing Council website, is identical to the policy passed by the Governing Council in December, 1978.

1999-2005: Burma, Talisman and other calls for divestment

In the September 1999 Governing Council meeting, a member enquired regarding possible University investments in Burma and East Timor. The President pledged to review the matter.²³

In December 1999, several University of Toronto faculty members lobbied the University to divest its Talisman shares because of the company’s operations in Sudan. The Varsity reported that the University had a \$7.8 million stake in Talisman as of the end of October 1999.²⁴

In November 2000, the University’s administration clarified that in the Service Agreement with UTAM, the University established that UTAM would be subject to the 1978 *Policy on Social and Political Issues with Respect to University Investment*.²⁵

In the June 2001 Business Board meeting, the Chair argued against placing the following motion on the agenda:

THAT the University commission a report from independent consultants with respect to steps the University should take to apply ethical criteria to its investments.

The Chair argued that

as a fiduciary, the Governing Council was required to invest solely on the basis of prudent investment criteria...[w]hile individuals investing their personal funds could use any criteria they wished, fiduciaries investing other peoples' money were required to seek the best possible return consistent with prudence.²⁶

A subsequent motion to add the ethical investing motion to the agenda was defeated. In the October 2001 Business Board meeting, a similar motion by a former member for divestment in 'certain industries' was not placed on agenda. An article about ethical investing was distributed to the Board.²⁷

In April 2005, members of the Governing Council's Business Board noted that the University's approach may not take recent trends into account. The increasing public interest in corporate social responsibility was pointed out, and one member requested that Business Affairs undertake a policy review of the matter.²⁸ The Administration undertook to review the University's policies as a low priority matter.

Conclusion

For nearly thirty years, the policy described in *Social and Political Issues With Respect to University Investment* has been used to address issues of shareholder responsibility at the University of Toronto with varying degrees of success. Concerns about its effectiveness have been periodically raised, but never seriously acted upon. Interestingly, while the substance of the policy has never changed, its applications have. It has served to create both ad hoc Advisory Boards, as in the case of tobacco divestment, and a more permanent body during the years of the South African investment debates. Furthermore, the work of the long-term Advisory Board on South Africa was supplemented by the Administrator of the Canadian Code of Conduct.²⁹ A temporary decrease in activity through the policy seems to have come to an end, and at present the situation appears ready for new initiatives to revitalize the policy.

Notes

- ¹ Report Number 28 of the Executive Committee, May 14th 1974, p. 7.
- ² Report Number 23 of the Business Committee, June 5th 1974, p. 1.
- ³ Report Number 28 of the Executive Committee, May 14th 1974, p. 7.
- ⁴ Report Number 48 of the External Affairs Committee, September 13th, 1978, p. 3.
- ⁵ *Ibid.*
- ⁶ *Ibid.*
- ⁷ Report Number 75 of the Business Affairs Committee, November 15th, 1978, p. 4.
- ⁸ *Ibid.*, Appendix 'A'; see also: 'Social and Political Issues With Respect to University Investment'.
- ⁹ Report Number 50 of the External Affairs Committee, November 8th 1978, p. 3.
- ¹⁰ Report Number 75 of the Business Affairs Committee, November 15th, 1978, p. 5-6.
- ¹¹ Report Number 88 of the Executive Committee, December 12th, 1978, p. 5.
- ¹² Minutes of the Governing Council, December 21st, 1978, p.5.
- ¹³ Report Number 50 of the External Affairs Committee, November 8th 1978, p. 3.
- ¹⁴ Report Number 154 of the Business Affairs Committee, November 20th, 1985.
- ¹⁵ Minutes of the Governing Council, March 5th and 6th, 1987, p. 4.
- ¹⁶ *Id.*, p. 5.
- ¹⁷ Minutes of the Governing Council, October 22nd, 1987.
- ¹⁸ Minutes of the Governing Council, January 21st, 1988, p. 4.
- ¹⁹ *Id.*, p. 6.
- ²⁰ This section relies heavily but not wholly on a report entitled 'On the Road to Tobacco Divestment' (2005), authored by Justin Trumpickas and Joe Dunlop.
- ²¹ Report of the Presidential Advisory Board on Social and Political Issues With Respect to University Investment, April 10, 1992 (Courtesy of the University of Toronto Governing Council), p. 7.
- ²² *Id.*, p. 8.
- ²³ Minutes of the Governing Council Meeting,
<http://www.utoronto.ca/govcncl/bac/reports/gcrep/GCrep16Sep99.pdf>
- ²⁴ <http://varsity.utoronto.ca:16080/archives/120/dec06/>
- ²⁵ Report Number 108 of the Business Board,
<http://www.utoronto.ca/govcncl/bac/reports/bbrep/BBRep10820001120.pdf>
- ²⁶ Report Number 113 of the Business Board,
<http://www.utoronto.ca/govcncl/bac/reports/bbrep/BBRep20010621.pdf>
- ²⁷ The Governing Council, Report Number 114 of the Business Board,
<http://www.utoronto.ca/govcncl/bac/reports/bbrep/bbrep114oct9.pdf>
- ²⁸ Report Number 140 of the Business Board, April 4th 2005.
- ²⁹ In this way, the Advisory Board on South Africa is similar to Harvard's Advisory Committee on Shareholder Responsibility (ACSR). Both bodies are made up of representatives from different segments of the University population (alumni, students, faculty etc.) The ACSR is dependent, to some extent, on information provided by the Investor Responsibility Research Center (IRRC), a think tank whose mandate is to provide 'high quality, impartial information on corporate governance and social responsibility issues'. The IRRC, founded under Harvard's leadership in 1972, currently employs over 80 staff members and provides information to approximately 500 subscribers. Garrett M. Graff. 'Social Investing', *Harvard Magazine*, <http://www.harvardmagazine.com/on-line/070307.html>

Appendix I: Endowment Fund Briefs

The following pages provide one-page briefings on responsible investment activities for the endowment funds of the following educational institutions:

- Barnard College
- Brown University
- Columbia University
- Dartmouth College
- Harvard University
- Smith College
- Stanford University
- Swarthmore College
- University of Pennsylvania
- Vassar College
- Williams College
- Yale University

Barnard College

New York, NY
US\$ 142 million (2004)

Constitution of Responsible Investment Committee

In 2002, the Board of Trustees created the Advisory Committee on Socially Responsible Investment (ACSRI). The ACSRI comprises two (2) students, two (2) alumni, two (2) faculty members, and one (1) non-voting administration member.

Mandate of Committee & Responsible Investment Activity at Barnard

The committee's mandate is to advise trustees on social and ethical issues relating to the College's investments.

Its primary function is to research proxy resolutions related to social and ethical issues. The non-binding recommendations of the committee are presented in an annual report to the Board of Trustees outlining its recommendations. The report includes research into other issues of concern independently undertaken by the committee, for instance, portfolio funds and corporations that exemplify social responsibility as set out in the practice guidelines of the committee.

The committee determines issues of concern in part through its interaction with the university community, through a Website that it operates and an annual community forum that it hosts. The committee has a limited function to respond to community questions and concerns.

Brown University

Providence, RI
US\$1.7 billion (FY2004)

Constitution of Responsible Investment Committee

The Advisory Committee on Corporate Responsibility in Investing (ACCRI), created by the trustees, comprises three (3) members of the faculty, two (2) undergraduate students, one (1) graduate student, and three (3) alumni, for a total of nine (9) members.

Mandate of Committee & Responsible Investment Activity at Brown

The committee is delegated with responsibility to research and make recommendations on social issue proxy votes, approximately 30 per year. Originally, the committee reported to the Proxy Committee, a subcommittee of the Board of Trustees Advisory and Executive Committee that had power of approval or veto.

In 2002-2003, the committee developed a set of proxy voting guidelines, approved by the board of trustees, which it refers to when reviewing proxy resolutions. Recommendations will no longer require approval so long as they fall under the guidelines.

Columbia University

New York, NY

US\$4.5 billion (FY2004)

Constitution of Responsible Investment Committee

The Advisory Committee on Socially Responsible Investing was established in 2000 amidst widespread criticism of the University's practice of delegating proxy voting to investment managers, who sided with management virtually 100% of the time. The ACSRI comprises 12 members: four (4) students, four (4) faculty members, four (4) alumni and two (2) non-voting administrators, the Vice President for Finance and the Director for Shareholder Responsibility. The latter position was created solely to aid the ACSRI in its mandate. All recommendations of the ACSRI must pass through a three-member Trustees Subcommittee on Shareholder Responsibility (TSSR).

Mandate of Committee & Responsible Investment Activities at Columbia

The ACSRI is responsible primarily for researching and proxy resolution and recommending to the TSSR how the university should vote. The ACSRI deals with a large number of resolutions a year—132 in 2003—and their subject matters are divided half-and-half between social and corporate governance issues. In 2003, the TSSR approved 90% of ACSRI recommendations.

