McGill

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TO: Board of Governors

FROM: Committee to Advise on Matters of Social Responsibility (CAMSR)

SUBJECT: Approval of CAMSR Recommendations (GD19-29)

DATE: December 3, 2019

At its meeting of December 2, 2019, CAMSR approved the submission of the CAMSR Report (GD19-29) to the Board of Governors.

CAMSR recommends that the Board approve the recommendations contained in the CAMSR Report

The CAMSR Report is attached as Appendix A.

Motion for approval:

Be it resolved that the Board of Governors, on the recommendation of the Committee to Advise on Matters of Social Responsibility (CAMSR), approve the recommendations contained on pages 17-19 of the CAMSR Report (GD19-29).

COMMITTEE TO ADVISE ON MATTERS OF SOCIAL RESPONSIBILITY (CAMSR)

REPORT TO THE BOARD OF GOVERNORS

GD19-29 APPENDIX A

DECEMBER 5, 2019

Contents

Executive Summary

carbon emission of the portfolio, which will be presented to the Board by its meeting of April 2020.

2. **Impact Investment**

Invest in low-carbon funds and funds that contribute to decarbonization (impact investments) of the MIP and set global allocation objectives, which may include the following asset classes:

- Fixed income (ex: green bonds)
- Private investments (ex: new clean technologies in auto parts, solar equipment, light fixtures)
- Real assets [renewable energy infrastructure (ex: wind, solar, hydro, waste, bioenergy)]

3. **Screening**

Increase the amounts invested in the fossil-fuel-free fund (established in 2017 with a $5 million commitment) and promote it among the donor community.

4. **Engagement**

Exercise, to the extent possible, active stewardship through investor engagement opportunities with investment managers.

5. **ESG Integration**

Review the Statement of Investment Policy of the MIP to reflect Environmental, meTw 3.94 0

- % of assets managed by managers with an ESG policy and/or as signatories of the United Nations-supported Principles for Responsible Investment (“UNPRI”)
- MIP carbon emission absolute and relative measures
- Impact investment exposures
- Such other initiatives as may be relevant to SRI activities

Taking into account the evolving field of SRI, CAMSR also recommends that:

7. SRI Review

The Board commit to reviewing the current SRI practices on a five-year basis in order to determine the the

Purpose of Report and Acknowledgements

On September 12, 2018, Senate approved the following motion:

> *On a motion duly proposed and seconded, it was resolved that Senate inform the Board of Governors, through the Principal, that it favours, in principle, a move to divest the endowment from all companies whose primary business is the extraction, distribution, and/or sale of fossil fuels; and from all mutual funds that invest in such companies.*[1]

On October 4, 2018, McGill's Board of Governors ("the Board") received the resolution.[2] The Board asked the Committee to Advise on Matters of Social Responsibility ("CAMSR") to study the resolution, and to provide recommendations for possible actions that the Board could take in its response. This report is a summary of CAMSR's activities and recommendations in consideration of the Board's request.

CAMSR expresses its gratitude to all the members of the University community and the community at-large, who participated in CAMSR's activities and whose advice and expertise was taken into consideration by CAMSR in the course of its work. CAMSR also wishes to underscore its appreciation to all members of the University community whose advocacy on climate change accelerated and deepened the University's commitment in this area and encouraged CAMSR to bring forward to the Board ambitious, responsible and implementable actions

responsibility related to University investments within the mandate of the Investment Committee of the Board".[9]

To carry out its mandate, CAMSR is authorized to undertake studies of socially responsible investment ("SRI") policies and best practices and may propose to the Board actions, which include revisions to existing policy, guidelines and practices concerning endowment investments.[10]

CAMSR consists of eight voting members, who are identified in Appendix A. In addition to the annual conflict of interest declaration, all members of CAMSR who served on CAMSR during its consideration of the 2018 resolution from Senate completed a further process of due-diligence. This process involved responding to a question (available in Appendix A) in order to determine whether any one of the members may be in a real or perceived conflict of interest in relation to the Senate resolution. Through this additional process, the Secretariat was satisfied that none of CAMSR's members had any real or perceived conflicts of interest.

