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Abstract

The goal of the finance group was to obtain and calculate helpful information regarding Concordia's investment in the fossil fuel industry to help Concordia's Divest Coalition. In order to do this a member of the group analyzed the 2018 fund report from Concordia University Foundation to get an idea for the amount of money Concordia has invested in the fossil fuel industry. Another member used some of this information to conduct a risk assessment regarding some of these investments in the fossil fuel industry. A third group member analyzed the top 10 companies in Concordia Student Union (CSU) biggest equity portfolio to determine if the Principles for Responsible Investments (PRI) framework is being respected; moreover, if they were an effective with regards to portfolio performance. Finally, another member investigated the PRI to which the Concordia University Foundation has become a signatory to provide a background for understanding the reports which the CUF will eventually issue on its PRI participation.

Investigative Analysis of Concordia Foundation 2018 Fund Report

Introduction

The purpose of this report was to analyze the 2018 fund report from Concordia University Foundation in order to get a better idea as to the amount of money Concordia has invested into the fossil fuel industry. The results of which are to be shared with the Divest Concordia Coalition in order to help facilitate the movements mandate for Concordia to be divested from fossil fuels. The group is calling for Concordia University to freeze all the funds investments in the fossil fuel and related industries, then to divest from the top 200 companies (Divest Coalition). The goal of this coalition is to adopt a responsible investment policy for Concordia and hold them to their word on becoming a sustainable school (Divest Coalition). I felt that in order to properly persuade Concordia into action it would help to have at least some information regarding how much and in what fossil fuel related companies we invest. Given that Concordia has not been very transparent with regards to the following information I decided to analyze the 2018 fund report from Concordia University Foundation' endowment fund to get it. The Concordia University Foundation was established in 1991 with the purpose of being possible fund management partner for Concordia (Foundation, 2018). Essentially the Fund plays the role of managing the money gathered from alumni, donations and contributions from Concordia to ensure the long-term support of numerous programs and initiatives that Concordia offers (Foundation, 2018). These funds are assembled into the endowment fund which holds the capitol (principal investment) in a perpetuity which then allocates a portion of the returns on these investments to school programs such as scholarships or research (Foundation, 2018). The goal is to produce a rate of return on these investments of 3.5% to cover these payouts, in addition to this more money must be made in order to cover inflation and any investment fees, the remainder of the profits are re-invested into the numerous funds (Foundation, 2018). On January 23, 2018 the Concordia University Foundation agreed and became a signatory to the United Nations Principles for Responsible Investments (PRI) (Foundation, 2018). According to this agreement they should have begun to incorporate environmental and social factors into their investments, the results of this report will illustrate if they've done their part.

Methods

Based on Divest Concordia's mission I looked for fossil fuel companies Concordia invests in, this was more of a surface analysis since theoretically one could just keep going and going. For example, Concordia invests in many banks; the banks may invest heavily in fossil

fuel resources, however, based on Divest Concordia's mission to target fossil fuel companies, I did not count the bank's investments as Concordia's. Concordia's investments are broken down into 3 main sections; common shares, bonds and investment funds.

Common shares are separated into Canadian common shares and foreign common shares, both of these are further separated into financials, health care, industrials, consumer products and services, energy, materials, technology and communications, utilities and real estate. The following are the sectors I chose to focus on; while their entirety is not completely made up of fossil fuels, a portion of them can include them.

- **Energy:** The energy sector is a category of stocks that relate to producing or supplying energy. This sector includes companies involved in the exploration and development of oil or gas reserves, oil and gas drilling and refining, or integrated power utility companies including renewable energy and coal (Chen, 2017).
- **Materials:** The basic materials sector is a category of stocks for companies involved in the discovery, development, and processing of raw materials. The sector includes companies engaged in mining and metal refining, chemical products, and forestry products (Kopp, 2019).
- **Utilities:** The utilities sector is a category of stocks for companies that provide basic services including natural gas, electricity, water, and power (Chen & Murphy, Utilities Sector, 2019). In many areas this is provided by some form of fossil fuel resource.
- **Industrial:** This sector includes companies that provide industrial and commercial equipment and services, transportation, and distribution operations. It has a broad range of end markets and beneficiaries including mining for fossil fuel resources (Seghett, 2012).

The bonds were government bonds which would not generally contain any fossil fuel resources and there was little available information for me to verify. The same was true for the real estate pooled funds. Similarly, the category of "other investment funds" contained very little information therefore I did not include them in my analysis. I did however include all of the pooled investment funds with the exception of "Pimco Income Fund – H GIS PLC" due to the fact I could not find any information on it. For all of these pooled funds I looked through their most recent report and attempted to find a top 5, 10, or 25 companies in which they invested, I then searched these companies in order to determine whether or not they had any affiliation with the fossil fuel industry. Some of which did not include companies and only included the

sectors indicated above. To determine the values obtained in table 1 I simply multiplied the investment Concordia had in each of the respective pooled funds by the percentage each pooled fund had in fossil fuel companies, or sector that could contain fossil fuels.

Results

Based on the guidelines mentioned above the absolute minimum investment Concordia has in the fossil fuel industry is \$12,150,774.10. This number can be see calculated in the notes section of table 1 and is only based off the of the calculated values obtained from only using the fossil fuel companies in the pooled investment fund section so that I could grantee this money was directly being invested into the fossil fuel industry. As we can see from table 1, Brookfield Global Infrastructure B 105 fund is responsible for the majority of this amount, contributing \$11,330,130.90. A figure (1) of the top 25 companies that Brookfield Global Infrastructure B 105 invests in show that 11 or the top 25 investments are related to the fossil fuel industry and makes up nearly 60% of their investments. Total amount of money that Concordia has invested within all their pooled funds based of using the aforementioned sectors and assuming that 100% of the amount within those sectors is in the fossil fuel industry would amount to \$33,415,618.30 in the pooled funds alone. I understand that this is unlikely; however, it is theoretically possible and is used to calculate the maximum amount Concordia has invested. Moreover, it is based on the information given within the reports and it is impossible to know the percentage each of these sectors has invested within the fossil fuel industry. Using the aforementioned presumption, we can conclude that Concordia possibly has \$5,308,615 in Canadian common shares, indicated in table 2 and \$3,139,620 in foreign common shares, indicated in table 3. Based on all the above information the maximum potential that Concordia has directly invested in the fossil fuel industry is \$41,863,853.30.

Table 1: Concordia's investment in the fossil fuel industry based on pooled funds

Investment funds	Concordia's Investment	% in fund	Sector	Amount \$	Notes
RP Debt Opportunities Trust SR A 18	9,843,400	23	Auto and Industry & Utilities	2,263,982	
Pimco Income Fund – H GIS PLC	10,969,380	no info			
Brookfield Global Infrastructure B 105	19,167,875	59.11	Pipelines and Gas Utilities	11,330,130.90	Used the company percentages not the sector total 11,330,130.9

Investment funds	Concordia's Investment	% in fund	Sector	Amount \$	Notes
Fisher Investments Emerging Markets	8,691,443	9.06	Energy	788,070.33	245,967.84 (at least 2.83% in petroleum)
Formula Growth Alpha Class 1	9,698,348	10.1	Materials, Industrial, Energy	979,533.15	
Leith Wheeler Canadian Equity Fund Series A	16,640,561	39.65	Materials, energy, Industrial, utilities	6,597,982.44	
Lazard Global Thematic Canada Fund CL B	24,861,982	36.58	Materials, energy, Industrial, utilities	9,094,513.02	(305,802.38 in a china gas company)
Brandes Canada Emerging Markets Equity Unit Trust	11,690,131	20.2	materials, energy, industry	2,361,406.46	268,873.01 (YPF-SA petroleum)
Total	111,563,120	29.95		33,415,618.30	Most conservative estimate we have at the very least \$12,150,774.1 directly invested.

Table 2: Concordia's investment in the fossil fuel industry based on Canadian common shares

Canadian common shares	Amount
Energy	1,074,779
Materials	368,447
Industrials	2,723,810
Utilities	1,141,579
Total	\$5,308,615

Table 3: Concordia's investment in the fossil fuel industry based on foreign common shares

Foreign common shares	Amount
Energy	967,316
Materials	171,674
Industrials	1,072,999
Utilities	927,631
Total	\$3,139,620

As at December 31, 2018	% of Net Asset Value
Top 25 Positions	of the Fund
American Tower Corp. Equity	9.17
Vinci SA Equity	9.17
Pembina Pipeline Corp. Equity	8.13
Energy Transfer Equity LP Equity	7.43
National Grid PLC Equity	7.29
Kinder Morgan Inc. Equity	6.21
Targa Resources Corp. Equity	5.61
NiSource Inc. Equity	5.58
Entergy Corp. Equity	5.13
Williams Cos Inc. Equity	5.10
Sempra Energy Equity	4.96
Enterprise Products Partners LP Equity	4.75
American Electric Power Co. Inc. Equity	4.63
Edison International Equity	4.54
Atlantia SpA Equity	4.50
Auckland International Airport Ltd. Equity	4.23
Dominion Energy Inc. Equity	4.13
MPLX LP Equity	3.81
Transurban Group Equity	3.77
Ferrovial SA Equity	3.73
Cash and cash equivalents	3.60
Pennon Group PLC Equity	3.59
Plains All American Pipeline LP Equity	3.49
Emera, Inc. Equity	3.12
FirstEnergy Corp. Equity	2.88
Total Long Positions	128.55

Figure 1: Top 25 of Brookfield Global Infrastructure B 105, Highlights are related to the fossil fuel industry.