Since one of the motives behind establishing the ACSRI was a lack of community input on investment matters, the ACSRI participates in public forums and meetings to receive this input. Public events are organized by the Director for Shareholder Responsibility, who also publishes an annual report on the activities of the ACSRI and TSSR. The University also discloses a list of all foreign and domestic holdings in its endowment to the University community each year.

Dartmouth College

Hanover, NH
US\$2.45 billion (FY2004)

Constitution of Responsible Investment Committee

Since 2003, responsible investing issues have been handled by the Advisory Committee on Investor Responsibility (ACIR), comprising both undergraduate and graduate students, faculty and administrators. In 2004, administrative members included the Executive Vice President, Finance and Administration; the General Counsel; the Executive Officer to the Provost; and the Associate Investment Officer, Dartmouth College Office of Investments.

Previously, a different body, the Council on Investor Responsibility, was responsible for responsible investment issues. It comprised two (2) students, two (2) faculty members, two (2) alumni, two (2) administrators, and three (3) trustees, and submitted recommendations to the Board of Trustees.

Mandate of Committee & Responsible Investment Activity at Dartmouth

The committee's mandate is to make recommendations on responsible investing issues at the College. This includes making recommendations on proxy resolutions, on the basis of materials on publicly traded securities held by the College at the time, and conducting independent research to examine the College's practices, policies and mission.

In 2004, the committee made recommendations on 94 proxy votes in 15 areas: global labour standards and human rights, prior government service, charitable contributions, political, animal welfare, the environment, sustainability, tobacco, military contracting, executive compensation, diversity and equity, banking, and HIV/AIDS.

The committee also plays a vital role engaging with Dartmouth community. In 2004, it held a public forum to inform the College community on its work and to solicit input. The committee also arranged for the Dartmouth community to have access to the College's portfolio of publicly traded securities to be updated on a quarterly basis; any member of the Dartmouth community who wishes to review this list may do so by visiting the Office of Investments.

Previous to the establishment of the ACIR, the Board of Trustees chose to divest from companies conducting business in South Africa in 1989 and Hydro-Québec in 1993. The latter US\$6.8 million divestment came in response to criticism that Hydro-Québec's Great Whale River project threatened the environment and the human rights of the Aboriginal communities near the project.

Harvard University

Cambridge, MA
US\$22.6 billion (FY2004)

Constitution of Responsible Investment Committee

Since 1972, the Harvard Corporation has employed a two-committee approach, with a 12-member committee of students, faculty, and alumni providing recommendations for the approval of a two-member committee of Corporation members.

The Advisory Committee on Shareholder Responsibility (ACSR) comprises four (4) elected student members (three graduate, one undergraduate), four (4) faculty members nominated by the dean, and four (4) alumni nominated by the President of the Harvard Alumni Association.

The Corporation Committee on Shareholder Responsibility (CCSR) is made up of two Corporation members: the Senior Fellow and the University Treasurer.

Mandate of Committee & Responsible Investment Activity at Harvard

The ACSR is the body responsible for investigating shareholder proposals as well as other responsible investing issues. It is engaged primarily in social issue proxy voting, making recommendations on approximately 100 proxy votes per year. During proxy season, it meets weekly with the CCSR to present its recommendations. Since 1972, the CCSR has approved ACSR recommendations about 75% of the time.

The ACSR also has a function related to divestment. The CCSR recently asked the ACSR to do research on divestment from PetroChina. The detailed report presented by the ACSR was the basis for the Corporation's eventual decision to divest. The ACSR played a similar role in Harvard's decision to divest from tobacco stock in the early 1990s.

Smith College

Northampton, MA
US\$758 million (FY2003)

Constitution of Responsible Investment Committee

In 1979, the Board of Trustees created the Committee on Investor Responsibility (CIR) as a forum for discussion of shareholder advocacy with respect to companies doing business in South Africa. The committee comprises two (2) students, two (2) faculty, two (2) administrators, and two (2) trustees. The Director of Investments also attends meetings as a non-voting member, acting as a liaison with staff and aiding the committee by providing current endowment information and IRRC reports.

Mandate of Committee & Responsible Investment Activity at Smith

A major achievement of the committee was the development of proxy voting guidelines, which are reviewed and renewed annually. Investment managers vote according to the guidelines. Where the subject of the proxy resolution is not specifically addressed by the guidelines, the committee itself will discuss the resolution and make a recommendation.

The committee remains committed to shareholder engagement as its primary strategy, but it has also made two screening recommendations that have been accepted by the Board of Trustees: one on businesses profiting from tobacco sales, the other on Talisman Energy for its support of the military regime in Sudan.

Stanford University

Stanford, CA
US\$10 billion (FY2004)

Constitution of the Responsible Investment Committee

In 1971, Stanford created the Advisory Panel on Investor Responsibility (APIR) as a forum for discussing investment in South Africa. The APIR works under a subcommittee of the board of trustees called the Special Committee on Investor Responsibility (SCIR). The APIR comprises four (4) students, four (4) faculty members, four (4) alumni, and two (2) non-voting members of the staff.

Mandate of the Committee & Responsible Investment Activity at Stanford

The APIR has two main functions: producing proxy voting recommendations for the SCIR and serving as a bridge between the board of trustees and the University public with respect to investment issues. In the former role, the APIR looks at resolutions related to both social issues and corporate responsibility. It is currently developing a set of proxy guidelines. Guidelines that have already been approved relate to global warming and human rights, specifically in Burma. In the latter role, the APIR holds a number of public events each year to solicit the opinions and concerns of the University public.

Swarthmore College

Swarthmore, PA
US\$1 billion (FY2004)

Constitution of Responsible Investment Committee

In 1998, the Committee on Socially Responsible Investing (CSRI) was established, comprising four (4) students, one (1) board member, and three (3) administrators (Vice President for Finance, Assistant Treasurer and Investment Manager).

The committee at Swarthmore is unique because it is unitary body that does not report to the Board of Trustees for a final decision. (Some two-committee structures, such as the one at Harvard, have similar powers.)

Mandate of Committee & Responsible Investment at Swarthmore

The role of the students members on the committee is to research social proxy resolutions (approximately 10 per year) and to develop and propose their own shareholder resolutions. In 2002-2003, the CSRI introduced a proposal that successfully caused Lockheed-Martin to broaden its anti-discrimination policy. Two other proposals, also related to discrimination based on sexual orientation, were pre-empted by management through corrective measures.

Students develop their own shareholder proposals through publicly held information—the names of all publicly traded holdings in the Swarthmore endowment are periodically made available to the entire College community—and private information on the current holdings, which is made available to them through the administrative members of the committee.

The role of the non-student members on the committee is to review and make final decisions on student recommendations.

University of Pennsylvania

Philadelphia, PA
US\$4 billion (FY2004)

Constitution of Responsible Investment Committee

The Social Responsibility Advisory Committee (SRAC), created by the trustees, comprises four (4) faculty members, four (4) students (two graduate and two undergraduate), two (2) alumni, and two (2) staff members. Faculty members are nominated by the Faculty Senate, students by four different organizations, and all other positions by the President of the University.

The committee was formed on the recommendation of PennSARC (Penn's Student Alliance to Reform Corporations), a student organization created in the spring of 2000. PennSARC drafted a proposal that set the terms for how the University of Pennsylvania might institutionalize a more ethical investment strategy, in particular, reforming its proxy voting practices.

Mandate of Committee & Responsible Investment Activity at Penn

The mandate of the committee is to research and make recommendations on proxy voting related to social and environmental issues. It reports to the Proxy Subcommittee of the Board of Trustees, which has final decision-making authority.

Vassar College

Poughkeepsie, NY
US\$672 million (FY2004)

Constitution of the Responsible Investment Committee

The Investment Responsibility Committee (IRC) comprises eight (8) members, equally divided between students, faculty, alumni and administrators. The administrative members provide up-to-date investment information to the committee and communicate with the board of trustees and investment managers on the committee's behalf.

Mandate of the Committee & Responsible Investment Activity at Vassar

The IRC mandate includes making recommendations concerning social issue proxy voting, alternative investing, shareholder initiatives and investment screening. So far, it has executed its mandate in only the first two areas. Approximately 40 resolutions are researched and discussed by the IRC each year. Approval of committee recommendations lies with a subcommittee of the board of trustees, but it has only rarely been withheld. The IRC has occasionally contacted the management of College-held companies to discuss areas of concern.