Context

The topic of divestment from the fossil fuel industry has been considered by CAMSR twice in the past, in 2013 and in 2015-16 respectively.[11] On both occasions, CAMSR evaluated "expressions of concern" (petitions) to determine whether the activities of certain companies that formed the subject of the petitions caused "social injury", as defined in CAMSR's terms of reference.[12]

[9] *Terms of Reference of the Committee to Advise on Matters of Social Responsibility (CAMSR)*, Committee to Advise on Matters of Social Responsibility of the Board of Governors, McGill University, 24 September 2007 (last amended 26 April 2018), s.3.
[10] *Ibid*, s. 4.
[11] McGill University, Committee to Advise on Matters of Social Responsibility of the Board of Governors, *Report of the Committee to Advise on Matters of Social Responsibility*, GD12-55, Board of Governors, 23 May 2013;
McGill University, Committee to Advise on Matters of Social Responsibility of the Board of Governors, *Report to the Board on Divest McGill Submission of February 2015*, GD15-44, Board of Governors, 23 March 2016.
[12] As noted in the CAMSR terms of reference (see *Supra*, note 9): "The term "social injury" means the grave injurious impact which the activities of a legal person is found to have on consumers, employees, or other persons, or on the natural environment. Such activities include those which violate, or frustrate the enforcement of rules of domestic or international law intended to protect individuals against deprivation of health, safety, or basic freedoms, or to protect the natural environment. However, a legal person shall not be deemed to cause "social injury" simply because it does business with other legal persons, which are themselves engaged in socially injurious activities".

CAMSR’s consideration of the

University’s investment managers have adopted ESG policies and/or are signatories of the UNPRI.[14]

Unlike the 2013 and 2016 decisions of CAMSR, which focused on making a determination on the question of divestment based solely on the criterion of “social injury”, the 2018 resolution from Senate falls within CAMSR’s broader mandate, which consists of advising the Board on matters pertaining to social responsibility related to University investments within the mandate of the Investment Committee of the Board. As a result, CAMSR, in the context of working on the Board’s request, did not need to consider the criterion of “social injury”.

Since 2016, much progress has been made in advancing sustainability as a key University priority. With an ambitious vision, McGill has established a pathway to becoming a leading university in the study and practice of sustainability.[15] Its commitment to tackling climate change in a responsible, proactive and comprehensive manner has led to the development of key goals, including the goal to achieve carbon neutrality in University operations by 2040. The University’s plan is outlined in its Vision 2020, which establishes ambitious targets in a variety of different university areas. The plan can be viewed here: https://www.mcgill.ca/sustainability/sustainability-strategy

In conjunction with the University’s priorities in the area of sustainability, CAMSR, in considering the Board’s request, noted that the advocacy of some members of the University community, who called for climate change action, played a role in accelerating and deepening the University’s commitment to addressing climate change in the context sustainability. It is in this context that CAMSR deemed it important to carry out a comprehensive process in its study of the resolution from Senate.

Process Outline

In the course of its consideration of the Board's request, CAMSR held 13 meetings,

The McGill Investment Pool ("MIP"): organization and fossil fuel exposure

CAMSR noted that the current value of the MIP is $1.7 billion. The portfolio is comprised of more than 60 investment mandates and fund investments, with strategies involving a range of asset and sub-asset classes, managed almost entirely (at 99%) by external investment manager firms in segregated accounts or pooled funds, where the University can only have limited control. The portfolio's total exposure to the energy sector is approximately 8.7% overall or 7.1% in the equities asset class alone[21]. It was indicated to CAMSR by internal and external investment professionals and managers that, while a global or a U.S. equity portfolio can screen out certain investments in fossil fuels without the likelihood of material consequence on long-term results, the same cannot be said with respect to a Canadian equity portfolio due to the relative weight of the energy sector in the Canadian economy. For a Canadian investor to divest entirely from all fossil fuel investments would entail a loss of portfolio diversification and possible over-concentration in other sectors in the Canadian equity asset class, which would affect the risk/return profile of the total portfolio.[22]

