

January 25, 2023

Responsible Investing and the Western Pension Plan

Report to Members on the Survey Conducted May 31 to June 14, 2022

Executive Summary

The Western pension plans have acknowledged the evolving consideration of Environmental, Social, and Governance (ESG) factors in its investment monitoring process since 2007. In 2008 a socially responsible investment option was made available in the fund lineup. Western and Sun Life both regularly meet with fund managers and look beyond performance to understand their policies, investment process, and active ownership practices. Western's Academic Pension Board and Administrative Staff Pension Board (together referred to as the Joint Pension Board) monitor and engage with all investment managers to understand how they are considering the financial impact of ESG factors on risk and return as they make their security selections for the portfolios. Our goal is to ensure that material ESG risks and opportunities are properly considered and managed.

On behalf of the Joint Pension Board, Sun Life conducted a survey of Western pension plan members on Responsible Investing and the Western Pension Plans.

been selected by the Board and the University to handle most of the day-to-day member services and administration of the plans. Western Human Resources and Western Financial Services also assist in the administration and oversight of the plans.

What is Responsible Investing?

Responsible Investing is an approach that integrates Environmental, Social, and Governance (ESG) practices of a company into the investment process. The issues that are most important to investors are the same as the issues that are most important to the community. (Source: [https://www.westernpensionplans.com/~/media/Files/2022/06/Responsible-Investing-Report-2022.pdf](#))

beyond required disclosures. Similarly, investment managers deciding on the investments to hold within a portfolio are reviewing ESG alongside other factors and risks, rather than avoiding an investment opportunity due to lagging ESG practices, are instead looking to use their investment to positively influence areas of ESG. This engagement approach is widely viewed as more impactful than divestment³. We are seeing greater attention from investment managers in this area across investment options, including those investment mandates without an explicit ESG focus. This approach is quickly becoming a standard practice.

The newest focus for ESG is thematic or impact investing. Many funds with this approach link to the United Nations Sustainable Development Goals (such as gender equality, clean water and sanitation, affordable and clean energy) and seek opportunities that generate positive, measurable societal or environmental

When it comes to approaches for including ESG factors in the investment process members favoured having the option, whether it be to choose a fund making a positive impact or avoiding certain sectors, rather than having ESG integrated across all options. Providing members with the option to choose a fund with an ESG focus is also aligned with the survey's finding that some members do not see ESG considerations to be a prominent feature of their portfolio. The survey results also highlight some of the misconceptions around the integration of ESG factors into the investment process. ESG factors have an impact on risk and return and integrating them into the investment process is essential to properly assess an investment opportunity. The Joint Pension Board has been very careful not to include broadly available investment options strategies that may involve a reduction to returns as a result of consideration of ESG issues.

Chart 2 Note: Each dimension was asked as a separate question in the survey. The responses have been consolidated for presentation.

Members interested in investing in an ESG-focused way were more committed to investing in a fund that invests in companies making a positive contribution towards a sustainable strategy than a fund that avoids certain sectors.

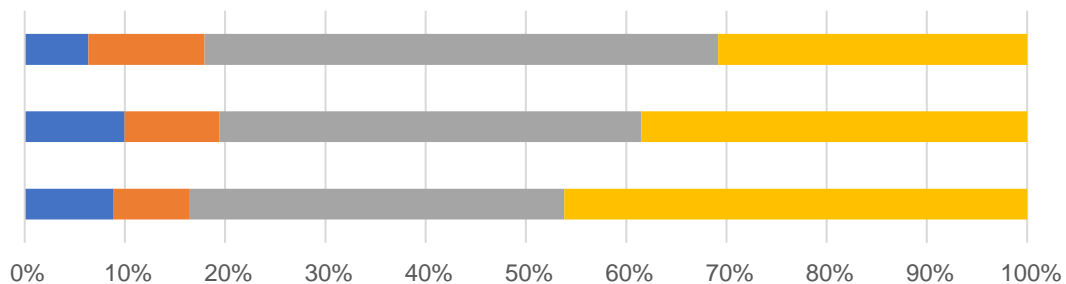
through these investment choices. For these and other reasons, some members prefer that decisions about whether or how they personally address ESG be left outside of the pension program.

The Joint Pension Board's Approach to Investing

Members of the Pension Board are Fiduciaries who have a legal duty to act in the best interest of the plan beneficiaries and to set aside personal or other interests. The Pension Board's Committees of the Board of Governors, and the plan beneficiaries are the members of Academic Pension Plan and Administrative Staff Pension Plan. As fiduciaries, Board Members recognize that the pension assets are neither theirs nor the University's; the plan assets belong to the plan members and the Joint Pension Board is focused on achieving the best retirement outcomes for the plan members.

The Western pension plans operate within a regulatory framework aimed to support and protect the accumulation of savings to provide for a retirement income. The Board looks to the Pension Benefits Act (Ontario), the Canadian Association of Pension Supervisory Authorities, Common Law, and industry best practices to help guide its approach. These currently support:

- Disclosure of the fund's investment performance



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