Discussion

Given the above information we can conclude that Concordia does have a significant investment within the fossil fuel industry of anywhere between \$12,150,774.10 and \$41,863,853.30 based on the information obtained making up 11% - 29.95% of their pooled investments alone. Given the limited amount of information that has been released by the fund's board of directors, this is a good place to start and gives divest Concordia some numbers they can work with along with the proof. With increased transparency these numbers can be more refined to their true values. Similarly, if someone was concerned with varying degrees of separation, they could take this information and go deeper with it, recall the example I gave in the methods section of this report. The top 25 companies of the banks and other top companies these pooled funds invest in can be researched to find the amount they have invested within the fossil fuel industry. Comparably, the parameters could very well be

extended, for example, many of the top companies are related to the auto industry, Caterpillar excavators and valves used for pipelines could all be considered as they support the fossil fuel industry.

As mentioned earlier, in January of 2018 Concordia became a signatory for the PRI principals. However, based on the 2018 report from the foundation the fund that can be directly linked to the most fossil fuel companies (Brookfield Global Infrastructure B 105) was just purchased in 2018 indicating that Concordia has not taken their commitment to the PRI principals seriously. If Concordia was really committed to the environmental and social responsibilities that come along with the PRI they would, at the very least, not invest in this specific fund since 11 of the 25 top companies are directly involved with the fossil fuel industry.

Conclusion

Given the following information that has been presented in this report I feel I have accomplished my goal of getting a better idea of Concordia's investments in the fossil fuel industry with regards to the investments within the endowment fund. To accomplish my goal I simply analyzed the 2018 fund report from Concordia University Foundation, and searched the major companies in which the pooled funds invest. I can conclude that based on the parameters I described earlier that Concordia as anywhere between \$12,150,774.10 and \$41,863,853.30 invested in the fossil fuel industry. Majority of which in Brookfield Global Infrastructure B 105 pooled fund within which 11 of the top 25 companies are related to the fossil fuel industry. Given that this fund was only obtained in 2018 I feel it is safe to say that Concordia is not keeping their commitments to the United Nations with regards to the Principles for Responsible Investments (PRI). I hope that this information serves Concordia's Divest Coalition well and allows them to achieve their mandate of making Concordia more sustainable. Moreover, I hope that Concordia becomes more transparent with their investments so at the very least a more exact representation of Concordia's investment in the fossil fuel industry.

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The Risks of the Fossil Fuels Industry: An Exploration into the Concordia University Foundation Annual Report (2017-2018)

Introduction

The discussions occurring in the geographies of justice class have touched upon many sizeable issues both external and internal to the university ultimately caused by the fossil fuel industry. This industry has been enemy number one against the concept of sustainability that has been advocated by our university. Burning these underground reserves of fossil fuels will render our planet to be deemed unliveable. Logically its unthinkable to culminate to this point, however the fossil fuel industry through capitalism weights greater than collective well-being. This fossil fuel extraction process is done by massive companies that have many millions if not billions of dollars invested in their sector of activities, unfortunately our university is encouraging this extractive economy bound to ruin nature by investing in it.

The Divest Concordia movement is already working on this hypocritical issue, where the university wants to advocate as being sustainable, however its investing in one of the most polluting industries on earth. This paper will present an observational analysis of the Concordia University Foundation financial report of 2017-2018. It will pay attention to the university's investments and to the investment funds section. After analyzing the companies invested within the repertory of these funds, I will categorize them according to their relationship with the fossil fuel industry and see how much money is estimated to be invested within each category. The estimation process will be necessary to obtain an educated guess on how much money is invested indirectly into the fossil fuel industry, as the Concordia University Foundation lacks transparency within its reports. The second part of this paper will select notable companies found across the investment funds and financial risks associated with them. The risks will be assessed considering that the investment will be on a long-term basis while prioritizing an ESG framework towards sustainability. This document serves as a tool for the Divest Concordia movement to sway the board of governor's position upon divestment.

The CUF & Affiliated Equity Funds

In 2018, the Concordia University Foundation invested over 176 million dollars in various types of assets. Common shares had 22.1 million dollars (12.54%) in term of investment, bonds had 15.7 million dollars (8.90%) and investment funds had 138.8 million dollars (78.56%). The disproportionate amount of money invested in these investment funds honed my analysis upon them. There was also a lack of transparency when categorizing the sectors of the common shares, energy is categorized as an all-encompassing group without any mention of renewables or not and thus cannot be utilized accurately. Simply by comparing values it was easy to see that the Concordia University Foundation prioritized their investment into funds instead of the other two types of assets. When investing in such funds the financial decisions are up to the fund's financial experts and thus it becomes quite easy to deflect the blame towards a third-party. These funds foster once again the lack of transparency that the Concordia University Foundation apparently practices, therefore making their exploration appropriate.

The document outlining the university's investment has several investment fund companies listed. The selection process required the investment funds to be invested in both 2017 and 2018. One exception was made for this guideline and will be explained further. Real estate pooled funds were taken out of the equation by lack of direct involvement with fossil fuels, and funds with less than 10 million dollars of investment were discounted for by lack of time for a deeper analysis. With this selection, 4 investment funds stood out; the Leith Wheeler fund (16.6M\$), the Lazard Global fund (24.8M\$), the Brandes Canadian Emerging Market fund(11.6M\$), and Brookfield Global Infrastructure(19.1M\$). By simply looking at the numbers it obvious to see my decision was biased toward the funds that had the most money invested in.

Table 1.1 – Leith Wheeler Equity Fund Top Holdings with Estimated Investment

Leith Wheeler – Top 25 Holdings	Company Sector	Percentage Invested	Estimated Investment (Percentage X 16'640'561\$)
Royal Bank of Canada	Banking	6.3%	1'048'355\$
Toronto Dominion Bank	Banking	6.2%	1'031'714\$
Bank of Nova Scotia	Banking	6.1%	1'015'074\$
Toromont Industries	Mining Machinery	5.9%	981'793\$
Canadian National Railway	Train	5.6%	931'871\$
Brookfield Asset Management	Finance	5.2%	865'309\$
Saputo Inc	Diary	5.0%	832'028\$
Open Text Corp	Artificial Intelligence	4.9%	815'387\$
Brookfield Infrastructure Partners	Finance	4.7%	782'106\$
Constellation Software	Software Installation	3.9%	648'981\$
Canadian Imperial Bank of Commerce	Banking	3.6%	599'060\$
Progressive Waste Solutions	Recycling	3.5%	582'419\$
Canadian Natural Resources	Oil	3.5%	582'419\$
Tourmaline Oil	Oil	3.4%	565'779\$
Manulife Financial Corp	Finance	3.3%	549'138\$
Finning International	Mining Machinery	2.7%	449'295\$
Canadian Tire Corp	Product Retailer	2.5%	416'014\$
CI Financial Group	Finance	2.1%	349'472\$
First Quantum Minerals	Mining	2.1%	349'472\$
Canadian Western Bank	Banking	1.8%	299'530\$
Mullen Groups	Trucking	1.7%	282'889\$
Rogers Communication	Telecom	1.5%	249'608\$
CGI Group	Information Technology	1.5%	249'608\$
Great-West Lifeco	Finance (insurance)	1.5%	249'608\$
Nutrien	Live stock Feed	1.3%	216'327\$

Table 1.2 – Lazard Equity Fund Top Holdings with Estimated Investment

Lazard – Top 10 Holdings	Company Sector	Percentage Invested	Estimated Investment (Percentage X 24'861'982\$)
Cisco Systems	Network Technology	5.5%	1'367'409\$
Eaton Corp	Electrical & Aerospace	4.2%	1'044'203\$
Rio Tinto	Mining	3.6%	895'031\$
Royal Dutch Shell	Oil	3.5%	870'169\$
Pfizer	Pharmaceuticals	3.5%	870'169\$
Total SA	Oil Refinery	3.5%	870'169\$
Agricultural Bank of China	Banking	3.4%	845'307\$
Blackstone Mortgage Trust	Finance	2.5%	621'549\$

Alumina	Finance	2.5%	621'549\$
Sunitomo Mitsui Fin.	Finance	2.4%	596'687\$

Table 1.3 – Brandes Canadian Equity Fund Top Holdings with Estimated Investment

Brandes Canadian – Top 10 Holdings	Company Sector	Percentage Invested	Estimated Investment (Percentage X 11'690'131\$)
Brandes Global Equity Fund	Finance	28.6%	3'343'377\$
Cash & Cash equivalents	n/a	18.7%	2'186'054\$
Corby Spirits & Wines	Liquor	7.1%	829'999\$
E-L Financial	Finance	5.5%	642'957\$
Celestica	Cloud Technology	3.9%	455'915\$
Sierra Wireless	Communication	3.7%	432'534\$
Dorel Industries	Toys & Furniture	3.4%	397'464\$
EXFO Inc	Communication	3.3%	385'774\$
Algoma Central Corp	Shipping	2.4%	280'563\$
Velan Inc	Valves	2.2%	257'182\$

Table 1.4 – Brandes Global Equity Fund Top Holdings with Estimated Investment

Brandes Global – Top 10 Holdings	Company Sector	Percentage Invested	Estimated Investment (Percentage X 3'343'377\$)
GlaxoSmithKline	Pharmaceuticals	3.4%	113'674\$
Sanofi	Biomed	3.4%	113'647\$
Citigroup Inc	Finance	3.4%	113'647\$
Pfizer	Pharmaceuticals	2.8%	93'614\$
Engie SA	Natural Gas & Renewables	2.7%	90'271\$
Embraer SA	Aerospace	2.7%	90'271\$
Merck & Co	Pharmaceuticals	2.6%	86'927\$
Schneider Electric	Energy Management	2.5%	83'584\$
BP	Oil	2.5%	83'584\$
Imperial Brands	Tobacco	2.4%	80'241\$

