THE UNIVERSITY OF ARIZONA
Sustainability & Climate Action Plan

Assess & Quantify ESG Rankings of Cash Management Holdings

SUSTAINABILITY COMMITMENT(S) THIS INITIATIVE SUPPORTS

- 7 - Sustainability Literacy
- **8 - Investments**

INITIATIVE ALIGNMENT WITH THE CHARGE

- Eliminate Emissions: By integrating ESG principles and joining the PRI Association, the university ensures that investment decisions actively consider and reduce the emissions impact of financial investments.
- Build Community: The ESG representative will engage with the Tucson and university communities, including marginalized groups, to gather input and foster a collaborative approach to socially responsible investing.
- Be Actionable: The initiative outlines specific actions, such as adding an ESG expert to the Investment Committee and joining the PRI, to enhance the university's investment practices and accountability.
- Be Data Informed: The university will utilize PRI resources and STARS updates to base investment decisions on data-driven insights and comprehensive evaluations of sustainability practices.
- Inspire Adaptive Management: By updating investment policies and practices in response to ESG principles and community feedback, the initiative demonstrates adaptive management in aligning financial activities with sustainability goals.
- Demonstrate Leadership: The university's commitment to integrating ESG expertise and responsible investment practices positions it as a leader in sustainable financial stewardship and climate action within higher education.

INITIATIVE DETAILS

Initiative Summary

This initiative proposes to add an ESG (environment, social, and governance) expert to the University of Arizona Investment Committee to ensure adherence to updated ESG investment policies and promote sustainable investment practices. Additionally, by joining the Principles for Responsible Investment (PRI) Association, the university will align its investment strategies with global best practices and enhance transparency. The initiative also includes community engagement to discuss ESG strategies and updates to the Sustainability Tracking, Assessment & Rating System (STARS) for comprehensive reporting. Actionable items include:

- Add an ESG expert from the Office of Sustainability or another qualified university member to the Investment Committee.

- Join the PRI Association and incorporate PRI principles into investment strategies.
- Hold an annual engagement meeting with the Tucson and university communities to discuss ESG investment strategies.
- Engage marginalized and underrepresented communities in Tucson to ensure inclusive investment decision-making.
- Update the Association for the Advancement of Sustainability in Higher Education (AASHE) Sustainability Tracking, Assessment & Rating System (STARS) to reflect the new investment policy and associated disclosures.

Proposed Initiative & Background

The University of Arizona currently has no individual or body that specifically handles sustainable and socially responsible investment practices. This creates a vacuum of knowledge on important analysis in investment decision-making and reduces the ability of investment decision-making to be consistent with the values of the university, Tucson community, and broader Arizona. The following initiatives remedy this issue by creating a specific position for an ESG (environmental, social, and governance) expert on the Investment Committee at the University of Arizona, creating community engagement with university stakeholders, and signing on to a partnership that requires active consideration of ESG analysis in investment decision-making and disclosure of those decision-making processes.

