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UNIVERSITY OF VICTORIA FOUNDATION

University  
of Victoria

May 22, 2014

Divest UVic

Dear representatives of Divest UVic:

Thank you for your submission of May 1st, 2014.

Divestment of fossil fuels is an important and complex issue. Before responding to your letter the Foundation reviewed approaches taken by others since its policy was adopted in 2012 as well as obtained further advice with respect to its legal and fiduciary responsibilities to act as a prudent investor.

As trustees of the endowment our duty is to oversee the management of the funds through exercising the care, skill, diligence and judgment that a prudent investor would exercise in making investments. While it is consistent with these duties for the Foundation to take environmental, sustainability and governance (ESG) considerations into account when making investment decisions, these considerations are to enhance and support the investment decision making process and cannot replace it. As such, the Foundation Board has charged its investment managers with investing in diversified portfolios that produce the best returns possible at an acceptable level of risk. In doing this, the Foundation's investment managers all take ESG considerations into account.

Your request to immediately freeze all new investment and initiate a 3 year plan to divest of all fossil fuels goes beyond current ESG approaches within our portfolio and would require the Foundation to reduce overall the potential diversity of the endowment investment holdings. Limiting portfolio diversity is not considered to be consistent with a prudent investment approach and therefore at this time the Foundation is not in a position to divest of its holdings in companies involved in fossil fuels.

While the Foundation will not pursue divestment at this time, the Foundation will write to the investment managers that invest on behalf of the Foundation and ask them to outline if/how they have considered stranded asset theory in their investment decision process. The foundation will also ask its investment managers to comment on whether excluding the top 200 fossil fuel companies would still allow the managers to achieve their investment return benchmarks.

The Foundation is committed to responsible investing and continues to believe that, as long term investors, taking environmental, social and governance (ESG) factors into consideration is consistent with its fiduciary duty as it can have a positive effect on long term financial performance and investment returns. To enhance our current approach and

to reflect emerging best practices, the Foundation will investigate direct involvement in the following organizations that promote or enhance responsible investing:

- a) United Nation Principles for Responsible Investing (UNPRI)
- b) Carbon Disclosure Project
- c) Canadian Coalition for Good Governance
- d) Responsible Investment Association

The Foundation will continue to engage with the university as dialogue between the university and its many stakeholders evolves.

Sincerely,

A handwritten signature in black ink, appearing to be 'Lisa Hill', written in a cursive style.

Lisa Hill  
Chair, University of Victoria Foundation