With the willingness to explore the Brookfield equity fund, I was stumped into furthering the amount of information. The Brookfield equity lacks transparency as their website contains very little information and is hardly navigable. In addition to their clunky website, they subdivide their fund into sub-funds which are even less transparent than the main fund and which can hide some substantial companies that could face negative screening. These layers hidden under other layers of equity fund and financial investment groups are definite reasons why the reporting of such monetary value is only an estimation. Bank as also prone to investing into other industries not necessarily prescribed by their clients. I wanted to explore these types of hidden layers using the Brandes Canadian fund. A significant amount of this fund (28.6%) was invested into an affiliate fund under the name Brandes Global. Oddly

enough, I was able to find that under Brandes Global there was an affiliation with BP, formerly known as British Petroleum

As reported by the tables above, through these investment funds, Concordia University is giving funds to fossil fuel driven companies. Companies like Shell and BP are most notable here, however other oil companies are present such as Tourmaline Oil, and Canadian Natural Resources. These companies mainly focus on the extraction operations involved in the tar sands. The next step, the processing of crude oil, is complex and is allocated to more specialized refining companies, in our case, Concordia has invested into a petroleum refining company, Total SA. Refineries need pipelines and valves, the latter of the two is provided by another company that Concordia invests in, Velan inc. Mining requires equipment to extract and displace the earth material it wishes to refine, therefore the tar sands project has inclusion of heavy machinery, such as Caterpillar equipment which are sold/rented by Toromont Industries and Finning International. Afterwards trucks must haul the material offsite to reach its next step in processing and this is where the Mullen Groups comes in. The Mullen Group is a trucking company that is responsible for most of the trucking needs in the Athabasca region.

Table 1.5 – Statements Linking Companies to Alberta Tar Sands

Company	Statement	Sources
Canadian Natural Resources	The Company owns and operates substantial world class oil sands mining assets. The Horizon Oil Sands and the Athabasca Oil Sands Project (AOSP) are approximately located 70 km north of Fort McMurray, Alberta in the Athabasca region.	https://www.cnrl.com/operations/north-america-exploration-and-production/oil-sands-mining
BP	The company holds interests in three oil sands assets in the Athabasca region of northeast Alberta.	https://www.bp.com/en_ca/canada/who-we-are/oil-sands.html
Shell	The respective ownership interests of AOSP assets in aggregate, directly and indirectly, are 70% Canadian Natural Resources Limited and an affiliate, 20% Chevron Canada Limited and 10% Shell Canada Limited and certain subsidiaries.	https://www.shell.ca/en_ca/about-us/projects-and-sites/athabasca-oil-sands-project.html
Tourmaline Oil	Tourmaline is a Canadian senior oil and natural gas company focused on the long-term growth through an aggressive exploration, development, production and acquisition program	https://www.tourmalineoil.com/operations/areas-of-operation/ab-deep-basin/

	in the Western Canadian Sedimentary Basin	
Total SA	TOTAL has assets both upstream and downstream in Canada's tar sands, from refineries and mining interests as well as in-situ operations	www.tarsandsworld.com/total-france
Velan Inc	In fact, our valves are installed in almost 90% of North America's oil refineries, and our installation base in all areas of the global oil and gas industry – from production to distribution to refining to petrochemicals – continues to grow.	https://www.velan.com/en/industries_served/?id=131
Toromont Industries	Investors in heavy equipment dealer Toromont Industries Ltd. are benefiting from its limited exposure to Canada's ailing oil and gas sector, but analysts expect near-term growth to be a challenge.	www.theglobeandmail.com/amp/globe-investor/investment-ideas/how-caterpillar-dealer-toromont-is-weathering-the-oil-prices-storm/article22435795
Finning Intl.	Shares in Finning International Inc. edged up on the Toronto stock exchange Thursday after the firm's Canadian division announced that it had won an order from oil sands giant Syncrude Canada Ltd. for equipment and product support services worth about \$230-million.	www.theglobeandmail.com/amp/report-on-business/finning-lands-230-million-order-in-oil-sands/article1069296/
Mullen Group	Mullen Group is pleased to announce that it has entered into agreement with AECOM to acquire the business and assets of AECOM's Canadian Industrial Services Division, which operates largely within heavy oil and oil sands regions of Alberta.	https://www.globenewswire.com/news-release/2018/06/11/1519556/0/en/Mullen-Group-Ltd-Annouces-Acquisition-of-AECOM-s-Canadian-Industrial-Services-Division.html

The Risk Factors

Surprisingly after dissecting the equity funds and categorizing the top companies by their respective industries, every single oil related company was directly associated with the tar sands, with very little research necessary. What this means for Concordia University is that their energy-related investments rely predominantly on the success of the tar sand extraction operation. This goes against primary investor principles of diversifying their investments or simply to not put all your eggs in the same basket. This also goes against ESG based

investments, as most of the information I discovered wasn't made transparent by the governing authority and needed some effort to be found. The tar sands are a known cause of environmental and social distress, and thus cannot be aligned within the ESG framework which tends to alleviate negative social and environmental impacts.

Having a majority of shares dependent on the outcomes of one mega-project entails financial risks, these risks are magnified by the potential impacts on both the social and environmental aspects.

The first and most obvious type of risk dealing with oil is the operational risks. Although safety and security are key to a successful oil company, these protection systems aren't perfected and may go faulty, if unchecked. Oil leakage or improper waste disposal can irreversibly affect the social and environmental well-being of the affected area. Records have shown that millions of litres of tar sand tailings were flowing into the aquifer each day due to mismanaged operations. Operational risks are often outlined by vague statements and guidelines, that if followed correctly would minimize the risks, however some of these guidelines are overlooked or not even enforced by the responsible authority. If the government were also to instore a heavier carbon tax for oil producers, then the companies would be forced to pay extra. In addition, legislation and legal repercussions funnel within this category of risk and therefore environmentally and socially defending lawsuits may jeopardize a company's stocks involved in the tar sands. These stocks, although not being affected significantly by the monetary value entailed when paying-out a court case, have prices that will fluctuate according to the fear factor estimation of speculators. Speculators appeal to the emotional reaction of investors, however they also consider the amount of media coverage about the company's mishaps or detrimental legal ventures. The media coverage related to a company is directly associated with its public image and thus leads us into our next type of risk.

Reputational risks are the simplest to understand and associate with the fossil fuel industry. This type of risks relates to public relations of a company following an operational

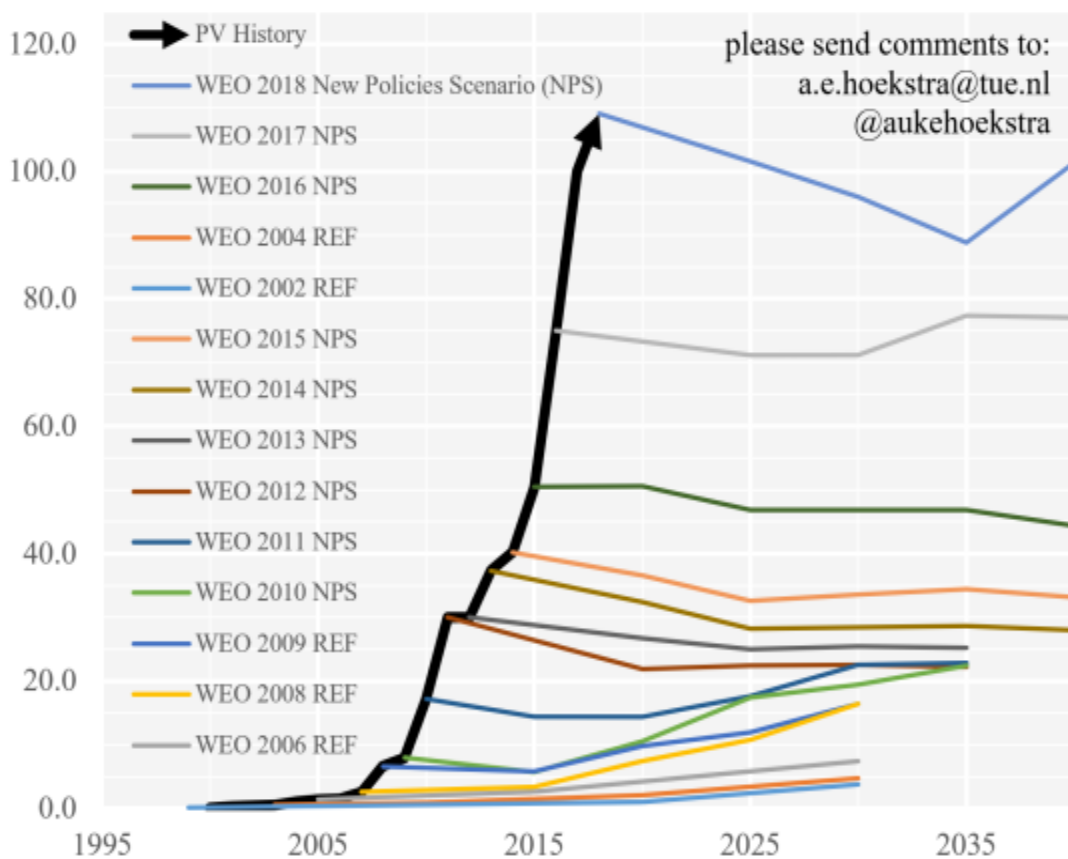
mistake. These risks play upon the social responsibility/accountability of a company to proceed operations with proper safety, ethical, and sustainable market measures. When a company lacks to fulfill one of their responsibilities to the public, they become accountable in both monetary and social terms. One of the most memorable examples in recent times of reputation affecting a company is the oil spill that occurred in 2010 in the Gulf of Mexico. This spill occurred after an operational problem on a deep-water oil rig, belonging to the formerly known British Petroleum. The impacts of the error were felt quite readily by wildlife along the coastlines of the event, and thus stirred an intensive media coverage by various media networks. This focus brought upon by the media rose the general awareness of the population against the doings of British Petroleum. By having caused the world's worst environmental disasters and having to pay hefty fines, investors started facing away from the company. The company even streamlined their name to BP to attract less attention from the public. Oddly enough, BP is one of the companies that I discovered when going through the top positions within each equity fund, in addition to that it was the company that had the less money allocated by our estimation. Could this be a sign that Concordia is divesting or just a cover to not have their reputation directly associated with environmental perpetrators? For the financial experts at Concordia there seems to be a lack of viable alternative to oil, therefore, even after the situation with BP, Concordia is still willing to invest in a branch of a non-reputable industry. If events equivalent to the one in the Gulf of Mexico were to occur in the tar sands, the Concordia University Foundation would lose a lot of its investment potential and if the link were made between the university and the tar sands its reputation would be tarnished for several years.