Evolving practices in the university and not-for-profit sectors

CAMSR's review of the evolving practices in the university and not-for-profit sectors showed that most institutions related to the risks and costs of divestment. Where such risks appear to be low (e.g. minimal investment in affected sectors, adequate portfolio diversification ability, absence of increased currency risk due to portfolio rebalancing), one could observe a greater propensity to divest, at least in part (e.g. from thermal coal or oil sands). Conversely, where risks appeared high*, there was no divestment*. Of these 18 institutions, 16 are based in Europe or the U.S., where the weight of the energy industry in the economy is much smaller than in Canada, allowing for a greater diversification of the portfolios into other sectors without undue sector concentration or currency risks. The only two environmental impact alongside a financial return.[27] These approaches have been preferred based on the view that ESG integration allows investors to better manage risks and opportunities within their portfolios.[28] There is also some evidence that ESG may be linked the part of the University

Further analysis will be

proposed target, metrics, and timeline) for the overall commitment in regard to the carbon emission of the portfolio, which will be presented to the Board by its meeting of April 2020.

2. **Impact Investment**

   Invest in low-carbon funds and funds that contribute to decarbonization (impact investments) of the MIP and set global allocation objectives, which may include the following asset classes:

   - Fixed income (ex: green bonds)
   - Private investments (ex: new clean technologies in auto parts, solar equipment, light fixtures)
   - Real assets [renewable energy infrastructure (ex: wind, solar, hydro, waste, bioenergy)]

3. **Screening**

   Increase the amounts invested in the fossil-fuel-free fund (established in 2017 with a $5 million commitment) and promote it among the donor community.

4. **Engagement**

   Exercise, to the extent possible, active stewardship through investor engagement opportunities with investment managers.

5. **ESG Integration**

   Review the Statement of Investment Policy of the MIP to reflect

Appendix B: Part 1 - Snapshot of Socially Responsible Investment (SRI) Practices in the University Sector
(updated: November 2019)

Notes: This document was prepared in April 2019 and was updated/revised throughout the course of CAMSR's work as new information became available. Links are provided to relevant pages and reports on the given institution's website. Articles with an asterisk (*) link to media articles as information on the institution's website was not found.

In preparing the table, the Secretariat focused on the U15 (McGill's peer group), universities in the Province of Quebec, other Canadian universities for which data or information was publicly available, and international universities listed on a document provided to members of CAMSR by Divest McGill.

University and Value of Endowment	Fossil Fuel (FF) Divestment?	SRI/ESG Policies?	Actions
U15 Universities			
University of Alberta ($1.4B at March 31, 2018)	No	Yes, there is a paragraph on RI in the Statement of Investment Principles and Beliefs (p.3)	ESG integration; the University publishes a detailed listing of its investments and reports on ESG matters in its

University and Value of Endowment	Fossil Fuel (FF) Divestment?	SRI/ESG Policies?	Actions
University of Calgary ($952.7M at March 31, 2018)	No - See Press Release dated February 13, 2015	No	None regarding investments; focus is on Climate Action Plan and Sustainability Strategy
Dalhousie University ($616.7M at March 31, 2018)			

University and Value of Endowment	Fossil Fuel (FF) Divestment?	SRI/ESG Policies?	Actions
Other Canadian Universities			
Concordia (Endowment Program valued at 97.4M; total funds managed by Concordia University Foundation valued at $194.8M at April 30, 2018)	Media reports* indicated that Concordia has divested in 2014. In reality, it has directed $5M towards a sustainable investment fund. Update- October 2019: Concordia University announced that it will stop investing its assets in the coal, oil and gas sector within five years. The university says it's also committed to putting its entire endowment — worth about $243 million — into investments that are sustainable by 2025.	Yes – Responsible Investment Policy is appended to the Statement of Investment Plan for the assets managed by the Concordia University Foundation	ESG integration; RI policy; investigate creating impact investment fund; shareholder engagement where appropriate; sustainable investment fund ($5M); enhanced reporting transparency; UN PRI signatory See RI action plan announcement (April 2018) October 2019: The university's endowment is managed by the Concordia University Foundation, which says its current assets in the coal, oil and gas sectors represent about 5.7 per cent of the total amount, or $14 million https://www.cbc.ca/news/canada/montreal/concordia-divests-1.5353808
UQAM (	ount		