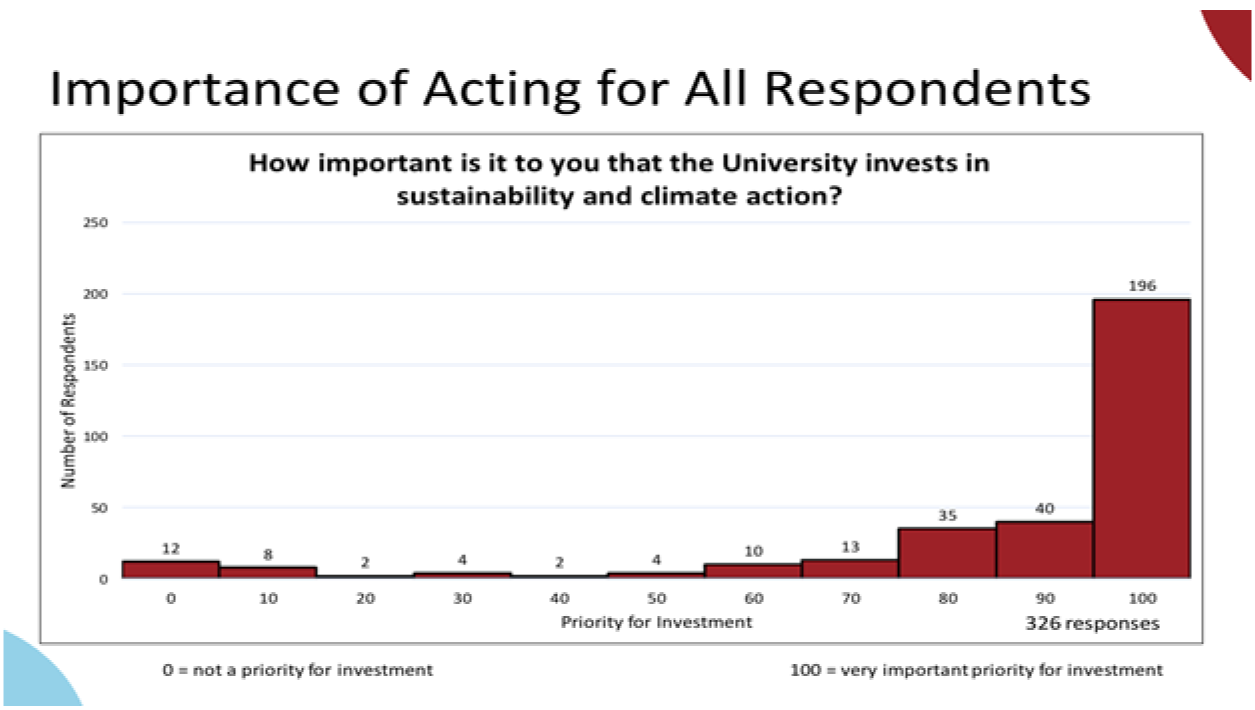
1. The university will add a new Investment Committee member to the University Investment Committee from the Office of Sustainability, or another university community member with expertise in ESG investment.
2. As a means of advancing the ESG procedures in the investment and cash management strategies, the ESG representative on the Investment Committee will hold an annual engagement meeting to discuss ESG investment strategies with members of the larger Tucson community, university community, including faculty, staff, and students. The university should also engage marginalized and/or underrepresented communities in Tucson, including community organizations, residents, and those impacted by investment decisions.
3. The university will join the Principles for Responsible Investment (PRI) Association and use PRI principles to inform best practices on socially responsible investing and measuring the emissions impact of all investments (https://www.unpri.org/about-us/about-the-pri).
    a. The university and specifically, the ESG representative will also take full advantage of the workshops, materials, and other various resources offered to PRI members to assist in meeting principles as well as other procedures in a University of Arizona ESG investment policy.
4. The university will initiate a full update to the Sustainability Tracking, Assessment & Rating System (STARS) for the first STARS report after FY2025, including an updated investment policy statement and associated disclosures.

This initiative faces a couple of identifiable challenges at this point, mainly regarding filling the ESG position and coinciding funding. There might be challenges in finding which department fills the ESG position and which department pays the UNPRI fee.

Data Analyses to Support Initiative

Across universities with ESG investment policies, there are individuals or committees of experts in ESG policy that are responsible for analyzing and ensuring the implementation, such an example can even be seen by neighboring university Arizona State University and peer institution, the University of California System. Placing individuals who are experts in ESG policy and responsible investing and governance, allows for constant consideration of ESG measures to be considered in investment decision-making and would centralize the continued job of analyzing metrics to ensure companies' compliance with university ESG policy. This will also streamline the process of having investment policy information included in the new STARS report after FY2024.

Additionally, this individual will be essential in facilitating engagement on the issue of ESG investment policy at the University of Arizona. Many universities or university governing bodies have specific ESG investing groups for students to participate in like Arizona State University and Bard College or have student representatives on the investment committee of their endowment like Ohio State University or even the Arizona Board of Regents itself, student engagement is a long-held practice in university investment procedures. It is also particularly important to the continued practice of responsible investing and student understanding of university efforts towards sustainability and social responsibility, as these topics are issues students, staff, faculty, and community members care about deeply about according to surveys from the University of Arizona, as demonstrated by the first two graphics below, and by surveys from Ernest Young, as demonstrated by the third graphic below. Furthermore, annual meetings with not only students but all university groups would help to increase transparency on university investments and help to guarantee that the practices of publishing ESG reports on investments and investment emissions reports are upheld.