If thinking about the future when investing, it's important to note the technological advancements present. With our globalizing economy in this age of information we can harness new technologies much more rapidly. Technological advancements in the energy-sector have had great leaps in renewable energy sources for infrastructure and vehicles. This leaves our more polluting methods to be jeopardized by the imminent technological risk. Alternatives to fossil fuels are currently being developed and perfected to suit the habits of the general

consumer. Manufactured based economies like China are ramping up their production of solar panels to unpredictable heights. Through technological improvement, alternative energy supply will become more accessible and be able to take a bigger share upon the energy market, thus reducing the demand for fossil fuel related ventures soon. This shift of market with the varying supply and demand for alternative fuels introduces our next risk, commodity risk. Experts in the field of finances have predicted the growth of the photo-voltaic cells market to stagnant or increase slightly in the upcoming century, however in reality solar panels have had great technological advances. Thus, the market for solar panels is expanding its total power output capacity in an unpredictable sky-rocketing rise and could become a threat to the fossil fuel-driven energy demands more rapidly than predicted. This can be visualized in the figure below.

Annual PV additions: historic data vs IEA WEO predictions

In GW of added capacity per year - source International Energy Agency - World Energy Outlook



Source: Hoekstra, A. (2017)

Oil is a commodity in our economy and holds a nominal value which fluctuates through supply and demand patterns concerning the product. If these patterns were to change there falling prices, possibly due to alternative supply increase, would try to undercut competition on the free-market. If unchecked, oil can become worthless as the supply is plentiful however the demand is fading away. When your industry relies predominantly on commodity-based asset for its valuation, its important for that industry to have the available demand within the market to sell its commodity at a profitable price. If the demand is to fall, prices will too and thus the oil venture of the tar sands will lose all its potential profit, as tar sand oil extraction is quite costly relative to other oil extraction methods. When a company has too much commodities to be sold on the market at once and the commodity's price falls due to demand patterns, the company introduces the asset liquidity risk. The market cannot sell your commodity before it becomes worthless and thus you are left with vast amounts of your commodity without any value. If a company were to be valued on its assets in commodity, this same company affected by stranded assets would be render a great loss on investment.

Conclusion

This report outlines a methodology of estimating how much money is invested into separate companies associated with invested equity funds. The lack of accuracy in the information is due to a lack of transparency through cloudy websites and additional layers of investment. These layers help to conceal the more shameful information about a company or fund and thus are powerful for hiding content. As this study was limited to a deadline, it was not feasible to uncover the information under all these extra layers. Although not mentioned in the report, most of the investment of the equity funds are redirected towards banks and other financial groups (please refer to table 1.1-1.4), which can have their own affiliations with more fossil fuel related companies. More research should be done into the other equity funds not covered by this report and I recommend a deeper exploration into the assets of the affiliated banks and financial groups. Thus, the lack of transparency is a challenge for the documentation and reporting of this issue.

After assessing what companies are being invested into, I started to see a pattern that reflected a lot of oil-related companies and therefore explored some risk associated with this industry. Realizing how much money was invested into these companies was astonishing, considering that this was an incomplete sample size of only 3 equity funds with an additional affiliate-fund. The risks outlined were also only a small sample, hundreds of other types of risk exist and can jeopardize the future of fossil fuels as an investment. Fossil fuels aren't the only type of profitable investment, they are risky, and they damage the practices of sustainability praised by the ESG framework. An alternative to fossil fuels investment must be implemented rapidly for our society to minimize the risks brought upon by the fossil fuel industry. would be an alteration in value and thus an increased competition. Oil retailers aware of the

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Examining the Major Players in the Concordia Student Union's Main Equity Portfolio

In 2015 the Concordia Student Union (CSU) divested from fossil fuels, leading the way for divestment talks at Concordia University. They fully divested their stocks from fossil fuels and put their money into a Socially Responsible Investment (SRI) fund with Lester Asset Management brokerage company. A few years later, the CSU started a smaller SRI fund with Jarislowsky Fraser, another investment management company. The CSU's investment mandate is focused more on "community development and risk aversion rather than financial profit", and emphasis on transparency with stakeholders and with the Concordia community. They have adopted the basic UN's Principles of Responsible Investments (PRI) and ameliorated them to screen negatively for companies that are involved with human rights violations, weapons, the Israel-Palestine conflict, prevention of union activity, tobacco, gambling, pornography, unsustainable farming, direct degradation of the environment, violation of consumer product safety, as well as fossil fuel energies, such as tar sands or pipelines. They screen positively for companies that engage in community involvement, supply chain sustainability, unionization, cooperatives, upper-management gender parity, commitments to the environment, produces positive products and services, and works to maintain employee empowerment, equity, and diversity (Prunty, 2015).

Methodology

This paper will be examining the top ten companies in the Lester portfolio, based on the ten companies that take up the highest percentages of the portfolio. The reason for focusing on one brokerage company is that Lester is the primary investment fund and conveniently also the one with more available information. We will be examining the companies using a simplified list based on their positive screening criteria, using the information on their websites and going through their stated commitments and business practices. We will be shallowly investigating these companies through a set of criteria that considers if the companies have a diversified board of directors or upper level management, specifically regarding people of colour and women, if transparency is a value that they strive to incorporate into their business methods, if they engage in philanthropy, if they commit to having a positive relationship with their local and/or indigenous communities, and if they have committed to implementing any social or sustainability initiatives. This work is not done to undermine or try to discredit the work and initiative that the CSU has done to become a responsible investor, but to see if its PRI

guidelines and screening process are actually effective, and what this could mean for the much more substantial Concordia endowment.

Lester Asset Management Portfolio Position Report as of December 31, 2018 - 10 companies with the highest % of total - Account: Cash-A (491KSZA) - Equity

- 4.5 % CGI Group INC-A SV
- 3.7 % Logistec Corp CL-B SV
- 3.6 % Innergex Renewable Energy
- 3.6 % Goodfood Market Corp
- 3.6 % Canadian National Railway
- 3.5 % Baylin Technologies INC
- 3.5 % Solium Capital INC
- 3.4 % Telus CORP
- 3.4 % AG Growth Intl INC
- 3.3 % Diamond Est Wine & Spirits

	Diversity	Transparency	Philanthropy	Local/ Social	Indigenous	Sustainability	Question able practices
CGI	Low	No	Yes	Yes	No	Yes	Oil/gas
Logistec	Low	No	No	Yes	Yes	Yes	
Innergex	Low	Yes	No	Yes	Yes	Yes	
Goodfood	Good	No	Yes	Yes	No	Yes	
CN	Low	No	Yes	Yes	Yes	Yes	Coal
Baylin	Low	No	No	No	No	No	
Solium	Low	Yes	Yes	No	No	No	
Telus	Good	Yes	Yes	Yes	Yes	Yes	
AG	Low	No	-	-	-	-	
Diamond	Low	No	Yes	Yes	No	Yes	

CGI INC

Canadian Global Information Technology is an information technology (IT) business that has the capacity to provide end-to-end services to install and maintain up to date technology for large firms. This includes providing customers with business consultations, system integration, IT outsourcing services, application services, infrastructure services, and business process services. CGI focuses on strengthening cyber security and has concrete commitments to enhance their local communities social, economic, and environmental prosperity. They have created a global initiative called Dream Connectors that helps local communities gain more access to technology, volunteers, and funding by having an annual meeting where professionals come together to brainstorm ideas for these initiatives. Their environmental commitments consist of their own efficient operating methods (what this means is unclear) as well as helping their clients become more sustainable by providing efficient solutions to reduce emissions and overall carbon footprints. However, CGI does work with oil and gas companies to provide them with technologies to improve reserve productivity, asset utilization, partnerships, compliance and profit generation (“CGI.com”, n.d.).

