

POLICY

Responsible Investing

Policy owner	Chief Executive Officer
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1. Purpose

The University Pension Plan Ontario (“UPP”) serves pension plan members and retirees of participating universities and organizations from across Ontario’s university sector. Informed by our research- and evidence-based belief that responsible investing (“RI”) supports risk management, value creation, and a duty to be active owners and consider stakeholder interests and investment impacts, UPP seeks to embed RI practices throughout our investment management activities. We believe this commitment reflects our fiduciary duty and is in the best interests of our members.

The purpose of this Responsible Investing Policy (“Policy”) is to outline UPP’s commitments and approach to incorporating environmental, social, and corporate governance (“ESG”) considerations in investment management and stewardship activities in a consistent and comprehensive manner.

The Policy is intended to help UPP provide stable retirement benefits at a reasonable cost for members, now and in the future. Application of this Policy and integration of responsible investment considerations must be consistent with all other policies and legal obligations, including UPP’s fiduciary duty to beneficiaries.

2. Scope

This Policy applies to all UPP Personnel and Trustees and covers all invested assets and investment activities.

Application of the Policy varies depending on UPP’s degree of influence over investment activities and decisions. For example, segregated mandates give us greater control over investment holdings and stewardship activities like proxy voting than commingled mandates and pooled funds.

The focus of this Policy is our investment activities. UPP also acknowledges the importance of addressing ESG factors and best practices in UPP’s own management and operations.

3. Definitions

Environmental, Social, Governance (ESG): ESG refers to environmental, social, and governance factors that may impact or be impacted by corporate or investment activities. Environmental factors relate to the quality and functioning of the natural environment and natural systems. Social factors relate to the rights, well-being, and interests of people and communities (e.g., employees, customers, broader society). Governance factors relate to the policies and procedures used to direct, control, and monitor companies and other investee entities. Examples of ESG factors that may be considered by UPP include, but are not limited to, climate change, human and labour rights, equity, diversity and inclusion, Indigenous rights and reconciliation, resource use and efficiency, executive compensation, and shareholder rights.

Personnel: All UPP employees, co-op students and interns, contractors, and anyone else who works on behalf of the organization.

Responsible Investing (RI): The integration of ESG considerations into investment management processes and stewardship practices, focused on those factors that could have a material impact on financial performance and the environmental, social, and financial systems upon which capital markets rely.

Stewardship: The use of influence by investors to mitigate risk and derive long-term value, including the value of common economic, social, and environmental assets on which returns and client and beneficiary interests depend (also referred to as “active ownership”).

4. Policy Objectives and Philosophy

4.1. Investment Beliefs

This Policy is informed by UPP's [Investment Beliefs](#), including:

- As a long-term investor, UPP has a responsibility to promote the health of the capital markets and the financial, social, and environmental systems upon which capital markets rely.
- Creating value and managing risk involve exercising UPP's voice to influence outcomes related to material issues through active ownership, policy advocacy, and collaboration with other investors and stakeholders – all of which must be approached with the same intention and rigour as selecting investments.
- UPP embraces partnership as a foundation for enhanced performance and impact.
- Transparency engenders trust. Our investment of members' pension earnings has bearing on their retirement security; they have a right to know how we approach and perform that responsibility.

4.2. Policy Objectives

In recognition of our Investment Beliefs, the key objectives of this policy are to outline our commitments to:

- Establish RI management and oversight responsibilities;
- Integrate ESG considerations into investment analysis and decisions;
- Be active owners and engage in ESG stewardship activities; and
- Report on RI practices and ESG performance publicly and to plan members.

4.3. Evolution of Practice

RI practices are constantly evolving. ESG factors and their materiality for investments may additionally vary across companies, sectors, regions, asset classes, and time horizons. UPP therefore expects its approach to RI to evolve over time as our capacity improves and grows and as research, evidence, and industry practice evolve.

5. General Policy Statements

5.1. RI Management and Oversight

This section describes key roles and responsibilities in the oversight and management of RI activities.

1. The Board of Trustees oversees the strategic direction of the RI program, as supported by the Investment Committee.
2. The Management Investment Committee oversees the application of RI throughout our investment management activities.
3. Investment teams integrate ESG considerations in all investment decisions.
4. The RI team sets RI strategy and targets and identifies focus areas and initiatives. In collaboration with other UPP teams such as investment, investment finance and operational due diligence, the RI team supports the integration of ESG considerations in investment processes and decisions and manages RI stewardship and reporting activities.

5.2. ESG Integration

UPP considers ESG factors in investment screening, due diligence, and asset management and monitoring activities, as described below.