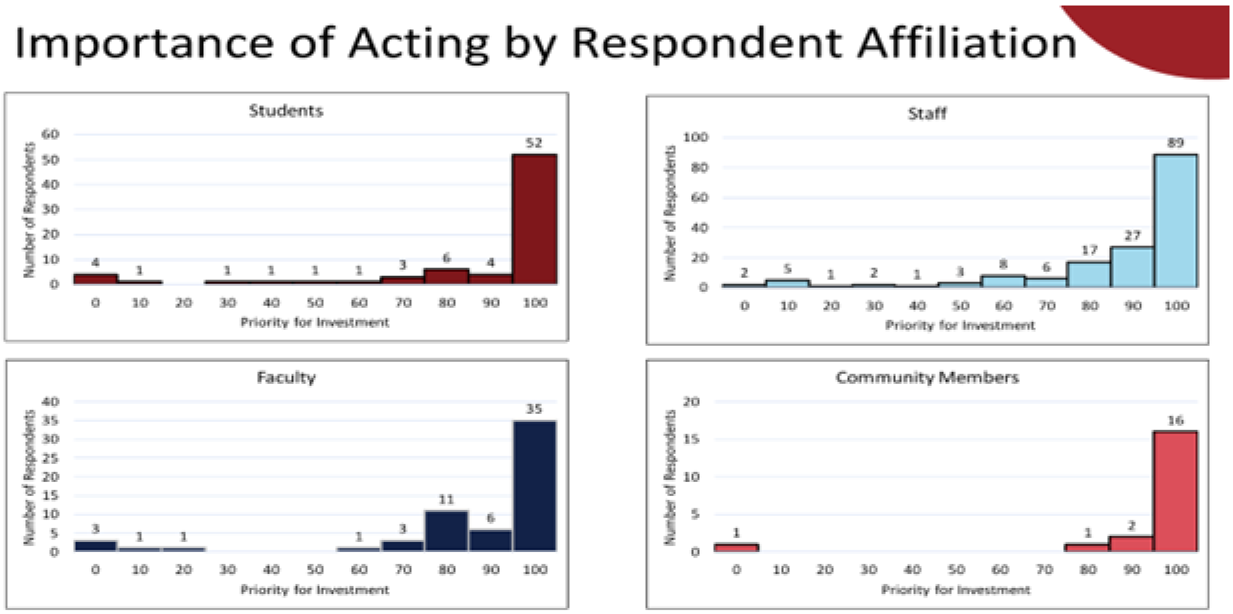
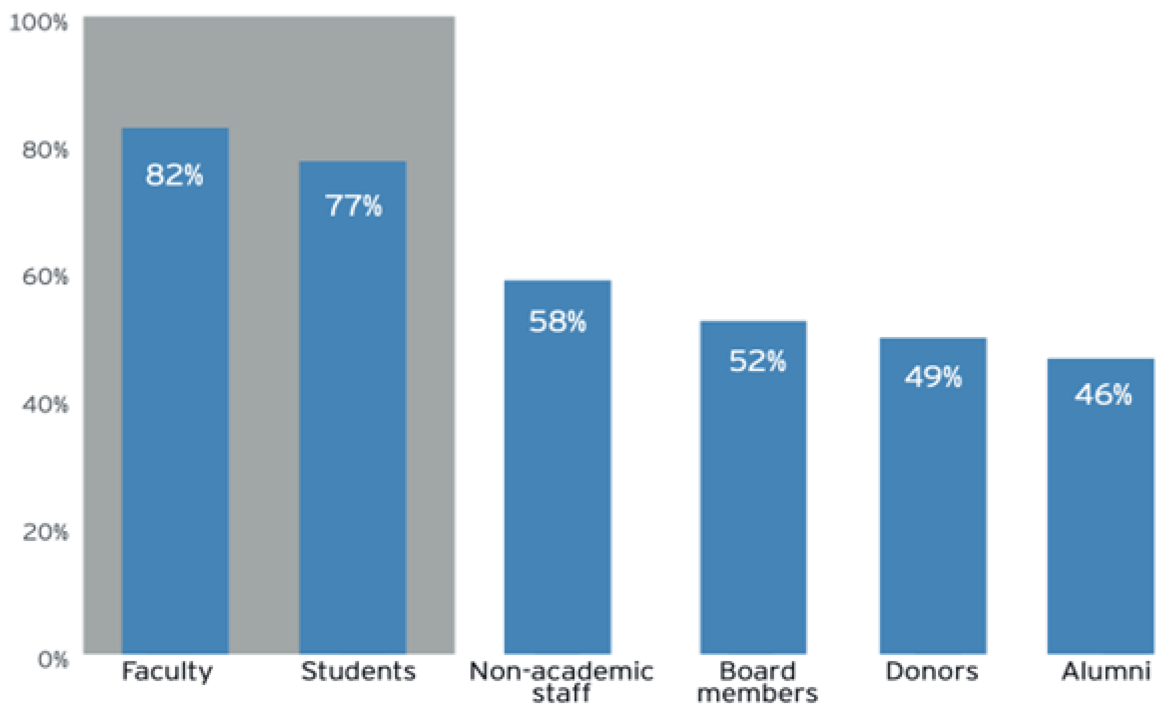


