

# Ethical Investment Policy

**Oversight Body: Budget and Finance Committee**

**Date Passed by Council: November 1, 2017**

**Date of Next Review: September, 2019**

**Related Policies, Bylaws, Legislation: Bylaw 6, 7; UNPRI, UN Global Compact, UNEP FI**

## **Definitions:**

*Ethical Investment* – an approach to investing that aims to incorporate Environmental, Social, and Governance (ESG) factors into investment decisions to better manage risk and generate sustainable, long term returns.

*Fiduciary duty* – the obligation of the DSU Council to act in the best interests of the Union.

*Direct Investment* – an investment whereby the entirety of a fund is held in a specific company or organization separately from other investors.

*Pooled Investment* – an investment where many investors pool their funds across a number of companies and organizations, sometimes numbering in the thousands.

*UNPRI* – the United Nations developed Principles of Responsible Investment.

*External Funds Manager* – a professional company, sometimes involving multiple individuals, external to the DSU whose role it is to manage DSU financial assets on the DSU's behalf and to the DSU's benefit.

## **Scope:**

This policy will apply to all DSU investments including:

- a) DSU Health Plan Reserve Fund
- b) DSU Endowment Fund

## **Purpose:**

This policy is to guide DSU investment practices in a way that seeks a long-term, consistent return from those investments while meeting its obligations in a responsible and ethical manner.

## **Policy Statement:**

## 1. Objectives

1.1 DSU Council in fulfilling its fiduciary duty will ensure decisions made in respect to ESG factors are to the benefit of the Union before all else.

1.2 In conjunction with 1.1, investment decisions will always be made with the goal of long-term growth ensuring, to the best of our ability, that it is not directly linked to, contributing to, profiting from, or helping perpetuate acts that are socially or environmentally harmful.

## 2. Guiding Principles

2.1 The DSU, or whichever entity or individual representing it on matters of investment, may use its discretion to determine, in good faith, what behavior is socially or environmentally irresponsible. However, while using its discretion, it must make efforts to be in accordance with DSU investment screening guidelines.

### 2.2 Negative Screening

The following is a list of factors in determining companies or institutions the DSU will refuse investment in:

- 2.2.1 Those known to profit from resource extraction projects done on traditional indigenous territories without the free, prior, and informed consent of the indigenous community of said territory;
- 2.2.2 Those known to profit from human rights abuses;
- 2.2.3 Those known to create significant environmental harm;
- 2.2.4 Those which produce:
  - 2.2.4.1 Weapons
  - 2.2.4.2 Cigarettes
  - 2.2.4.3 Alcohol

### 2.3 Positive Screening

The following is a list of factors in determining companies or institutions the DSU will promote investment in:

- 2.3.3 Those with a proven track record of positive contributions to the environment;
- 2.3.4 Those who promote sound employment practices;
- 2.3.5 Those with high standards of corporate governance and transparency.

2.4 For the purposes of determining companies or institutions which the DSU should consider for investment or divestment in respect to screening guidelines outlined above, the Investment Review Sub-Committee will include the following information sources in its recommendation:

- 2.4.3 FTSE Russell
- 2.4.4 Sustainalytics
- 2.4.5 Corporate Knights
- 2.4.6 UNPRI, UN Global Compact, UNEP FI

### 3. Investment Management

#### 3.1 Investment Review Sub-Committee

3.1.1 There shall be an Investment Review Sub-Committee that shall be composed of members from the Budget and Finance Committee.

3.1.1.1 No less than two members of the Budget and Finance Committee will be seated on the sub-committee.

3.1.1.2 Additional members of the sub-committee can be drawn from the Budget and Finance Committee with a majority vote.

#### 3.2 The Investment Review Sub-Committee shall:

3.2.1 Once per year review the investment portfolio maintained by the DSU to ensure the financial viability of investments and adherence to the Ethical Investment Policy;

3.2.2 Research any companies that do not abide by the UNPRI and generally remain informed of industries which may be in contravention to this policy's objectives;

3.2.3 Make recommendations to the Budget and Finance Committee regarding divestment from investments not meeting standards set out by this policy by February 1st of each year, while recognizing some pooled investments may not permit the removal of a specific company or organization without necessitating a change of the entire pooled fund.

#### 3.3 External Funds Manager

3.3.1 Given the DSU does not possess the expertise or labour to manage the day-to-day operations of the DSU investment portfolio, an External Funds Manager will be contracted to manage and advise the DSU in its investment needs.

3.3.2 When considering a new External Funds Manager the Investment Review Sub-Committee, in conjunction with the General Manager, will recommend to the Budget and Finance Committee an External Funds Manager for day-to-day investment management.

3.3.3 The Budget and Finance Committee will bring the External Funds Manager recommendation to Council for consideration and approval.

3.3.4 The External Funds Manager will be expected to subscribe to UN guiding principles, specifically the UNPRI. Investments will be expected to fall within an acceptable mandate for inclusion. Where necessary, appropriate action will be taken to divest an existing holding or to inform the DSU of the reasons for not doing so.

#### 4. Reporting

4.1 The External Funds Manager will provide quarterly statements to the DSU containing the list of current investment holdings.

4.2 Independent of whether or not the Budget and Finance Committee presents a case for divestment, the Committee will provide a summary report on the DSU's current investment status in relationship to this policy no later than March of each year.

4.3 Any Member can submit a request to the Chair of the Budget and Finance Committee to:

4.3.1 Determine if the DSU has any investment in a specific company or institution;

4.3.2 Review the current standing of a company or institution in regards to this policy.

#### 5. Divestment

5.1 Should the Budget and Finance Committee determine (at the recommendation of the Investment Review Sub-Committee) a DSU held investment does not meet the parameters of this policy, the Budget and Finance Committee Chair, in consultation with the General Manager, will present a case for divestment to Council for approval.

5.2 A case for divestment from a company or institution must include:

5.2.1 A written response from the External Funds Manager determining the feasibility and potential timeline for divestment;

5.2.2 A summary report from the Investment Review Sub-Committee outlining the information and sources that led to the recommendation to divest;

5.2.2.1 At least two information sources from the list found in 2.4 of this policy must be referenced.

5.2.3 A statement addressing how the issues identified with the company or institution are long-standing and not to be improved upon or remedied in a satisfactory way in the near future;

5.2.3 A statement addressing how the issues are not isolated but emblematic across the company or institution's operations;

5.2.4 An indication of the Issues Policy adopted by the DSU which the investment is in contravention of;

5.2.4.1 A recommendation of divestment must be in relationship to an existing DSU Issues Policy.

5.2.5 A determination of the financial impact divestment will have on the DSU; taking into account its fiduciary duty.

5.3 Upon the approval of Council, the VP (Finance and Operations) will instruct the External Funds Manager accordingly.

5.4 Upon the confirmation of divestment from the External Funds Manager, the DSU will release a public statement explaining the reasons for divestment, which will take account any concerns around confidentiality.