1. UPP communicates this Policy to all Personnel at least annually.
2. UPP may avoid financial and reputational risks related to ESG issues through the effective exclusion and selling of investments, as outlined in the Investment Exclusion Policy.
3. UPP supports ESG integration in investment decisions by providing access to supporting resources and tools, which may include:
 - ESG training for our investment professionals and Board members;
 - Tools and resources for investment teams;
 - Third-party data to evaluate holdings and investment opportunities and to measure ESG performance; and
 - Collaborating with academic institutions to access research and resources related to RI.
4. The selection of new investments is informed by an evaluation of ESG factors and RI activities and performance.
5. When appointing new investment partners, including external investment managers, UPP engages those who have demonstrated a commitment to, or to improvement of, RI and ESG integration practices. We consider the investment strategies employed by the investment partner and recognize that different strategies have inherently different RI and ESG potential.
6. UPP seeks to incorporate RI requirements in alignment with this Policy into investment agreements.
7. UPP communicates the Policy, and any material updates to such Policy, to our investment partners, including external investment managers, in order to encourage them to integrate ESG considerations into their investment management processes and stewardship activities.
8. UPP regularly engages with and monitors our investment partners' RI practices and performance and supports and encourages improvement of RI practices, performance, and reporting in alignment with leading practice.

5.3. Stewardship

UPP conducts stewardship to align the interests of issuers and financial systems with long-term value creation for plan members. The tools that UPP employs to conduct stewardship include engaging with issuers in our portfolios, exercising our voting rights, and contributing to public policy and standard setting.

1. UPP sets stewardship priorities based on our ESG focus areas, other material financial and non-financial issues affecting our investments, the likelihood of successfully meeting our stewardship objectives, and our Proxy Voting Policy.
2. UPP seeks to achieve greater influence through collaboration with other investors and stakeholders such as industry, policymakers, standard-setters, the academic community, and civil society. We join and actively participate in collaborative initiatives aligned with our stewardship priorities to strengthen and extend the reach of our engagement and advance industry practices and market-wide policy.
3. UPP conducts outcome-focused engagement. We define goals for our engagement based on our stewardship priorities and adapt our approach to engagement as needed to advance these goals. We engage with individual issuers directly and in collaboration with peers.
4. UPP views proxy voting and engagement as interlinked. Our vote decisions are informed by our stewardship priorities and specific engagement goals, and we may engage with issuers on specific vote items.
5. UPP contributes to public policy and the Canadian investment ecosystem to promote the health of the capital markets and the financial, social, and environmental systems on which capital markets rely. We respond to opportunities for input and proactively engage with decisionmakers, individually and collectively. Our policy priorities and means of engagement are determined by our stewardship priorities and potential for impact.

5.4. ESG Specific Commitments

UPP establishes ESG focus areas and commitments specific to ESG topics in response to evolving conditions.

1. UPP defines ESG focus areas and, where appropriate, sets ESG targets to guide the focus of RI activities.
2. UPP establishes, implements, and reports progress against a Climate Action Plan that aligns with principles outlined in Investing to Address Climate Change—A Charter for Canadian Universities.
3. UPP promotes a diverse, equitable, and inclusive market environment and practices among investee companies and investment partners, including through participation in relevant industry initiatives to amplify our impact.
4. We support and participate in industry initiatives that promote diverse and inclusive representation at all levels of an organization as a means toward enhanced decision-making, innovation, and long-term investment performance.
5. We convey our expectations for investee companies and investment partners, as it relates to diversity and inclusion in their internal policies, talent strategies, and training, and will progress our expectations toward formal policies and time-bound representation baselines.

5.5. Reporting

At least annually, we provide our plan members and the public with information on our approach to RI as well as our initiatives and progress toward our objectives and targets. Our reporting includes, but is not limited to, our proxy voting and other stewardship activities and climate-related information informed by the Task Force on Climate-Related Financial Disclosures (“TCFD”) recommendations, and we seek to disclose additional ESG metrics pertaining to our portfolio. To report, we use the Principles for Responsible Investment (“PRI”) Reporting and Assessment Framework, our annual responsible investment reporting, and maintain a RI section of our website.

We are committed to continuously improving our reporting to promote transparency and open dialogue with our members. We welcome ongoing feedback and encourage our members to share research and other informative and educational materials as they see fit. Members can comment on this Policy or provide materials via myupp@universitypensionplan.ca.

6. Exceptions

There are no exceptions to this Policy.

7. Monitoring and Reporting

UPP’s Chief Executive Officer and RI team report to the Board of Trustees on relevant RI matters on an ongoing basis, and on adherence to this Policy at least annually.

8. Related Policies and Other Documents

- [Climate Action Plan](#)
- [Investment Exclusion Policy](#)
- [PRI Reporting and Assessment Framework](#)
- [Proxy Voting Policy](#)
- [Statement of Investment Beliefs](#)
- [Statement of Investment Policies and Procedures](#)
- [TCFD Recommendations](#)

9. Approval Record

This Policy is reviewed by the Board of Trustees at least every 2 years, or as required based on changes to legislation and regulations and UPP’s investment activities.

Version	1.1
Reviewer	Investment Committee of the Board of Trustees
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Approver	Board of Trustees
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