Williams College

Williamstown, MA
US\$1.4 billion (2004)

Constitution of the Responsible Investment Committee

The Advisory Committee of Shareholder Responsibility was established in 1978 to address investment concerns related to apartheid in South Africa. The committee comprises two (2) students selected by student government, two (2) faculty members, two (2) alumni, two (2) administrators (the Vice President of Finance and the Assistant Treasurer), and the Manager of Investment as a non-voting staff member.

Mandate of the Committee & Responsible Investment Activity at Williams

Although the mandate of the ACSR is broad, it focuses on advising with respect to social issue proxy votes, which number approximately 30 per year. The Manager of Investment acts as a liaison between the committee and the board of trustees and is also responsible for approving committee recommendations. Because of the long-standing relationship between the ACSR, the Manager and the board of trustees, committee recommendations are approved 100% of the time. The committee meets during proxy season, and its meetings are open to the public. It also produces an annual report summarizing its activities. The Manager of Investment also produces a short report, not on proxy votes, but on domestic equity and debt holdings of the endowment.

Students, faculty and alumni at Williams recently started a private, alternative giving fund that would, unlike the endowment fund, be screened for adherence to strict social and environmental standards. A portion is invested in local community development. Williams internalized the fund, naming it the Williams Social Choice Fund (SCF). The ACSR is active in selecting particular investment vehicles to realize the purposes of the SCF.

Yale University

New Haven, CT
US\$15.2 billion (2004-05)

Constitution of the Responsible Investment Committee

In 1972, three Yale professors published *The Ethical Investor: Universities and Corporate Responsibility*. In the same year and in accordance with the recommendations of the book, the Yale Corporation Investment Committee set up the Advisory Committee on Investor Responsibility (ACIR) to address ethical investment issues. The committee comprises two (2) students (one graduate and one undergraduate), two (2) alumni, two (2) faculty members, and two (2) staff members. The University later established the parallel Corporation Committee on Investor Responsibility (CCIR) to make formal policy recommendation to the Yale Corporation and to implement policy.

Mandate of the Committee & Responsible Investment Activity at Yale

Although the membership of the ACIR is small, the committee hosts meetings with the university community biannually to receive input on the role of the committee and ethical investment issues. The ACIR relies on its own expertise and research as well as input from the community when advising the CCIR on how to vote social issue proxies, whether to communicate with companies that might be in violation of Yale's ethical investing policy, and whether to engage in screening. The first task is the focus of the committee. It makes recommendations on approximately 30 proxy votes a year, with nearly 100% CCIR agreement.

The proxy voting guidelines adopted by the University are almost directly out of *The Ethical Investor*. In essence, they require the University to seek to eliminate or reduce 'social harm' caused by companies. Yale is perhaps unique in that it applies its ethical investing policy to private holdings, where management is not as constrained by shareholder rights.

Appendix II: Pension Funds and Other Institutional Investors Briefs

The following pages provide one-page briefings on the responsible investment activity at fifteen pension funds and other institutional investors. The briefings include the following investors:

Canada

- British Columbia Investment Corporation
- Caisse de dépôt et placement du Québec
- Canada Pension Plan Investment Board
- Fonds Bâtirente
- Hospitals of Ontario Pension Plan (HOPP)
- Ontario Teachers' Pension Plan
- Ontario Municipal Employees Retirement System (OMERS)
- Canada Pension Plan Investment Board
- OPSEU Pension Trust

United States

- California Public Employees Retirement System (CalPERS)
- Connecticut Retirement Plans and Trust Funds
- New York City Pension Funds

United Kingdom

- F&C Asset Management
- Hermes
- Universities Superannuation Scheme (USS)

Holland

- ABP Investments

British Columbia Investment Management Corporation

Funds under management	\$67.3 billion (as of March 31 st , 2005)
Rates of return	N/A—invests on behalf of other investors, including public pension funds. Offers range of products.

Public disclosure

Proxy voting guidelines	Yes http://www.bcimc.gov.bc.ca/publications/pdf/ProxyVotingGuidelines.pdf
Proxy voting record	Yes. In 2004-05, 32% of votes went against management. http://www.bcimc.gov.bc.ca/investments/proxyvotes.asp

Responsible investment highlights

The Corporation has recently explicitly set out to be a leader in advocating for corporate governance and corporate responsibility. It employs dialogue with management, active proxy voting and involvement in institutional investor coalitions in pursuing an engagement strategy. The corporation has aimed to vote all its North American equity holdings and will develop a set of corporate governance principles to clarify the role, objectives and process of its engagement activities. Under the present policy, the OECD Guidelines for Multinational Enterprises and certain International Labour Organization standards are supported as a basis for engagement and proxy voting. The approach is underpinned by regular disclosure regarding engagement activities to clients.¹

Participation in Coalitions and Initiatives

- Canadian Coalition of Good Governance
- Asian Corporate Governance Association
- International Corporate Governance Network
- Institutional Investor Summit on Climate Risk

Key excerpts

‘[C]ompanies that do not give careful consideration to social responsibility issues risk failing to maximize shareholder value.’²

‘good corporate governance contributes to business growth and market stability.’³

Caisse de dépôt et placement du Québec

Funds under management	\$174.7 billion (as of December 31 st , 2004)		
Rates of return	2004	2003	5-year average
	12.2%	15.2%	3.4%

Public disclosure

Proxy voting and Responsible Investing guidelines	Yes http://www.lacaisse.com/media/Politique_ISR_ang.pdf http://www.lacaisse.com/media/regieinterne_en.pdf
Proxy voting record	Yes. The Caisse periodically discloses its proxy voting record to its board and depositors.

Responsible investment highlights

In January 2005, a new responsible investing policy went into effect. The Caisse has largely embraced an active engagement model but will also explicitly integrate governance, social and environmental criteria into its investment evaluation process. In addition, it has left open the possibility of divestment in cases where management is especially unresponsive.

Engagement activities include informed proxy voting, working with other institutional investors and meetings with company officers. Caisse investment managers undergo socially responsible investment training and are required to establish regular contact with companies regarding corporate social responsibility issues. Managers are required to obtain and emphasize the importance of company policies, reports and/or studies on environmental issues. Amongst other issues, the Caisse's policy encourages disclosure of extra-financial issues (including environmental performance and political contributions) and endorses International Labour Organization standards.

Key excerpts

'Socially responsible investment is a major change for the entire financial community. The Caisse acknowledges that it is an essential factor...[f]or this reason it favours an interventionist approach through a specific policy guiding it in exercising its proxy voting rights and by preferring to engage in dialogue with the companies in which it invests.'⁴

'[Portfolio managers] are responsible for establishing a collaborative relationship with corporate officers in the area of social responsibility and for ensuring that Caisse requirements in that regard are properly communicated and understood.'⁵

Canada Pension Plan Investment Board

Funds under management	\$91.7 billion		
Rates of return	2005	2004	2003
	8.5%	17.6%	(1.5%)

Public disclosure

Proxy voting guidelines Yes. Shareholder proposals that fall outside the scope of these guidelines are considered by the Proxy Voting Review Committee.

http://www.cppib.ca/who/policy/Proxy_Voting_Guidelines.pdf

Proxy voting record

Yes.

Voting service used: Institutional Shareholder Services

http://www.cppib.ca/how/proxyvoting/proxy_frame.html

Responsible investment highlights

In October 2005, the CPP Investment Board released its *Responsible Investment Policy*. The policy emphasizes the importance of disclosure regarding both the CPP's investment process and the social and environmental performance of its equity holdings. The CPP Investment Board has espoused a broadly construed engagement approach to promoting corporate responsibility. Engagement activities include voting proxies, proposing resolutions, joining coalitions supporting research, advocating for disclosure standards and meeting with management. There is no stock screening.

Participation in Coalitions and Initiatives

- Canadian Coalition for Good Governance
- International Corporate Governance Network
- Institutional Investor Summit on Climate Risk (participant)
- Pension Investment Association of Canada (Governance Committee)
- UN group on Principles of Responsible Investment

In addition, the CPP Investment Board is currently reviewing participation in:

- Enhanced Analytics Initiative (EAI)
- Extractive Industries Transparency Initiative (EITI)
- Investor Network on Climate Risk

Key excerpts

'Disclosure is an important aspect of our engagement program'.⁶

'Long-term responsible corporate behaviour with respect to environmental, social and governance (ESG) factors can generally have a positive influence on long-term corporate financial performance.'⁷

Fonds Bâtirente⁸

Funds under management	\$587 million
Rates of return	N/A—invests on behalf of other investors, including public pension funds. Offers range of products.
Public disclosure	
Proxy voting guidelines	Voting service used: Fairvest
Proxy voting record	Yes. Highlights of the voting season are provided in the annual report. http://www.batirente.qc.ca/en/pdf/AnnualReport2004.pdf

Responsible investment highlights

Bâtirente's Board of Directors approved its socially responsible investment policy in January 2005. Engagement activities have included proposing a shareholder resolution (e.g. at Sears Canada), writing letters to company officers and intensive collaboration with other institutional investors.