Logistec Corp

Logistec is a Canadian company that does business in two sectors: marine services and environmental and water technologies services. Its marine services are responsible for operating numerous ports and terminals across North America, including remote communities in Northern Canada. Their environmental services, led by a team called Sanexen, focuses on environmental solutions such as contaminated site remediation and water main rehabilitation. The commitments to the environment and sustainability focus mainly on water conservation and energy efficiency. They have partnered with AquaHacking to find bring solutions for water scarcity and water availability to communities in need. The company is less clear on what initiatives they have taken for their energy efficiency commitments but they on their website that they consider their stakeholders inputs and work to reduce their emissions, as well as working to create new technologies that would create a more sustainable operations chain. As for their community objectives, Logistec works with the Northern communities to provide work opportunities for Inuit residents as well as transportation routes so goods can reach these remote communities (“logistec.com”, n.d.).

Innergex Renewable Energy

Innergex is a global energy company that works to develop and expand renewable energy facilities such as hydro, geothermal, wind, and solar, in a sustainable and socially responsible manner. Founded in 1990, the company operates on the belief that to combat climate change, renewable energy must be made available to everyone, and implementing these projects has to be done in compliance with the local and indigenous communities. The company believes in transparency and engaging with all levels of stakeholders. Innergex has operations in Canada, the U.S., France, Iceland, and Chile (“Innergex Renewable Energy”, n.d.).

Goodfood Market Corp

Goodfood Market is a new Canadian company that was founded only four years ago by two young men, Jonathan Ferrari and Neil Cuggy, who wanted to encourage more people to cook healthy meals at home. Their boxes consist of a meal that you pick out beforehand, with all the ingredients in the exact proportions needed for the recipe, which therefore reduces food waste. Their packaging is also completely recyclable, even down to the salt solution ice packs, which can either be kept for future use, left at the door for them to take back, or cut open and flushed and then the plastic wrap can be recycled. They have committed to helping every Canadian having access to good food, so for every Goodfood box purchased donates a healthy meal to a child in need at a school in the same location as one of their companies. When possible, the ingredients in their boxes are comprised of mainly local foods from Canadian farms. Their meat and fish products come from eco-responsible sources, although what defines eco-responsible for the company is unclear (“Fresh Ingredients, Meal Kit Delivery”, n.d.).

Canadian National Railway

CN is a railway company that connects its network across Canada and down to the Eastern side of the United States. They transport market materials and goods, not people. They consider themselves part of the backbone of the Canadian economy and pride themselves on a strong governance structure. On the topic of sustainability, they say that they are committed to improving their emissions and energy efficiency, waste management, biodiversity and land management. However, they also are committed to “helping our new and existing coal customers compete in an ever-evolving global marketplace by facilitating a sustainable coal supply chain that integrates every step along the way”. They are also committed to community and aboriginal work, by supporting and funding initiatives like Aboriginal Vision and the Dare to

Dream outreach youth program (“Transportation Services - Rail Shipping, Intermodal, trucking, warehousing and international transportation”, n.d.).

Baylin Technologies INC

Baylin Technologies is the head of its three subsidiary companies: Galtronics, Advantech, and Alga. Although headquarters are in Toronto, most of their products are designed and manufactured here in Montreal. Alga specializes in microwave technology, while Advantech provides communications technology for “Commercial, Critical Infrastructure & Government and Military clients”, which includes reliable communication technology for first responders. Lastly, Galtronics has been designing and manufacturing antenna technology for forty years. Their code of ethics deals mainly with operating with a strict moral code, focused mainly on maintaining an environment untouched by conflicts of interest, but also touches on a health, safety, fair employee and client relations, and a workplace that is free of harassment and discrimination. They have no commitments to environmental or local community initiatives (“Home”, n.d.).

Solium Capital INC

Solium is a Canadian company that provides customers with software that simplifies equity administration, best known for its software program called Shareworks, which allows companies to better manage their employees stock options and cap tables. Its goal is to empower employees by helping them understand exactly what is in their equity plans and how they can benefit from them. Listed in their stated core values are excellence, integrity, collaboration, innovation, gratitude, transparency and empathy, which they aim to cultivate in their relationships with customers, vendors, partners, as well as with fellow employees. They have partnered with the Make-A-Wish Foundation at their 24th Annual NASPP Conference, trading every piece of feedback they received for their equity compensation platform for a donation. They have no stated initiatives to support their local or indigenous communities, or any stated sustainability initiatives (“Equity Plan Management Software”, n.d.).

Telus Corp

Telus is a big Canadian telecommunications company that offers a range of services, most notably internet, TV, and phone services. The company strives to stay up to date on the latest communication technology, especially focused on data and wireless. As part of their Annual Report of 2018 from the CEO to investors, it is stated that Telus is a company that

believes in the merits of social capitalism, which is why they have so many programs that work to foster greater community wellbeing and environmental health. One of these programs is based on the importance of communication for people, especially for vulnerable people, which is called the Mobility for Good program, which provides free phones and data plans to young people that are coming out of the foster care system. They also have sustainability initiatives, which include changing their operations to reduce their greenhouse gas emissions by 25% from their 2010 levels by 2020, as well as having donated \$15 million to fund environmental work since the year 2000 (“Phones, Internet and TV on Canada's fastest network”, n.d.).

AG Growth International Inc

AGI manages agricultural operations, providing solutions and systems all along the operation chain, from storage to handling, to structures and processing, to controls in grain, seed, fertilizer, feed, and food. They have expanded from Canada to operating in countries across the globe. In their stated missions and values, they have listed integrity, curiosity, simplicity, innovation, urgency, collaboration, transparency, and safety, but with no context or explanation of what these terms mean to the company. There is nothing on their website about efforts to connect with and support local or indigenous communities, participate in any type of philanthropy, or work to implement any sustainability initiatives. Since their website is unclear, I do not think it would be fair to tick off any of the criteria in their stated missions and values, since they are unsupported by any explanation or examples (“AGI | Global Food Infrastructure”, n.d.).

Diamond Estates Wine & Spirits

Diamond Estates is an Ontario-based company that produces and distributes wines from the Niagara Peninsula, known as one of the country's best regions for producing quality wines. They also own a subsidiary which they distribute other international wines and spirits through. The company has expanded from solely selling to Canadians to continents around the globe, including Europe and Asia. They have made a number of moves towards becoming a more efficient, sustainable business within their own manufacturing process, the most notable being insulating their indoor and outdoor tanks which increased their cooling system efficiency by 300%. They have also partnered with Dream Renewables to implement solar power into their operations, installing 36,000 square feet of solar panels onto the rooftop of Lakeview Wine Co. For these and other initiatives the company has been certified as following sustainable winemaking practices. Diamond Estates also participates in community engagement, giving

back to programs like Wellspring Niagara, which supports those affected by cancer, and takes steps to ensure that their services are accessible for those with disabilities by training their staff to be able to properly assist disabled peoples as well as having a clear feedback system on how they can do better in this area (“Diamond Estates Wines & Spirits”, n.d.).

Conclusion

So, as we can see from the table and the summaries of each company, on a surface level the PRI framework seems to work well. The two companies that are involved with questionable practices are Canadian Global Information Technology and Canadian National Railway. Both companies offer their services, information technologies and railway transport respectively, to oil, gas, or coal companies. However, this activity is not flagged by the negative screening process because the companies themselves are not manufacturing or processing fossil fuels, so they are somewhat removed from the industry. As we have learnt in class, it is very difficult to remove oneself completely from fossil fuels, as it pervades most industries and products in one way or another. Another questionable company I came across was AG Growth International, which is heavily involved in almost all stages of the agricultural processing and storing chain. Their business itself does not seem to be challenging the negative screening process, but the company does not make enough of an effort in making their business values or commitments are accessible and transparent to the public from their website. They have them stated, but no context or explanation as to how they implement these in their daily operations, which is both unusual and makes the international company come off as untruthful or at the very least lazy, for not bothering to further explain their values. The lack of accessibility and clarity on the AG website makes it hard for the average person to know how the company operates and what its social and environmental impacts and initiatives are.

Nonetheless, these three companies do not break the negative screening guidelines and for the most part, meet some of the positive screenings as well. Although the research of this paper was a short and surface investigation, it proved that the CSU's PRI screening process for socially responsible investments is effective as all of the companies do not directly break the negative screens and apart from AG , whose results have already been explained, a lot of these companies truly try to do good through their business and/or initiatives. The most common initiatives for companies to implement are programs that aim to connect with and support local communities, or some other similar type of social programs. Environmental initiatives are just as frequent, with almost every company acknowledging the importance of sustainability or environmental health and work to address that. The criteria that were the least fulfilled were

diversity among board members or top executives, specifically considering gender parity and people of colour, and having transparency as a stated company value. However, though transparency is not a stated value for most of these companies, for many of them it is clear that transparency is important to them based on how they make their information available to the public, like Goodfood for example, who makes all their information available and easy to find. There was about an equal amount of companies that chose to engage in philanthropy or launched indigenous programs, and some who did both. What was not specified in the CSU's investment mandate or screening criteria but was very prevalent was the importance of investing in local businesses. Many of these companies have operations or strong ties to Montreal, and almost, if not all of them, were Canadian. This spoke volumes to me about community engagement, as supporting local or homegrown business is a strong statement in a globalized financial world.

Overall, based on my research I think the PRI screening process is legitimate and effective. Concordia University has marketed themselves as a progressive institution that actively works to be socially conscious and operate sustainably, as their website directly states, "Sustainability permeates every level of the Concordia community" ("Sustainability Hub", n.d.). To properly reflect the University's brand that they have so carefully cultivated and marketed, the endowment fund should follow suit of what the CSU has done with their stocks, and fully divest from fossil fuels and put their stocks into an SRI account which follows a stringent PRI framework. The CSU has invested in such socially and environmentally responsible companies because they went above and beyond the standard UN's PRI framework, and added in their own criteria according to student values. Otherwise, their stated values ring hollow, when they preach social responsibility and sustainability but continue to help line the pockets of the world's richest and most corrupt, who profit off of a dying world that leaves their students with a future full of fear and uncertainty.

