Investing to Address Climate Change:
A Charter for Canadian Universities

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Climate change is now recognized as one of the defining challenges facing humanity. It is already leading to profound social, economic and environmental changes in Canada and around the world. Universities have a responsibility to act constructively to address this challenge.

Indeed, by leveraging their many assets, universities can devise comprehensive strategies to address climate change. As educators, our teaching has the power to enhance understanding of the principles of sustainability. As knowledge producers across a wide range of disciplines, our research is essential in advancing knowledge about climate change and helping identify effective, evidence-based solutions. As major owners of property and facilities, we have an important opportunity to reduce the carbon emissions arising from our own operations. And, as stewards of long-term investments, we have a responsibility to manage our capital in ways that accelerate the transition to a low-carbon economy and protect our stakeholders from the growing risks associated with climate change.

There is a growing consensus that climate change will have significant implications for investment management. Climate-related risks are now recognized as having material consequences for businesses in every corner of the economy, with regulators encouraging individual companies to disclose these risks in a more transparent and comprehensive way.[1] This development is part of a larger shift towards responsible investing, which takes into account a broad set of environmental, social and governance (ESG) factors.[2]

At the same time, those industries and businesses that are well-positioned to take advantage of the shift to clean, renewable energy and low-carbon economic activities present potentially attractive and more impactful investment opportunities.

Prudent practice now requires institutional stewards of long-term investments to adopt processes that take into account material climate-related investment risks. Failure to do so may constitute a dereliction of fiduciary duty by investment managers, who have an obligation to serve the best long-term interests of beneficiaries.

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[1] Final Report: Recommendations of the Task Force on Climate-Related Financial Disclosures, Financial Stability Board, June 2017 (https://www.fsb-tcfd.org/publications/final-recommendations-report/); Final Report of the Expert Panel on Sustainable Finance – Mobilizing Finance for Sustainable Growth, Government of Canada, 2019 (https://www.canada.ca/en/environment-climate-change/services/climate-change/expert-panel-sustainable-finance.html)

[2] See for example https://utam.utoronto.ca/responsible-investing/; https://mcgill.ca/boardofgovernors/files/boardofgovernors/13._gd19-29_camsr_report.pdf and https://www.cdpq.com/sites/default/files/medias/pdf/en/ra/id2018_rapport_investissement_durable_en.pdf

Moreover, such a responsible investing approach will also foster the transition to a low-carbon economy, by directing capital to investments in promising areas that are poised to offer alternative, more sustainable solutions. Furthermore, by applying a responsible investing framework to their entire portfolio, investors ensure that the carbon-emitting behaviour of *all* businesses and sectors of the economy are subjected to equal and rigorous scrutiny.

Universities have a duty to manage their long-term investment portfolios in ways that acknowledge and account for these developments. With these considerations in mind, the signatories to this charter pledge to abide by the following principles and practices, and encourage other Canadian universities to do the same:

1. Adopt a responsible investing framework to guide investment decision-making, in line with recognized standards such as the UN-supported Principles of Responsible Investment (UN-PRI). Such a framework should:
    a. Incorporate ESG factors into investment management practices
    b. Encourage active engagement with companies to foster disclosure of ESG (including climate) related risks, and adoption of operational practices that reduce carbon emissions and foster ESG-positive behaviour more broadly
2. Regularly measure the carbon intensity of our investment portfolios, and set meaningful targets for their reduction over time
3. Evaluate progress towards these objectives on a regular basis, and share the results of such assessments publicly
4. Ensure that the performance evaluation of our investment managers takes into account their success in achieving such objectives, alongside the other criteria for assessing their performance

Signatories:

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University of British Columbia
Dalhousie University
University of Guelph
Université Laval
University of Ottawa
University of Manitoba
McMaster University
Université de Montréal
Queen's University
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University of Victoria
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