It has publicly endorsed corporate responsibility instruments, principles and standards such as the OECD Guidelines for Multinational Enterprises, the Extractive Industries Transparency Initiative, the Equator Principles and International Labour Organization standards. Bâtirente has shown its support for the Global Reporting Initiative (GRI) standardized approach to corporate sustainability reporting by issuing its 2004 annual report using the GRI guidelines.

Participation in Coalitions and Initiatives	<ul style="list-style-type: none">• Carbon Disclosure Project —Launched a letter writing campaign to companies which have not yet provided information• Extractive Industries Transparency Initiative• Global Reporting Initiative (GRI) —Issued its 2004 annual report in accordance with the GRI which provides a set of standardized sustainability guidelines.
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Key excerpts	‘More than a simple reduction of risks, the introduction of criteria other than financial helps to forecast long-term organizational performances.’ ⁹
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Hospitals of Ontario Pension Plan (HOOPP)

Funds under management	\$ 21.1 billion		
Rates of return	2004	2003	2002
	11.35%	14.86%	(5.02%)

Public disclosure

Proxy voting guidelines	Yes. http://www.hoopp.com/Pdf/investments/Proxy_Voting.pdf
Proxy voting record	Yes. Voting service used.

Responsible investment highlights

Meets with management occasionally to discuss proposals. External managers provide a quarterly report.

Participation in Coalitions and Initiatives

- Canadian Coalition for Good Governance
- Extractive Industries Transparency Initiative

Key excerpts

‘HOOPP believes that corporations that effectively implement social, environmental and ethical standards are likely to have better governance standards than those that do not and therefore, may be stronger and more financially successful over the long-term than those who do not.’¹⁰

Ontario Teachers' Pension Plan

Funds under management	\$83.4 billion (as of June 30 th , 2005)		
Rates of return	2004	2003	10-year average
	14.7%	18.0%	11.4%

Public disclosure

Proxy voting guidelines	Yes. http://www.otpp.com/web/website.nsf/web/cgguidelines
Proxy voting record	Yes. Teachers' past and upcoming voting positions are disclosed, in addition to the number of voting shares held in each given company. http://www.otpp.com/web/proxyvot.nsf/proxyvotes?openform

Responsible investment highlights

Teachers may contact company officers directly on shareholder proposals in order to discuss withdrawal or modification. While its focus appears to be traditional corporate governance issues, Teachers has joined two institutional investor coalitions—the Carbon Disclosure Project and the Extractive Industries Transparency Initiative (EITI)—that deal with carbon emissions disclosure and corruption issues, respectively.

Participation in Coalitions and Initiatives

- Canadian Coalition for Good Governance
- International Corporate Governance Network
- Carbon Disclosure Project
- Extractive Industries Transparency Initiative

Key excerpts

‘We take the issue of voting very seriously. Our objective is to vote every share of every company we own at every meeting of that company's shareholders. We encourage others to do the same.’

‘Our fiduciary duty is to obtain the highest return for the plan commensurate with acceptable levels of risk... [n]evertheless, we believe that careful consideration of social responsibility issues by companies and their boards will enhance long-term shareholder value. We encourage companies to develop policies and practices to address issues of social responsibility’.¹¹

Ontario Municipal Employees Retirement System (OMERS)

Funds under management	\$34 billion		
Rates of return	2004	2003	10-year average
	12.1%	12.7%	9.1%

Public disclosure

Proxy voting guidelines	Yes. http://www.omers.com/English/nts_1_903_1.html
Proxy voting record	Yes. Votes against management and on proposals with environmental or social issues are disclosed monthly. http://www.omers.com/English/Proxy-Voting-Record.html

Responsible investment highlights

OMERS general policy is to vote for proposals that require disclosure of social and environmental risks, impacts, performance and reasonable verification. As part of its due diligence in researching investments and monitoring performance, it takes non-financial factors into consideration in terms of their potential impact on future returns. Encourages companies to adhere to CERES principles on sustainability.¹²

Participation in Coalitions and Initiatives	<ul style="list-style-type: none">• Canadian Coalition for Good Governance• Carbon Disclosure Project• Institutional Investor Summit on Climate Risk (participant)
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Key excerpts	‘OMERS believes that well-managed companies are those that demonstrate respect for their employees, the environment, the communities in which they do business, and for human rights, as well as meeting financial standards... OMERS supports the notion that companies should publish and update their policies and procedures with respect to social, ethical and environmental issues that materially affect long-term shareholder value.’ ¹³
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OPSEU Pension Trust

Funds under management	\$10.5 billion		
Rates of return	2004	5-year average	10-year average
	11.7%	4.6%	9.9%

Public disclosure

Proxy voting guidelines	Yes. http://www.optrust.com/Investments/proxy.pdf
Proxy voting record	No. Voting service used: Institutional Shareholder Services
Investment Managers	Yes. http://www.optrust.com/AnnualReports/AR2004/p_managers_1.html

Responsible investment highlights

In its Proxy Voting Guidelines, OPSEU indicates that it supports shareholder resolutions on more disclosure of social and environmental issues, if reasonable. Proposals based on International Labour Organization standards and the Ceres principles are also generally supported.

Participation in Coalitions and Initiatives

- Canadian Coalition for Good Governance
- Institutional Investor Summit on Climate Risk (participant)

Key excerpts

‘Stock ownership rights, including proxy voting, are financial assets that must be managed with the same care and diligence as any other asset.’
‘OPTrust’s fiduciary obligation to Plan members is to obtain the highest level of risk-adjusted financial return on its investments. Within that framework, we believe that corporations can achieve this and act in a socially responsible manner with regard to ethical issues, while carrying on their business operations.’¹⁴

California Public Employees Retirement System (CalPERS)

Funds under management	US\$195.5 billion (as of September 30 th , 2005)		
Rates of Return	2004	2003	5-year average
	13.4%	23.3%	4.6%

Public disclosure

Proxy voting guidelines	Yes. http://www.calpers-governance.org/principles/global/globalvoting.pdf
Proxy voting record	Yes. http://www.calpers-governance.org/alert/proxy/
Investment consultants	Yes. http://www.calpers.ca.gov/index.jsp?bc=/about/press/news/invest-corp/consult-conflict/consult-current.xml

Responsible investment highlights

CalPERS has a longstanding and extensive responsible investing program. Its approach combines low and high-profile engagement, portfolio screening, community investment and divestment if ‘consistent with sound investment policy’. Engagement activities include correspondence, meetings and sponsoring resolutions. The normative basis for CalPERS’ engagement strategy includes the Sullivan Principles, the MacBride Principles, International Labour Organization standards, the International Corporate Governance Network principles and the OECD Corporate Governance Principles.

CalPERS also annually identifies under-performing companies for its Focus List—including those with corporate governance issues—that are then intensively engaged with in a non-public manner unless the company management or board are unresponsive. CalPERS has a ‘permissible equity markets’ positive screening program for investment in emerging markets. Country markets are allocated a score based on financial factors (e.g. market liquidity) as well as transparency, corporate governance regulations, political stability and labour practices.

Participation in Coalitions and Initiatives

- Carbon Disclosure Project
- Ceres (founding member)
- Council of Institutional Investors
- Extractive Industries Transparency Initiative (EITI)
- Institutional Investor Summit on Climate Risk (endorsee)
- International Corporate Governance Network (founding member)

Key excerpts

‘[D]uties of loyalty and care prohibit CalPERS fiduciaries from placing non-financial considerations over risk/return considerations in the evaluation of investment decisions, including proxy voting. However, actions taken by CalPERS as a shareowner can be instrumental in encouraging action as a responsible corporate citizen’.¹⁵

Connecticut Retirement Plans and Trust Funds

Funds under management	\$21.7 billion (as of July 31 st , 2005)		
Rates of Return	1-year	3-year	5-year
	15.04%	11.58%	3.85%

Public disclosure

Proxy voting guidelines	Yes. http://www.state.ct.us/ott/proxyvotingpolicies.htm
Proxy voting record	Yes. http://www.state.ct.us/ott/proxyvotingsummary.htm

Responsible investment highlights

Under State Treasurer Denise Nappier, the Funds have become one of North America's most active proponents of improved corporate governance and corporate responsibility. In addition to championing corporate governance reforms such as the separation of audit and consulting fees and of the CEO and Chairman positions, the Funds have urged companies to embrace corporate social responsibility instruments such as the Ceres Principles, the MacBride Principles, International Labour Organization standards and codes of corporate conduct in Burma and China.

In addition to generally promoting improved performance on social and environmental matters, the Funds have also promoted increased disclosure. The Fund's engagement activities include voting and disclosing proxies, proposing resolutions, negotiating with corporate leaders, advocacy before regulatory agencies, partnering with institutional investors and promoting awareness.