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A PRImmer on PRI

Principles for Responsible Investment (PRI) and the Concordia University Foundation

Sam Boskey April 2019

“On January 23, 2018, the Concordia University Foundation became a signatory to the United Nations' Principles for Responsible Investment and began to incorporate environmental, social and governance factors into all its investment and ownership decisions.”¹

This document provides background on the PRI and context of Concordia's decision to become a signatory. It is intended to be useful in examining the reporting on its PRI undertakings which the Concordia University Foundation (CUF) will eventually be required to make, and to suggest some avenues for exploration in determining to what extent the PRI is likely to affect investment policies and the general culture of sustainability at the university.

Socially responsible investing and the PRI

The concept of “socially responsible investing” (SRI) can be traced back to biblical times. With the rise of capitalism, “Quakers and other religious orders starting in the 18th century refused to invest in “sinful” industries such as distilleries and weaponry”.² In the past hundred years, boycotts and other social campaigns have been used to put economic and social pressure on companies on issues such as military production, civil rights, working conditions and apartheid.

Many companies and marketers started calling themselves “socially responsible” or “ethical”, pointing to particular characteristics of their offer, though without any industry-wide consistence, so that Hawken was able to write in 2004³ that “The term 'socially responsible investing' is so broad it is meaningless...SRI can be determined by what is called a negative screen, i.e., if you don't

1 Concordia University Foundation Annual Report 2017-2018 p. 13

<https://www.concordia.ca/content/dam/concordia/aar/docs/foundation/2017-18-Concordia-Foundation-Annual-Report.pdf>

2 Hawken, Paul “Is your money where your heart is? The Truth about SRI Mutual Funds” (2004)

http://web.archive.org/web/20041030081858/http://www.dragonflymedia.com/portal/featured_stories/200410/hawken_paul.html

3 Hawken, Op. cit.

do something, you qualify...The analogy would be a gang member who is a mugger. If the gang member says he will stop mugging senior citizens over 65, he now qualifies as a socially responsible gang member.”

According to the Forum for Sustainable and Responsible Investment's 2012 Report on Socially Responsible Investing Trends, SRI held \$3.74 trillion (11.3 %) in total assets under management out of the \$33.3 trillion in the U.S. investment marketplace. The report identifies 720 funds that apply various environmental, social and governance (ESG) criteria in their investment analysis and portfolio selections.⁴

The United Nations (UN) Secretary-General Kofi Annan convened a meeting of 20 large institutional investors in early 2005 to begin the process that culminated in the PRI. These investors worked with the UN Environment Programme Finance Initiative, the UN Global Compact and various academic, government and investment experts to develop the final set of principles, launched on April 27, 2006.⁵

The Principles:⁶

1. We will incorporate ESG (environmental, social, and corporate governance) issues into investment analysis and decision-making processes.

Possible actions:

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis

4 https://www.bogleheads.org/wiki/Social_responsibility_indices

5 Berger, John “In Good Company” in Benefits Canada (2008)
<https://search-proquest-com.lib-ezproxy.concordia.ca/docview/224288115/fulltext/3D42E80F3EBC4816PQ/1?accountid=10246>

6 Principles for responsible investment, United Nations
<https://www.scribd.com/document/5046682/principles-for-responsible-investment-english>

- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible actions:

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

4 We will promote acceptance and implementation of the Principles within the investment industry

Possible actions:

- Include Principles-related requirements in requests for proposals (RFPs)
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations

- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

5 We will work together to enhance our effectiveness in implementing the Principles.

Possible actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

6 We will each report on our activities and progress towards implementing the Principles

Possible actions:

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a ‘Comply or Explain’ approach (*The Comply or Explain approach requires signatories to report on how they implement the Principles, or provide an explanation where they do not comply with them*)
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders

The PRI describes itself:

*The six Principles for Responsible Investment are **a voluntary and aspirational set of investment principles that offer a menu of possible actions** for incorporating ESG issues into investment practice. The Principles were **developed by investors, for investors**. In implementing them, signatories contribute to developing a more sustainable global financial system.⁷*

⁷ PRI Annual Report 2018, Back Cover
https://d8g8t13e9vf2o.cloudfront.net/Uploads/g/f/c/priannualreport_605237.pdf

Comment***“developed by investors, for investors”***

Investors, like many lawyers and politicians, are 'hired guns for the bourgeoisie' in that their activities take place entirely within the capitalist realm of the stock market and financial institutions. Thus, there should be no expectation that the PRI will give rise to any questioning or modification of the basic operation of capital, not give succor to any analysis which sees environmental devastation and human exploitation as necessary consequences of the capitalism. At best, PRI can promote socio-democratic, Keynesian “capitalism with a human face.” At worst, as the 'global financial system' descends into rampant neo-liberalism, PRI may be used as a facade to rationalise the unthinkable.

“a voluntary and aspirational set of investment principles that offer a menu of possible actions”

It is important to note the significance of “voluntary and aspirational”. Signatories to the PRI are free to sign up for whatever parts of the 'menu' they would like. There are no imposed targets; there are no required timelines – hence 'aspirational'. The PRI is, simply, a process through which signatories choose what they would like to be held accountable for and then report on it. It is the reporting procedure – detailed and extensive – which contributes to transparency, which in turn may, in certain contexts, provide stakeholders with the fodder to push for modifications in the undertakings.

The PRI Board recognises that the concept of signatory accountability needs clarification. In its most recent (2018) Annual Report, in a discussion of 'minimum requirements' of accountability, it states:

The board discussed the proposed measures to enhance signatory accountability as well as the means, timeline and risks inherent in this process. The advantage of the proposed approach is that the clear criteria are binary, based on **self-assessment** and **there is no element of judgment**. The board agreed that the accountability measures were necessary, but the **PRI should not place too much emphasis on the measures**. The board stressed the importance of effective communication on the accountability measures: the PRI's core work is to drive responsible investment through a **market approach**; the objectives of the accountability measures are to encourage signatories to implement the Principles, as well as protecting the credibility of PRI initiative by **delisting signatories that are taking no action**.⁸ (emphasis added)

This notion of credibility has become a growing problem.

⁸ PRI Annual Report 2018 Op. Cit. p. 44

The Principles for Responsible Investment initiative...is investigating how it can strip signatories of membership if it becomes clear that their signing up to its investment code was no more than a **branding exercise**....

In March, its policy advisory chair Bryan Thompson criticized its asset-owning members for failing to demonstrate their commitment to ESG investment in practice...."Just saying that you are a PRI signatory is not enough any more. If you have got people who don't want to do anything [apart from] just use your brand and in the process diminish your brand, we have to act on it."⁹

And such action is under way. This past year, several dozen signatories has been de-listed, although it is not clear whether this is for sub-standard reporting or simply a failure to report at all.¹⁰

PRI Activities

None of the foregoing should imply that the PRI organisation is merely a spreadsheet! It undertakes a wide array of activities, which it offers to signatories, designed to enhance their understanding of ESG and to improve and deepen their strategies.

It provides **regional support** in the form of **analysis** and **networking**.

A recent **analysis** of Canadian pension legislation¹¹, for example, notes that "little exists in the Canadian regulatory system to specifically require these (pension plan) investors to address climate change issues...There appears to be no specific guidance or precedent for the integration of climate-related risks into pension fund investment decisions, which leaves it open to individual funds to decide on the extent to which such integration is required in order to discharge their broader statutory duties," and goes on to recommend "adoption of a clear framework consistent with the TCFD's recommendations is likely to assist significantly in enabling companies to understand the ideal scope of their disclosures and

⁹ "UN Body Considers Dropping ESG Free Riders" Wall Street Journal (online), July 5, 2016, <https://search-proquest-com.lib-ezproxy.concordia.ca/docview/1801628592/B51F8404B8F4EB3PQ/22>

¹⁰ "Using an agreed methodology based on the information reported to us by signatories, we have identified and notified signatories that are not meeting minimum requirements for ongoing membership. We will confidentially engage with them over a period of two years to support their progress and understand any material barriers. If, after two years, signatory organisations have yet to address these requirements, as a final resort, they will be delisted." Annual Report, 2018, Op.cit. p. 18

¹¹ <https://www.unpri.org/tcfd-recommendations-country-reviews--canada/280.article>

to integrate climate risk awareness into their businesses and existing (or developing) reporting systems.”

Regional **networks** have been established, including one in Quebec.¹²

The PRI sponsors a substantial Academic Network.¹³

Amongst its many other activities, the PRI produces policy documents and discussion papers, holds training session on many of the technical issues involved in implementing PRI-based policies, fosters communication and networking amongst its members on such issues as governance structures, shareholder rights, employee relations, human rights (including United Nations Human Rights principles), etc. There is a published Guide to Developing an Asset Owner Climate Change Strategy.¹⁴

Observers have signaled the positive contribution that the PRI can have on its signatories:

“Our study confirms that enabling organizations such as the PRI Initiative can help facilitate, support, and maintain collaborative engagements. They do this by bearing some of the coordination costs, helping to define the group’s common position, providing a neutral platform for dialog, assisting in attracting more investors and in pooling resources, and facilitating communication among participants.”¹⁵

The PRI also plays a pro-active role in sensitizing its signatories to evolving policy issues. .