Figure 4: Importance of institutional commitment to environmental sustainability, by stakeholder group



However, beginning to align an investment portfolio with ESG practices and figuring out which standards to be accountable to can be difficult. Thus, we are recommending that the University of Arizona sign the

United Nations' Principles of Responsible Investments. Being one of the first ESG networks launched and one that seeks to align investments with six principles advocated for by the United Nations, the United Nations Principles of Responsible Investment, UNPRI, is widely considered the industry standard. With close to 6,000 signatories around the globe, many of which are both international and American universities, the UNPRI has become a guiding organization in good governance for many educational institutions with its status as "the largest global ESG initiative in the asset management industry to date". Its incredible growth has come in part due to the plethora of resources offered by the UNPRI and the impressive principles of the UNPRI.

The benefits of signing onto the UNPRI include:

- Invitations to over 100 events and workshops each year, including PRI in person.
- Resources for reporting and assessing your organization's ESG activities. Access to other signatories' reports and assessments through the PRI data portal.
- Support from a regional relationship manager with local market knowledge.
- Use of the Collaboration Platform to network with signatories and engage with ESG research.
- Guidance on how to incorporate ESG factors into investment decision-making and ownership.

The six principles of the UNPRI are as follows:

Resource Requirements & Return on Investment

Resource Requirements

- Annual PRI fee: $3,284
- Staff time TBD

Return on Investment

- The return on investment of this initiative is unclear.

Potential Funding Sources

- Funding should come from the existing Treasury operating budget.

Accountable Division(s) & Department(s)

- The Office of Sustainability as well as the Office of the Treasury would be responsible for the maintenance and implementation of this initiative. As the office that manages cash holdings is not a set group, we specify which is currently in charge which would be the Office of the Treasury. This is subject to change in the future, and, if so, these policies still apply. To begin:
    - Measure each investment's fossil fuel emissions based on metrics as identified in initiative 8.1, "Restrict Direct Fossil Fuel Investments in Cash Management Holdings."
    - Evaluate the ratings of non-climate impacts from each investment through an environmental, social, and governance method. ESG ratings are not climate ratings, and both are important. Such rating systems could be the S&P rating system or the MSCI rating system.
    - Assign an ESG representative through the Office of Sustainability to oversee and ensure our investments align with our sustainability and ESG mission through meetings with campus community members, and by ensuring investment transparency.

Partners & Collaborators

- University of Arizona Foundation
- Arizona Board of Regents

Implementation

Length of Time to Implement

- Less than one year
- One to five years
- More than five years

Difficulty of Implementation

- Low
- Medium
- High
- Extremely High

Relative Timing

- Begin within two years

- Begin in three to five years
- Begin in six years or later

Metrics for Success

- Continuing to be a signatory of the UNPRI, publishing the requested disclosures and following the principles as thoroughly as possible in those disclosures post-2025
- An increase in campus engagement in investment decision-making, i.e. the number of people who attend the stakeholder meetings, what demographics attend, etc.
- Increased transparency on ESG issues by the UNPRI disclosure and STARS rating on accessible interfaces to the University of Arizona stakeholders, i.e. the Daily Wildcat