Participation in Coalitions and Initiatives

- Carbon Disclosure Project
- Council of Institutional Investors
- Extractive Industries Transparency Initiative (EITI)
- Institutional Investor Summit on Climate Risk (co-chair)
- National Association for State Treasurers, Corporate Governance committee
- Project Kaleidoscope

Key excerpts

'The bottom line is this: there is a positive economic value that comes out of being an active shareholder. It is my fiduciary duty to properly exercise our proxy voting rights, engage corporations on issues of corporate governance and sustainability, file shareholder resolutions, engage in security fraud litigation, and lobby for laws and regulations governing corporate behavior, which, among other things,

take into account that it is the shareholder who ultimately owns the company.’¹⁶

New York City Pension Funds

Funds under management	US\$ 87 billion
Rate of Return	N/A—The New City Pension Funds comprise five pension funds, each with its own trustees and pool of funds, which cooperate on shareholder engagement issues through the New York City Comptroller’s office.
Public disclosure	
Proxy voting guidelines	The Proxy Committees of Funds seem to meet on an annual basis for the purpose of setting proxy voting objectives. http://www.comptroller.nyc.gov/bureaus/bam/corporate-governance.shtm
Proxy voting record	Yes. The funds produce an annual review of proxy votes on corporate responsibility and corporate governance matters. http://www.comptroller.nyc.gov/bureaus/bam/corp_gover_pdf/2004-shareholder-report.pdf

Responsible investment highlights

The New York City Pension Funds’ involvement in responsible investing dates at least to investments in apartheid South Africa. The Funds are very active investors and propose several resolutions annually, many of which are frequently withdrawn following negotiations with management. The Funds also frequently write companies regarding their concern over social, ethical and environmental matters—for example, in September 2005 letters were sent to 24 companies regarding their operations in Sudan.

Several corporate responsibility instruments have been employed as the basis of these proposals, including the Global Reporting Initiative, the United Nations Norms on corporate human rights responsibilities, the MacBride Principles, the Sullivan Principles, the SA8000 and the Voluntary Principles on Security and Human Rights.

Participation in Coalitions and Initiatives	<ul style="list-style-type: none">• Ceres (board members)• Council of Institutional Investors• Carbon Disclosure Project —Two of the five pension funds comprising the New York City Pension Fund system are signatories to the project.• Institutional Investor Summit on Climate Risk (endorsee)• Social Accountability International (advisory board)
Key excerpts	‘We are sending a clear message that City workers are concerned about investing their pension funds in companies that have ties to the Sudanese government, which violates the rights of its people and sponsors terrorism.... [c]ompanies that do business with such a regime put their

reputations, and by extension shareholder value, at risk.’¹⁷

F&C Asset Management

Funds under management	£127.6 billion (as of June 30 th , 2005)
Rates of return	N/A—F&C has a range of investment products for private and institutional investors.

Public disclosure

Responsible Investing and Corporate Governance policy	Yes. Policy addresses corporate governance and corporate responsibility issues, including proxy voting. http://www.fandc.com/uploadfiles/co_gsri_responsible_ownership.pdf http://www.fandc.com/uploadfiles/co_gsri_cgo_guidelines_general.pdf
Proxy voting record	Yes. On a monthly basis. http://www.fandc.com/aboutus.asp?pageID=1.3.5

Responsible investment highlights

While F&C manages several screened funds on behalf of clients, it is its ‘responsible engagement overlay’ (REO) service that is applied to a much broader swath of its portfolio. This engagement service is applied both to its own portfolio and as a stand-alone service (i.e. where it does not manage the funds themselves). To that end, F&C intensively engages company management on a range of issues, including transparency, labour rights, human rights, climate change, biodiversity and corporate governance. In 2004, F&C engaged 944 companies through 13 dedicated in-house staff.

F&C was actively involved with drafting and promoting the Equator Principles on project finance. It lobbied several financial institutions, including Credit Suisse, to endorse the Principles. It was similarly active with the Extractive Industries Transparency Initiative, for which it led a group of 60 institutional investors with US\$8.3 trillion under management. In addition, F&C’s engagement approach is based on the OECD Guidelines for Multinational Enterprises, International Labour Organization standards and the Global Compact.

Participation in Coalitions and Initiatives	<ul style="list-style-type: none">• Ceres (coalition member)• Extractive Industries Transparency Initiative (steering group)• Institutional Investors Group on Climate Change• Pharmaceutical Shareowners Group• International Business Leaders Forum• UNEP Finance Initiative• Responsible Investors Forum• Social Investment Forum• Business Leaders Initiative on Human Rights
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Key excerpts	‘As investment managers, we think that our obligations to our clients extend over and above delivering a competitive return, to ensuring that the companies in our portfolios pay
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serious attention to managing business risks over the long term.¹⁸

Hermes

Funds under management

£58 billion (as of September 30th, 2005)

N/A—Hermes has a range of investment products for private and institutional investors.

Public disclosure

Proxy voting guidelines

Yes.

http://www.hermes.co.uk/publications/publications_corporate_governance.htm

Responsible investment highlights

Hermes has been a long-standing advocate for improved governance standards. Hermes has developed a set of corporate governance principles and guidelines that are mostly focused on corporate governance matters in the various equity markets in which it invests. Hermes subscribes to research by Global Proxy Watch and by Institutional Shareholder Services. It has a voting alliance with CalPERS in which the two investors generally vote in accordance with each other's governance policy in the UK and US markets, respectively.

Hermes has also pioneered the first major shareholder engagement fund. The Focus Funds invest in underperforming and undervalued companies with an eye to intensively engaging management on a variety of strategic, financial or governance issues.

Participation in Coalitions and Initiatives

- UK Social Investment Forum
- Corporate Governance Forum
- Global Institutional Governance Network International
- Corporate Governance Network

Key excerpts

'Hermes' corporate governance programme is founded on a fundamental belief that companies with interested and involved shareholders are more likely to achieve superior long-term financial performance than those without.'¹⁹

'Companies should support voluntary and statutory measures which minimise the externalization of costs to the detriment of society at large.'²⁰

University Superannuation Scheme (USS)

Funds under management	£21.7 billion (as of March 31 st , 2005)		
Rates of return	2004	5-year average	10-year average
	8.9%	(1.4%)	7.4%
Public disclosure			
Proxy voting guidelines	Yes. http://www.usshq.co.uk/downloads/pdf/all_sections/policy_statement.pdf		
Proxy voting record	Yes. USS's quarterly reports provide an overview of engagement activities including proxy voting. Recently, USS decided to disclose votes on a company-by-company basis.		
Responsible investing policy	Yes. http://www.usshq.co.uk/downloads/pdf/all_sections/overview.pdf		
Investment Managers	Yes.		

Responsible investment highlights

Since 1999, USS has been a pioneer in shareholder engagement and particularly on corporate responsibility issues. With a dedicated in-house team of three, USS's engagement activities include submissions to regulatory agencies, letters to its companies and to the press, voting proxies and leadership roles with several institutional investor coalitions. Providing quarterly reports on its engagement activities, USS's engagement efforts focus both on themes, such as climate change and operations in Burma, and on sectors such as oil, gas and the pharmaceutical sector.

Participation in Coalitions and Initiatives

- Carbon Disclosure Project
- Enhanced Analytics Initiative
- Institutional Investors Group on Climate Change
- International Forum for Active Shareowners
- Marathon Club
- Pharma Futures
- Pharmaceutical Shareowners Group

Key excerpts

'Selling shares in a controversial company does not address the deeper issues relating to a particular sector in which that company operates. Nor can any single fund, no matter how powerful, address such issues on its own. Indeed, significant disposals of shares by a large investor like USS could create attractive buying opportunities for other investors who are likely to have much less interest in encouraging the company to be more responsible.'

ABP Investments

Funds under management	168.1 billion euros		
Rate of return	2004	2003	10-year average
	11.5%	11.0%	7.9%

Public disclosure

Governance and Responsibility policy	Yes http://www.abp.nl
Proxy voting record	Yes (use ADP Investor Communication Services to disclose). Also disclosed is AGMs physically attended. https://www.proxydisclosure.com/ProxyDisclosureWeb/web.do?action=Display&c=abp

Responsible investment highlights

Corporate governance and sustainability issues are integral parts of ABP's investment process. ABP is a member of several institutional investor coalitions and actively votes and monitors its proxies. The option of avoiding investment in a company that violates human rights is left open. ABP publishes a monthly newsletter on corporate social responsibility, including ABP's engagement activities.

Alongside its traditional investment portfolio, ABP operates an experimental portfolio of 185 million euros that integrates social, ethical and environmental performance relative to a reference portfolio.