The PRI ...commenced a scoping of the investment implications of a rapid and forceful policy response to close the gap to the Paris Agreement – what is referred to herein as an Inevitable Policy Response (IPR). In effect, an IPR is what would need to happen if the world was to move towards a target of 1.5- 1.75°C with 50–66% probability. Indeed, if policy actions do not ratchet up from current levels, we would need urgent and forceful policy action today to achieve anything close to

¹² “The objective of the Quebec Network is to bring together signatories to collaborate locally and assist the Executive in promoting responsible investment and the PRI within the local investment community. The Quebec Network advisory committee will develop a dedicated annual work plan consultation with signatories and the Executive that is aligned with the PRI strategic plan 2015-18.”
<https://www.unpri.org/Uploads/f/v/b/Quebec-network-advisory-committee---Terms-of-Reference.pdf>

¹³ “The PRI’s academic research programme provides grant funding to support and develop innovative responsible investment research, showcases research findings for an investor audience and convenes a vibrant, global community of nearly 4,000 academics and investors through the Academic Network.”
<https://www.unpri.org/sustainable-markets/academic-research/>

¹⁴ <https://www.unpri.org/climate-change/developing-an-asset-owner-climate-change-strategy/609.article>

¹⁵ Gond, Jean-Pascal and Piani, Valeria *Enabling Institutional Investors’ Collective Action: The Role of PRI Initiative* <https://www.unpri.org/academic-research/enabling-institutional-investors-collective-action-the-role-of-pri/3095.article>

attaining a 1.5°C outcome.¹⁶

“That increase would potentially prove disastrous, materially in terms of climate-related global disasters, but also from the point of view of portfolio risk... It poses significant risks to investors and service providers, as global warming at that scale would have large and detrimental impacts on global economies, society and investment portfolios... This would lead to an “inevitable-policy-response” (IPR) which will precipitate substantial shifts in capital allocation from high to low carbon activities which necessitates consequent alterations to strategic asset allocation in the face of accelerated policy and technological transformation.”¹⁷

In other words, current standards are inadequate and failure to act will not only be bad for the environment but disastrous for the portfolio; investors should, thus, be warned and modify their behaviours accordingly.

Some other observers have noted significant limitations in the PRI model.

“An analysis of the UN PRI demonstrates that the organization’s lack of transparency, accountability and enforcement actually serve as obstacles to the mainstream adoption of responsible investment practices. The UN PRI, after early successes in legitimizing the responsible investment ideology, appears to be acting as a shroud of legitimacy for traditional ‘non-responsible’ investment practices.”¹⁸

This author (Gray) notes that the lack of an explicit definition of responsible investment in the Principles allows a wider participation of actors whose own definitions might not agree with each others'. He notes that signatories are required to report to the PRI office but are not required to disclose all their outcomes to the public.

There are some signatories “which could be labeled the peripheral group, have as of yet to act on the ideology in a meaningful manner. The peripheral group, for all intents and purposes, appears to be free-riding on the efforts of the core group. In this case, free-riders are benefitting from the UN PRI in terms of access to: (1) competitive information regarding responsible investment strategies; (2) monopolistic information regarding forthcoming institutional investor actions; and (3) a degree of social legitimacy provided by the veneer of an UN-associated organization.”¹⁹

¹⁶ <https://www.unpri.org/climate-change/the-inevitable-policy-response-to-climate-change/3578.article>

¹⁷ <https://esg.theasset.com/ESG/35215/pri-warns-of-inevitable-climate-policy-threats-to-global-portfolios> Oct. 28, 2018

¹⁸ Gray, Taylor R. Investing for the Environment? The Limits of the UN Principles of Responsible Investment https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1416123 (2009)

¹⁹ Gray, Op. cit. p. 10

While the PRI “should be credited with introducing and legitimizing the responsible investment ideology within mainstream finance...the characteristic of the UN PRI which attracted signatories in the first place, its lack of explicitness, is precisely what is preventing the organization, under its current culture and structure, from living up to its potential to be a significant agent of change in international environmental governance.”²⁰

The PRI reporting process is substantial and complicated.²¹ The report includes 12 modules covering the structure of the signatory’s organization, organization’s overall approach to responsible investment (i.e. governance, responsible investment policy, objectives and targets, resources allocated to responsible investment and approach to collaboration on responsible investment and public policy-related issues) and the incorporation of ESG issues into asset allocation. There are additional sections for organizations that outsource some or all of their investment activities to external managers.

A video overview of the process is available at
<https://www.youtube.com/watch?v=JU0R2ymth44&feature=youtu.be>

What can be expected from the Concordia University Foundation’s reports will be examined further in this text.

Concordia University Foundation and the PRI

The CUF's becoming a PRI signatory in 2018 cannot, in context, be seen as a particularly pioneering action. Various constituencies within the University have known PRI for many years.

Since 2011, John Molson Executive Centre’s Sustainable Investment Professional Certification has been including instruction on PRI.²²

²⁰ Gray, Op.Cit. p. 14

²¹ <https://www.unpri.org/download?ac=1451> and https://www.unpri.org/Uploads/l/h/o/full2019rf_42136.pdf

²² <http://www.concordia.ca/jmsb/executive-education/programs/sipc.htm>

A 2012 Masters Thesis in the John Molson School of Business “Canadian Ethical Mutual Funds: Risk-adjusted Performance” discussed PRI and noted the advantages that PRI-inspired proxy voting could bring.²³

The 2013-14 Annual report of the David O’Brien Centre for Sustainable Enterprise (DOCSE) describes research projects underway examining the impact of PRI.²⁴ The 2015 Annual report describes how the Centre is collaborating with the UN-PRI Academic Network research activities.²⁵

A 2014 UN-PRI Academic Network Conference was held in Montreal. The agenda covered a wide variety of topics including debates on fossil fuel divestment, investor tax responsibility, green bonds, fracking, human rights in extractives, and executive remuneration. Several JMSB staff worked on the Organising Committee.²⁶

Cary Krosinsky, Lead Consultant, PRI, spoke at a JMSB Conference in 2015.²⁷

Also in 2015, the University's MBA program added a new course, “Socially Responsible and Sustainable Investment”, explicitly mentioning the importance of PRI.²⁸

As far as awareness of PRI within the investment community in Québec:

Desjardins Funds has been actively involved in socially responsible investing (SRI) since 1990 when it launched the Desjardins Environment Fund.

²³ Liang, Jianing :“Canadian Ethical Mutual Funds: Risk-adjusted Performance” ”Proxy voting and corporate engagement result in positive ethical changes of corporations. For example, 3 Canadian companies from the extractive industries adopted policies proposed by 11 individual investors to manage indigenous rights risks, according to the 2012 Principles for Responsible Investment (PRI) initiative report” p. 16 https://spectrum.library.concordia.ca/975053/1/Liang_MSc_S2013.pdf

²⁴ <https://www.concordia.ca/content/dam/jmsb/docs/research-centres/docse/jmsb-docse-2014-annual-report.pdf> p. 15/36

²⁵ <https://www.concordia.ca/content/dam/jmsb/docs/research-centres/docse/DOCSE-Annual-Report-2015.pdf> p.3, p 13.

²⁶ <https://www.concordia.ca/jmsb/research/centres/david-obrien/research/conferences.html>

²⁷ <http://www.concordia.ca/cuevents/jmsb/david-obrien/2015/10/23/climate-change-evolving-investment-strategies.html>

²⁸ <http://www.concordia.ca/cunews/jmsb/2015/12/14/new-course-reflects-industry-shift-to-value-based-investing.html>

Since the PRI was launched, many Canadian and Quebec institutions have become signatories. At present (early April 2019) there are 125 Canadian signatories²⁹, of which 39 are in the category of 'asset owners' – the category that the CUF is part of. (Other categories are 'investment managers' and 'service providers'.)

Fourteen Quebec-based asset owners became signatories to PRI before the CUF, including 3 university-based funds.³⁰ Thus, by 2018 the CUF is a relative latecomer.

In recent years, there has been other action within the University in regards to its environmental impact.

In 2014 the CUF established a \$5 million sustainability investment fund.³¹ This represented a small fraction of the Foundation's portfolio and this action was strongly criticised by the student group Divest Concordia which was calling for a complete divestment from holdings in the fossil fuel industry. "As it stands, the university can continue to hold stocks in fossil fuel companies while using public relations tricks to make the university look like a leader on sustainability; it's a simple green-washing tactic."³²

The University released the Concordia Campus Sustainability Assessment in 2015.³³ In its conclusion, it noted that "It is now accepted that financial gains are not diametrically opposed to environmental protection and sustainable ... Furthermore, the sustainability aspects of accountability and community engagement can be promoted through a transparent and democratic investment process.

²⁹

<https://www.unpri.org/searchresults?qkeyword=&PageSize=10¶metrics=WVSECTIONCODE%7C1018&cmd=AddPm&val=WVFACET3%7C131>

³⁰ Bâtirente (April 2006), Caisse de dépôt et placement du Québec (April 2006), [Société d'assurance-vie inc. \(SSQ\)](#) (July 2008), Régime de Retraite de l'Université de Montréal (July 2009), Régime de retraite de l'Université du Québec (November 2009), Gestion FÉRIQUE (Quebec Engineers Fund) (January 2011), Fondation CSN (March 2011),

Fonds de solidarité FTQ (September 2011), Développement international Desjardins (April 2014), Régime de retraite de la Confédération des syndicats nationaux (CSN) (January 2016), Université de Montréal (Fonds de Dotation) (January 2017), The J.W. McConnell Family Foundation (April 2017), Régime de Rentes du Mouvement Desjardins (January 2018), Fonds de placement du Barreau du Québec (January 2018).