Participation in Coalitions and Initiatives

- Carbon Disclosure Project
- Council of Institutional Investors
- Institutional Investor Summit on Climate Risk (participant)
- International Corporate Governance Network
- Foundation for Corporate Government Examination for Pension Funds (Netherlands)

Key excerpts

'ABP will not become involved in any investment transaction which would, for instance, contravene international law. Moreover, ABP will avoid an investment... directly related to a violation of human rights and fundamental freedoms. If it is likely there will be such a relationship and if ABP is aware of this, ABP will refrain from the investment.'²¹

Notes

¹ Service Plan 2005/06 – 2007/08, <http://www.bcimc.gov.bc.ca/publications/pdf/bcIMCServicePlan2005-2008.pdf>

² <http://www.bcimc.gov.bc.ca/publications/pdf/ProxyVotingGuidelines.pdf>

³ Service Plan 2005/06 – 2007/08, <http://www.bcimc.gov.bc.ca/publications/pdf/bcIMCServicePlan2005-2008.pdf>

⁴ Caisse de depot, Policy on Socially Responsible Investment, http://www.lacaisse.com/media/Politique_ISR_ang.pdf

⁵ Caisse de depot, Policy on Socially Responsible Investment, http://www.lacaisse.com/media/Politique_ISR_ang.pdf

⁶ ‘Policy on Responsible Investing - At a Glance’, CPP Investment Board, <http://www.cppib.ca/how/social/index.html>

⁷ ‘Policy on Responsible Investing - At a Glance’, CPP Investment Board, <http://www.cppib.ca/how/social/index.html>

⁸ Limited information was available in English.

⁹ Bâtirente Funds, Annual and Global Report 2004, p. 2, <http://www.batirente.qc.ca/en/pdf/AnnualReport2004.pdf>

¹⁰ ‘Statement of Guidelines and Procedures on Proxy Voting’, Hospitals of Ontario Pension Plan, http://www.hoop.com/Pdf/investments/Proxy_Voting.pdf

¹¹ ‘Social Responsibility’, Ontario Teachers Pension Plan, http://www.otpp.com/web/website.nsf/web/Guidelines_SocialResponsibility

¹² ‘OMERS leads in Socially Responsible Investing’, Ontario Municipal Employees Retirement System, <http://www.omers.com/English/OMERS-leads-in-Socially-Responsible-Investing.html>

¹³ ‘Statement of Investment Policies and Procedures’, Ontario Municipal Employees Retirement System, http://www.omers.com/English/nts_1_585_1.html

¹⁴ ‘Proxy Voting Guidelines’, Ontario Public Service Employees Union, <http://www.optrust.com/Investments/proxy.pdf>

¹⁵ ‘Global Proxy Voting Principles’, California Public Employees’ Retirement System, <http://www.calpers-governance.org/principles/global/globalvoting.pdf>

¹⁶ ‘Advancing Sustainable Governance – The Rise of Investor Power: Climate Change’, Denise Nappier, <http://www.state.ct.us/ott/corpgov/corpgovceres.pdf>

¹⁷ Thompson Announces List of Companies Urged to Review Business Ties to Sudan Due to Human Rights and Terrorism Concerns, September 2005, <http://www.comptroller.nyc.gov>

¹⁸ ‘Governance & SRI’, F&C Asset Management, <http://www.fandc.com/aboutus.asp?pageId=1.3>

¹⁹ ‘Corporate Governance’, Hermes, http://www.hermes.co.uk/corporate_governance/corporate_governance_introduction.htm

²⁰ ‘The Hermes Principles’, Hermes, http://www.hermes.co.uk/pdf/corporate_governance/Hermes_Principles.pdf

²¹ ‘Code for Prudent Investment Policy’, ABP, http://www.abp.nl/abp/abp/vermogensbeheer_en/images/Prudent%20investments_tcm22-11296.pdf

Appendix III: Responsible Investment Reports and Articles

Reports

Mainstreaming Responsible Investment

World Economic Forum, January 2005

http://www.weforum.org/documents/gcci/FINAL_GCCI_MRI-Report_2004-2005.pdf

Report on the Evolution of SRI

Jane Ambachtsheer, Mercer Human Resource Consulting, September 2005

<http://www.mercerhr.com>

SRI Survey

Jane Ambachtsheer, Mercer Human Resource Consulting, March 2005

<http://www.mercerhr.com>

The Changing Landscape of Liability: A Director's Guide to Trends in Corporate Environmental, Social and Economic Liability

Sustainability, 2004

<http://www.sustainability.com/insight/liability-article.asp?id=180>

Values for Money: Reviewing the Quality of SRI Research

Sustainability, 2004

<http://www.sustainability.com/insight/sri-article.asp?id=136>

SRI Institutional Investment Directory: Asset Managers and Investment Consultants

Social Investment Organization, Fall 2004

<http://www.socialinvestment.ca/SRIDirectoryFall20041.pdf>

Climate Change and Investment Risk: Best Practices for Canadian Pension Funds and Institutional Investors

Social Investment Organization, April 2004

[http://www.socialinvestment.ca/Climate_Risk_Workshop_Report_\(updated\).pdf](http://www.socialinvestment.ca/Climate_Risk_Workshop_Report_(updated).pdf)

2005 Postseason Report: Corporate Governance at a Crossroads

Institutional Shareholder Services

<http://www.issproxy.com/pdf/2005PostSeasonReportFINAL.pdf>

Investor Guide to Climate Risk: Action Plan and Resource for Plan Sponsors, Fund Managers and Corporations, June 2004

http://www.incr.com/ceres_invest_guide.pdf

Model Proxy Voting Guidelines 2005

SHARE

<http://www.share.ca/files/pdfs/2005%20Proxy%20Guidelines.pdf>

A Guide to Incorporating Active Trustee Practices into Statements of Investment Policies and Procedures

Gil Yaron and Freya Kodar

A comprehensive guide to assist trustees with incorporating shareholder activism, proxy voting, investment screening and economically targeted investing into their plan's investment policy, along with more active trusteeship practices.

<http://www.share.ca/files/pdfs/SIPP%20Document.pdf>

Acting Like Owners: Proxy Voting, Corporate Engagement and the Fiduciary Responsibilities of Pension Trustees

Gil Yaron, SHARE

An in-depth legal analysis of the fiduciary duties of pension trustees with regard to voting plan proxies and engaging corporations in a plan's investment portfolio, including practical guidance in incorporate these practices into a plan's investment policy.

<http://www.share.ca/files/pdfs/Acting%20Like%20Owners.pdf>

Responsible Investment Trustee Toolkit

Cassandra Higgs and Helen Wildsmith, April 2005

<http://www.uksif.org/J/Z/Z/lib/2005/files/04/jp-trtk/jp-trusteetoolkit-2005.pdf>

A legal framework for the integration of environmental, social and governance issues into institutional investment

Freshfields, Bruckhaus, Deringer, October 2005

http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_2005.pdf

The Materiality of Social, Environmental, and Corporate Governance Issues to Equity Pricing

UNEP Finance Initiative Asset Management Working Group, June 2004

Climate Change—A Risk Management Challenge for Institutional Investors

Mark Mansley and Andrew Dlugolecki, 2001

How to be a Responsible Pension Fund: A manual on how to evaluate your fund managers for pension funds who have a commitment to corporate governance and or responsible investing

Universities Superannuation Scheme

Who Cares Wins: Connecting Financial Markets to a Changing World

Endorsed by 20 financial institutions including Credit Suisse Group, Deutsche Bank, Goldman Sachs, HSBC, Morgan Stanley and UBS, 2004

<http://www.innovestgroup.com/pdfs/WhoCaresWins.pdf>

Risk, Returns and Responsibility

Roger Cowe, February 2004

http://www.innovestgroup.com/pdfs/2004-02-01-ABI_Risk.pdf

Annual Voting and Governance Report

F&C Asset Management, 2004

http://www.fandc.com/uploadfiles/co_gsri_annual_voting_governance_report_2004.pdf

HIV/AIDS Beyond Africa: Managing the Financial Impacts

F&C Asset Management and UBS

http://www.fandc.com/uploadfiles/co_gsri_hiv_aids_report_may_05.pdf

The Public Health Crisis in Emerging Markets: An Institutional Investor Perspective on the Implications for the Pharmaceutical Industry

Pharmaceutical Shareholders Group, September 2004

<http://www.pharmashareownersgroup.org/pub/pdfs/PSG-Report-200409.pdf>

Corporate Governance and Performance: A brief review and assessment of the evidence for a link between corporate governance and performance

Hermes, October 2005

http://www.hermes.co.uk/pdf/corporate_governance/Corporate_Governance_and_Performance_oct05.pdf

Institutional Investor Summit on Climate Risk – Final Report

May 2005

<http://www.ceres.org/pub/publication.php?pid=7>

Unexamined Risk: How Mutual Funds Vote on Global Warming Shareholder Resolutions

Douglas Cogan, Investor Responsibility Research Center, December 2004

http://www.ceres.org/pub/docs/Ceres_Mutual_Funds_shareholder_resolutions_1204.pdf

Generation Lost: Young Financial Analysts and Environmental, Social and Governance Issues

World Business Council on Sustainable Investment, August 2005

<http://www.wbcisd.org/DocRoot/5aQWSeasL9KLX97Gcmmn/ymt-financial.pdf>

Academic Articles

Why do they care? The market for corporate global responsibility and the role of institutional investors

Gordon L Clark and Tessa Hebb, University of Oxford, 2004

http://www.havenscenter.org/real_utopias/2004documents/ClarkHebbPaper.pdf

Investing in socially responsible companies is a must for public pension funds - because there is no better alternative.

Sethi, S.P., 2005

Journal of Business Ethics, 56, 99-129.

Corporate social responsibility and financial risk

Boutin-Dufresne, F. and Savaria, P., 2004

Journal of Investing, 13(1), 57-67.

"Institutional Investors and the Language of Finance: the Global Metrics of Market Performance"

Gordon L Clark, Tessa Hebb and Dariusz Wójcik, University of Oxford

"Human Capital Based Investment Criteria for Total Shareholder Returns: A Canadian and International Perspective"

Jane Thomson and Dr. David Wheeler

<http://www.pensionsatwork.ca>

Appendix IV: Institutional Investor Coalitions and Corporate Responsibility Instruments Briefs

Institutional Investor Coalitions¹

Canadian Coalition for Good Governance

The Canadian Coalition for Good Governance represents Canadian institutional investors in promoting best corporate governance practices.

For more information: <http://www.ccg.ca>

Carbon Disclosure Project

The Carbon Disclosure Project was launched in December 2000 by Prime Minister Tony Blair in order to gather information necessary for investors to evaluate the financial risk associated with climate change. The third CDP information request in February 2005 was signed by 155 institutional investors with assets of more than \$21 trillion. The responses and a report based on these responses were made available in September 2005.

For more information: <http://www.cdproject.net>

Council of Institutional Investors

The Council of Institutional Investors is an organization of large public, labour and corporate pension funds which seeks to address investment issues that affect the size or security of plan assets. Its objectives are to encourage member funds, as major shareholders, to take an active role in protecting plan assets and to help members increase return on their investments as part of their fiduciary obligations. The Council has over 140 pension fund members whose assets exceed \$3 trillion, and more than 130 educational sustainers.

For more information: <http://www.cii.org>

Enhanced Analytics Initiative

EAI is a consortium of asset managers and asset owners with assets under management totalling over €380 billion who actively support better sell-side research on extra-financial issues. Members have decided to allocate individually a minimum of 5% of their respective brokerage commission to sell-side researchers who are effective at analysing material extra-financial issues and intangibles.

For more information: <http://www.enhanced-analytics.com>

Global Corporate Governance forum

The Global Corporate Governance Forum is a multi-donor trust fund co-founded by the World Bank Group and the Organisation for Economic Co-operation and Development (OECD) to promote global, regional, and local initiatives that aim to improve the institutional framework and practices of corporate governance. Housed in the joint IFC/World Bank Corporate Governance Department, the Forum's unique activities promote sustainable economic growth and poverty reduction within the framework of

agreed international development targets. The Forum's extensive work program encompasses:

- raising awareness and building consensus for implementation of reform through meetings, briefings, policy papers, and conferences;
- supporting institution and capacity building and providing technical assistance to ensure implementation at the field-level through training programs and toolkits;
- supporting research relevant to the needs of developing countries to underpin reform efforts by sound analysis through sponsoring papers and building sustainable networks for academics in developing countries; and
- disseminating best practice materials and publications through networks and knowledge management tools.

For more information: <http://www.gcgf.org>

International Corporate Governance Network

Drawing on the experiences and expertise of its members, the ICGN makes representations to international bodies, such as the OECD, the European Commission and the World Bank, in order to influence their decision making and their policies and proposals where they relate to corporate governance. Representations are usually made on behalf of the Network as a whole by one of the ICGN policy-related committees

For more information: <http://www.icgn.org>

Institutional Investor Summits on Climate Risk

In the second summit in May 2005, two dozen leading institutional investors managing over \$3 trillion in assets released an action plan calling on companies, Wall Street firms and the Securities and Exchange Commission to intensify efforts to provide investors with comprehensive analysis of the financial risks presented by climate change.

Institutional Investors Group on Climate Change

The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration between pension funds and other institutional investors on issues related to climate change. IIGCC seeks to promote better understanding of the implications of climate change amongst its members and other institutional investors and to encourage companies and markets in which IIGCC members invest to address any material risks to and opportunities for their businesses associated with climate change, including a shift to a lower carbon economy.

For more information: <http://www.iigcc.org>

Investor Network on Climate Risk

Launched at the inaugural Institutional Investor Summit on Climate Risk in November 2003, this is an active network of investors with more than \$2.7 trillion in assets.

For more information: <http://www.incr.com>

Pharmaceutical Shareowners Group

The Pharmaceutical Shareowners Group (PSG) is an international grouping of fourteen institutional investors, representing £880 billion assets under management in 2004, who have significant exposure to the pharmaceutical sector.

As investors, PSG is concerned to know that pharmaceuticals companies in which it is currently invested (or could invest in the future) are being run with due regard to the full range of matters which define durable business success. PSG has a particular interest in how the sector is addressing the challenges related to the public health crisis in the emerging markets and the impact of this issue on long-term shareholder value.

PSG is concerned that the sector has faced extensive public criticism over the last five years, with potential negative impacts on its reputation and 'license to operate'. To this end PSG thinks it is important for investors to understand the business impact of the public health crisis and encourage companies to adopt best practice where this can protect long-term shareholder value.

For more information: <http://www.pharmashareownersgroup.org>

UN Principles of Responsible Investment

Convened by UNEP and the UN Global Compact, this process will bring together a group of the world's leading pension funds and foundations with the goal of developing a set of principles for responsible investment, focusing on the practices of large institutional investors. The goal is to develop principles that reflect best practice in the area of institutional investor responsibility and then develop action plans to allow investors to share resources and work together to apply the principles. The Principles are expected to be open for endorsement (beyond the core group of institutional investors involved in the drafting process) in April 2006.

For more information: http://www.unepfi.org/work_programme/investment/principles/index.html

UNEP Finance Initiative

UNEP FI works with over 170 financial institutions who are signatories to the UNEP FI Statements, and a range of partners organizations to develop and promote linkages between the environment, sustainability and financial performance. Through regional activities, a comprehensive work programme, training programmes and research, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

For more information: <http://www.unepfi.org>

Corporate Responsibility Instruments²

Ceres Principles

The Ceres Principles, formerly known as the Valdez Principles, are a 10-point code of environmental conduct that obligates companies to report periodically on environmental management structures and results.

For more information: <http://www.ceres.org>

Equator Principles

The Equator Principles are a set of guidelines for the management of social and environmental issues in the financing of development projects. There are 31 financial institutions involved—29 banks, one export credit agency and one insurance company. Collectively these institutions are oversee an estimated 80% of project lending. The Canadian institutions involved include CIBC, the Royal Bank and as of January 2005, Scotiabank.

For more information: <http://www.equator-principles.com>

Extractive Industries Transparency Initiative (EITI)

The Extractive Industries Transparency Initiative (EITI) is a multi-stakeholder coalition formed in 2003 that supports the full disclosure and verification of company payments and government revenues in the oil, gas and mining sectors. Comprising governments, companies, civil society organizations and investors, the EITI endeavours to minimize the increased incidence of conflict, poverty and corruption in resource rich countries.

For more information: <http://www.eitransparency.org>

Global Reporting Initiative (GRI)

The Global Reporting Initiative is a multi-stakeholder process and institution that has set out to develop and promote a globally applicable framework for reporting on sustainability issues. The GRI guidelines set out reporting principles and specific indicators to guide the development of sustainability reports for companies and other organizations. Of the 714 organizations that currently use the GRI guidelines, 93% are businesses.

For more information: <http://www.globalreporting.org>

Global Sullivan Principles

The Global Sullivan Principles of Social Responsibility are a global voluntary code of conduct that endeavours to guide companies in improving their social, economic and environmental performance. The original Sullivan Principles were authored by the Reverend Leon Sullivan in the 1970s to guide corporate behaviour in South Africa. These were updated to provide principles for global corporate social responsibility by the Reverend Sullivan in consultation with the Core Committee comprised of corporate leaders and business associations.