³¹ <http://www.concordia.ca/cunews/main/stories/2014/11/26/concordia-university-foundation-takes-leadership-role.html>

³² <https://www.newswire.ca/news-releases/divest-concordia-denounces-concordia-university-foundation-refusal-to-divest-from-fossil-fuels-516567711.html>

³³

[http://www.concordia.ca/content/dam/concordia/services/sustainability/docs/EHS/Assessment/Concordia%20Campus%20Sustainability%20Assessment%20\(2015\).pdf](http://www.concordia.ca/content/dam/concordia/services/sustainability/docs/EHS/Assessment/Concordia%20Campus%20Sustainability%20Assessment%20(2015).pdf)

In its examination of investment policy apart from a SRI fund managed by students, there is no mention of university-controlled SRIs.

The report recommended that:

- Concordia University Foundation Pension Plan and KWPMMP should evaluate the current situation in terms of sustainability-related investing decisions and create an action plan, including goals, targets, and timeline towards more sustainability-related investments or funds.
- Concordia University Foundation, Pension Plan and KWPMMP should report on the potential impacts of its investment decisions on the environment and on society.
- A multi-stakeholders committee on socially responsible investment (SRI) should be put in place to advise and recommend on socially and environmentally responsible investments opportunities for the investments portfolio of Concordia.
- Concordia should support the creation of a Green Revolving Fund for investments in sustainability projects.

One can assume that the move towards the CUF's becoming a PRI signatory (2018)³⁴, as well as the issuance of a green bond (2019)³⁵ and the publication of a Sustainability Draft Plan (2019-2024)³⁶ flow from these recommendations.

What specifically has the Concordia University Fund undertaken in its adherence to the PRI?

At this writing, 15 months after becoming a signatory, the CUF has made nothing public. Apart from the press release announcing the January 2018 adherence, the only mention of PRI on the Concordia website has been in several hiring advertisements in the university's Accounting Department which mentioned PRI reporting amongst the positions' responsibilities.

A brief discussion with a University Administration representative having some responsibilities for CUF revealed that the Foundation would be sending information to the PRI before the end of March 2019. Whether this was the initial list of commitments and description of activities or a report on the activities during 2018 was not clear. As of mid-April 2019, there is no information about the CUF on the PRI website apart from the date of its becoming a signatory.

³⁴ <http://www.concordia.ca/news/stories/2018/04/18/responsible-investment-action-plan-adopted-by-the-concordia-university-foundation.html>

³⁵ <http://www.concordia.ca/news/stories/2019/02/11/concordia-is-canadas-first-university-to-issue-a-sustainable-bond.html>

³⁶

http://www.concordia.ca/content/dam/concordia/services/sustainability/docs/Hub/2019_SustainabilityPlanDraft.pdf

Should the Foundation not be more transparent by the beginning of the fall of 2019, a robust Access-to-Information request would be opportune. Items for the content of such a request might be suggested by the contents of PRI Reports from other Quebec signatories.

In the 2018 Transparency Report of the **Caisse de depot et de placement de Québec**³⁷ which is 126 pages in length, there is a detailed description of the institution's ESG principles. Some examples:

- It encourages the companies in which it invests to adopt practices that comply with the principles of corporate responsibility.
- It exercises its right to vote systematically at shareholder meetings
- It has adopted a policy in which climate change is part of every investment decision.
- It has set specific targets;
 - By 2020, it will increase its low-carbon investments by 50%.
 - By 2025, it will reduce the carbon intensity of each dollar invested by 25%.

The **Régime de retraite de l'Université de Québec**³⁸ in its 2018 report explains:

- We have a formal responsible investment policy but we do not require our external managers to engage with companies on ESG issues on our behalf
- Even if we do not formally integrate ESG factors into our investment decisions we take ESG issues into consideration in our analysis.
- The RRUQ publishes on its website its detailed proxy voting positions
- We do not consider responsible investment in the selection, appointment and/or review processes for investment policy development consultants.

The **Régime de retraite de l'Université de Montréal**³⁹ (UMPP in English) mentions:

- The Responsible Investment Policy (RI Policy) requires the integration of ESG considerations into the investment manager selection and monitoring process for all asset classes.
- The RI Policy requires our external listed equity active managers to report annually on ESG integration in the investment process
- With respect to monitoring, the RI Policy explicitly requires listed equity external managers (segregated active mandates) to report annually on their ESG integration practices
- The UMPP believes that the incorporation of ESG issues in the investment decision-making process provides a more complete and integrated risk management framework. However, the ESG are one investment criteria and not the sole factor to consider when making investment decisions.
- The UMPP believes it is important for companies to disclose ESG-related information in order to provide investors with appropriate tools to analyze, compare and evaluate these elements across sectors and industries.
- • The UMPP considers that the exercise of voting rights, with case-by-case analysis of shareholders resolutions is an important form of engagement and essential to active ownership.

³⁷ <https://reporting.unpri.org/Download.aspx?id=44F04813-AC78-45F7-8F34-5B0BADE8B4C5>

³⁸ <https://reporting.unpri.org/Download.aspx?id=6E8CF3B4-A762-4404-A6E6-3AF2BD46C5AC>

³⁹ <https://reporting.unpri.org/Download.aspx?id=2A9B7A82-9579-40CA-AE3E-D8DA3063AA45>

The UMPP's Annual Report discloses elements of the investment policy as well as of the RI Policy. An entire section is dedicated to the responsible investment - it describes the UMPP's approach as well as the main initiatives taken during the reporting year. It also provides the number of voting rights exercised, the percentage of votes that were cast against the management and the distribution of votes on shareholder resolutions. The annual reports can be found at:

<http://www.rum.umontreal.ca/wp-content/uploads/2012/07/Rapport-annuel-2016.pdf>

<http://www.rum.umontreal.ca/wp-content/uploads/2012/07/Rapport-annuel-2017.pdf>

In comparison to the CUF Annual report, which gives only general information about the sector of its portfolio, the UMPP report contains **4 full pages naming its principle company and security holdings**, as well as a five-page section on the details of the application of its ESG Policy throughout the year.

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Thus, when the CUF Transparency Report is released, a comparison with existing reports of neighboring institutions should help to measure both the transparency of the CUF and the diligence on its undertakings.

When will the first CUF report on PRI be issued?

The Foundation has made no public announcement. There is a voluntary grace period for the first year after signing up during which signatories do not have to report, although the PRI recommends that they do. The CUF will decide if it wants to make use of this grace period. If it does, it may not deposit its first report until early 2020, which will be made public at a later date after it has been analyzed.

A final comment on degrees of transparency:

Assuming, for the sake of argument, that the CUF publishes a list of all its significant holdings, as does the Université de Montréal, there remains the matter of how deeply the CUF will inquire (directly or through its agents) and will report on the second-level activities, in ESG-sensitive areas, of the companies it has invested in.

For example, while companies directly involved in producing oil, gas, or coal may be easy to identify, it will require a deliberate policy decision on behalf of the CUF to identify companies (e.g. railways, pipeline constructors and operators) whose activities are essential to, and integrated with, the production of fossil fuels.

Of particular interest is the banking industry. In a recent report, the 2019 Fossil Fuel Finance Report Card,⁴⁰ it is noted that:

“The big global private banks are clearly ignoring the urgency and requirements of the Paris Climate Agreement—even while many of these banks claim to support the Agreement. In order to reach a climate stable future, finance flows to be “consistent with a pathway toward low greenhouse gas emissions...”. Most big banks’ grades on their policies to rein in fossil fuel financing remain abysmal. Banks are continuing to pump billions of dollars into the companies engaged in fossil fuel expansion. These new projects fly in the face of the Paris Agreement goals. “

Detailed examination of banking investments⁴¹ show that in the 2016-2018 period, Canada’s top 5 five banks each invested between \$37 million and \$100 million in fossil fuel expansion, tar sands oil and Arctic gas and oil.

Thus, it will be important to examine whether the policies adopted by the CUF promote transparency throughout the entire investment chain.

⁴⁰ <http://whwww.ienearth.org/wp-content/uploads/2019/03/RAN-Report-Card-2019-F03.pdf>

⁴¹ https://www.ran.org/wp-content/uploads/2019/04/BOCC_2019_SUMMARY_vUS.pdf

Group Conclusion

In conclusion, our group has explored some of the fundamental facets of changing the standard investment practices to strengthen the argument for divestment against Concordia's board of directors for the endowment. Divestment is part of a much larger sustainability movement, but it is an important step nonetheless if we are to actively try to fight climate change. Our group examined the risks associated with investing in fossil fuels in today's political and environmental context, investigated Concordia's 2018 financial funds report to narrow down a more specific range of how much money is actually invested in fossil fuels (minimum 12 million - maximum 35 million), what the United Nations' Principles for Responsible Investment (PRI) means for Concordia, and finally looked into Concordia's Student Union's main equity portfolio to research the main companies to see if their PRI frameworks were effective or not. This research can and should be utilized by the Joint Sustainable Investment Advisory Committee (JSIAC) and Divest Concordia to bolster their arguments for divestment at Concordia and hopefully push the university to back its own brand. Divestment is a very clear way of embodying the concept of "putting your money where your mouth is", which is exactly what the university should be doing considering they profit from the socially responsible and sustainable image that they have cultivated for themselves.