For more information: <http://www.thesullivanfoundation.org/gsp/>

ILO Declaration on Fundamental Principles and Rights at Work

The ILO Declaration on Fundamental Principles and Rights at Work were issued in 1998 and establish the four 'core' labour rights. Unlike the various ILO Conventions, which are only applicable if a given country has ratified them, these four rights are seen as universally applicable to all ILO member states.

For more information: <http://www.ilo.org>

ISO 14001

ISO 14001 is a voluntary industry standard which furnishes a framework for organizations to manage environmental issues. It focuses on organisational processes rather than their products or environmental impacts.

For more information: <http://www.iso.org>

MacBride Principles

The MacBride Principles are a voluntary code for US-based corporations that address employment-related discrimination in Northern Ireland. In addition, the principles have been frequently employed in federal, state and municipal legislation relating to economic dealing in Northern Ireland.

For more information: <http://www.irishnationalcaucus.org>

OECD Guidelines for Multinational Enterprises

The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises are amongst the most comprehensive codes on corporate social responsibility. Although they are non-binding on companies, they are unique in that, first, OECD member states are obligated to promote them amongst companies operating from or within their borders and, second, they were agreed upon multilaterally.

For more information: <http://www.ncp-pcn.gc.ca>

Global Compact

The Global Compact is a multi-stakeholder voluntary initiative that UN Secretary-General Kofi Annan spearheaded in 1999. Participants pledge to abide by its ten principles, which are rooted in key international instruments.

For more information: <http://www.unglobalcompact.org>

United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights

The Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights are the widest ranging instrument on human rights standards for multinational corporations. It is based on pre-existing international standards.

For more information: <http://www.unhchr.ch>

Voluntary Principles on Security and Human Rights

The Voluntary Principles on Security and Human Rights for the extractive and energy sectors are a set of voluntary principles that provide practical guidance on security arrangements for extractive companies. The Voluntary Principles were released in December 2000 by the governments of the United States and United Kingdom after discussions with corporations in the extractive and energy sectors and non-governmental organizations.

For more information: <http://www.voluntaryprinciples.org>

Notes

¹ The information here constitutes either paraphrases or direct quotations from the Web sites of the respective initiatives.

² Summaries are from Goel, R. *The Guide to Instruments of Corporate Responsibility*, October 2005.

Appendix V: List of Individuals Consulted

The following is a list of individuals that members of the Responsible Investment Working Group corresponded with—in-person, via email or by phone—during the course of our research. We would like to express our sincere gratitude to these individuals for taking the time to share their expertise and experience with us.

Nota Bene: None of the people listed below has been asked to endorse or support this report or its conclusions in any way.

Jane Ambachtsheer

Global Practice Leader – Socially Responsible Investing, Mercer Investment Consulting

Dominique Barker

Analyst, Credit Suisse First Boston
Co-opted Member, Business Board

Felix Chee

President and CEO, University of Toronto Asset Management Corporation

Steve Hesse

Environmental Columnist, Japan Times

Bozena Jankowska

Head of SRI and Sustainability team, Dresdner RCM

Michael Jantzi

President and CEO, Jantzi Research Inc

Brian Langille

Interim Dean and Professor, Faculty of Law, University of Toronto

Ian Lee

Assistant Professor, Faculty of Law, University of Toronto

Susan McDonald

Assistant to General Counsel, Smith College

Jacqueline C. Orange

Chair, Business Board

Mark Orlowski

Co-founder, Responsible Endowments Coalition

Catherine Riggall

VP–Business Affairs, University of Toronto

Raj Thamotheram

Senior Advisor–Responsible Investments, Universities Superannuation Scheme

Walter Whitley

Professor of Applied Mathematics, York University

Appendix VI: Responsible Investment (RI) Working Group members

Travis Allan

Travis is currently a first year Juris Doctor candidate in the Faculty of Law, University of Toronto. He has a B.A. in International Relations and German from the University of British Columbia, and is originally from Pender Island, BC. His research interests include the legal and economic international policy framework of the Kyoto Protocol, and environmental law in general. Travis is particularly interested in the disclosure aspect of RI.

Sam Ault

Sam is in his first year of law school at the University of Toronto. He is currently enrolled in the Canadian Securities Course. He graduated magna cum laude (A.B. Economics) from Princeton University in 2002. His main interest in the field of RI is in determining how disclosure might affect a fund's returns.

Patrick Dolan

Patrick is a first-year J.D. student at the Faculty of Law. He returned to Canada in 2005 after working at Nishimura & Partners in Tokyo for 18 months. His undergraduate degree at Harvard was in social anthropology. He is interested in the non-financial motives of economic decision-making.

Joseph Dunlop

Joe Dunlop is currently in his third year at St. Michael's College in the University of Toronto where he is pursuing a B.A. in History. His research interests include the history of psychiatry in 19th century Canada, as well as museum studies. Joe is the President of Students for Tobacco Responsibility, a campus-based organization devoted to ensuring that the University, as a public institution, does not support the tobacco industry.

Jordon Elbaum

Jordon is currently in his first year in the Faculty of Law at the University of Toronto. He has a B.B.A. from the Schulich School of Business, York University, having specialized in finance and economics. After having studied development economics, Jordon's interest in this initiative stems from his concern regarding the disjoint between corporate social responsibility and corporate profit maximization goals.

Matthew Glick

Ran Goel

Ran Goel is a Juris Doctor candidate at the faculty of law, University of Toronto. He holds a Masters from the London School of Economics, supported by a Commonwealth Scholarship, and a business degree from the Schulich School of Business at York University. Ran is presently a Governor on the University's Governing Council and co-president of the Jewish Law Students Association.

Ben Reentovich

After having completed his B.B.A. at Wilfrid Laurier University, Ben went on to attain his Chartered Accountancy designation. After working for PricewaterhouseCoopers in both Toronto and Amsterdam, he decided to utilize his financial background in a humanitarian context and volunteered for Medecins sans Frontieres (Doctors without Borders). He completed missions in both Russia and Chad before returning Toronto, where he is currently in his second year of a combined degree in Law and Social Work at the University of Toronto. He is also currently a member of the Board of Directors of Medecins sans Frontieres–Canada. He is interested in how RI is a financially viable alternative to traditional investing strategies.

Ben Shaer

Ben is currently a first-year law student at the University of Toronto. He has an A.B. in Classics and English from Dartmouth College, a Dip.Ed. and M.Ed. in Teaching English as a Second Language from McGill, and a Ph.D. in Linguistics, also from McGill; and has worked as a linguist in Canada and Germany. Having worked in university environments for many years, Ben is particularly interested in how university RI policies can benefit the academic and other communities that universities serve.

Amy Smeltzer

Amy is a first-year law student at the University of Toronto and a former consultant to UNESCO, the ethical arm of the UN. As part of her work, she became interested in the ways in which the corporate world influences ethical decision-making at the international level. Amy is excited about the ways in which social responsibility can encourage long-term financial growth. A Halifax native, Amy holds a Bachelor of Journalism with emphasis in political studies from the University of King's College.

Jonathan Song

Jonathan is currently a first-year law student at the University of Toronto. He has a B.A. in Honours History from the University of Alberta, and is originally from Shanghai, China. He became involved in RI out of a general interest in the intersection between private finance and public policy, and a desire to explore RI's overall potential.

Howard Tam

Howard graduated from the University of Toronto with a degree in Computer Engineering in June 2003. He was Vice President on the Students' Administrative Council between 2003 and 2005. Howard is currently working as the Executive Assistant at the Centre for Global Research and Education on Environment and Health. His volunteer activities include help helping out with the University's Sustainability Office and being on the Board of the Metro Toronto Chinese and Southeast Asian Legal Clinic.

Justin Trumpickas

Justin is a third-year undergraduate student at St. Michael's College in the University of Toronto studying zoology and history. His current research interests include the use of

stable isotope analysis in determining trophic levels in aquatic ecosystems. Justin, who is originally from Hamilton, Ontario, is also vice-president of Students for Tobacco Responsibility at the University of Toronto, a student organization dedicated to ensuring the University of Toronto does not lend support or credibility to the tobacco industry.

Robert Wakulat

Rob is currently in his second year at the Faculty of Law, University of Toronto. He has a B.Comm. (Honours) from Queen's University through which he completed an exchange at Universitat Kaiserslautern. He spent three years teaching English in Japan before engaging his interests in public policy development, international law (specifically human rights law) and corporate governance. This project fits in nicely with other endeavors Rob has undertaken such as a human rights internship in Ghana and volunteering at U of T's legal clinic.

Marjan Ziadlou

Marjan is currently in her first year at the University of Toronto law school. She has a Bachelors in Business Administration from the Schulich School of Business, York University. Her interests in responsible investing originates from an initiative introduced at Schulich relating to corporate governance and its role in the workplace.