Mount Allison University ($170M)	No	Yes – Section on ESG in Endowment Management Policy (section 3.8)	ESG integration; disclosure of annual holdings; specific fund option for donors (Desjardins Societerra Growth Fund); report on responsible investment; UNPRI signatory See climate change and RI approach and progress
Saint Mary's ($26.3M at March 31, 2017)	No	No	None.
Trent	No – See May 2015 Press Release	Yes – section on ESG in the Statement of Investment Policies and Procedures (p.14)	-Research and engagement -SRI fund that will comprise up to 10% of Endowment assets
York University ($467M at April 30, 2018)	No	Section on sustainable investing in Statement of Investment Policies and Procedures (p.5)	-ESG integration -York University Advisory Committee on Responsible Investment
Other Worldwide Universities			
Harvard (39.2B USD at June 30, 2018)	No – See 2013 statement	Yes – see approach to sustainable investing at: https://www.hmc.harvard.edu/sustainable-investing/	ESG integration; active ownership; collaboration with peers and investors to advance shared goals (e.g. UN PRI signatory) Harvard has "paused" investing its endowment funds in some sectors of the fossil fuel industry since 2017 (article*) Focus is on sustainability – see Sustainability Plan
Boston University (2.2B USD at June 30, 2018)	Listed as yes for coal and oil sands New proposal submitted by DivestBU requesting BU fully divest (see media article* dated March 22, 2019)		BU will do its best to avoid investing in companies that extract coal and tar sands ("perfect implementation cannot be assured, however, given the University's inability to have total investment control due to the endowment's extensive use of (a) commingled investment vehicles for which the investment manager has complete investment authority and (b) passive index-linked investments.") Annual reporting on this matter and commitment to revisit this issue at least every 5 years. – see 2016 Statement

University

University and Value of Endowment	Fossil Fuel (FF) Divestment?	SRI/ESG Policies?	Actions
Stanford University (26.5B USD at August 31, 2018)	Yes – coal (2014) (Endowment has no direct exposure to oil sands extraction; declined full divestment in 2016 (see statement)	Ethical Investment Framework and Statement on Investment Responsibility (see article)	

University and Value of Endowment	Fossil Fuel (FF) Divestment?	SRI/ESG Policies?	Actions
University of California [(11.7B USD at Dec. 31, 2018)]	Yes – 2019 Divestment announced bya		

University and Value of Endowment	Fossil Fuel (FF) Divestment?	SRI/ESG Policies?	Actions
Cambridge University (The Cambridge University Endowment Fund was valued at £3.2B at July 31, 2018)	Yes - thermal coal and tar sands Response (June 2018) Will explore full divestment (see media article* dated May 7, 2019)	No mention of ESG in the University's Statement of Investment Responsibility	prohibit direct investment in the fossil fuel sector, minimize investment in the most polluting industries (defined as thermal coal and tar sands) through managed and index funds to the extent possible, further explore and encourage environmental impact investing, and promote academic leadership by creating a Centre for a Carbon Neutral Future.
London School of Economics (£141.6M at July 31, 2018)	Yes – thermal coal and tar sands (Nov. 2015)	SRI Policy (especially s.1.5 and 1.7)	1.5. The School will not make direct or, as far as possible, indirect investments in equities or bonds issued by companies engaged in tobacco manufacture, indiscriminate arms manufacture or companies which are significantly engaged in the extraction of thermal coal and tar sands, the most polluting of fossil fuels." 1.7 The School will seek to progressively reduce its investment in funds which indirectly place its endowment in companies significantly engaged in the extraction of thermal coal and tar sands. *Holdings*: £97.2 million in investments in coal and tar sands companies in 2015 (*media article) *Progress*: 2.2% reduction of indirect investments into extraction of thermal or tar sands, indiscriminate armaments and tobacco manufacturing in 2016-17
King's College London (£233M at July 31, 2018)	Yes – thermal coal and tar sands (see media article*) Agreed to completely divest from fossil fuels by 2022, subject to there being no significant impact upon the financial risk and returns used to support academic activities.(See 2017 Statement)	Socially Responsible Investment Ethical Investment Policy	Research; divest from all fossil fuels by the end of the year 2022 (subject to there being no significant impact upon the financial risk and returns used to support academic activities); increase its commitment to investments with socially responsible benefits from the present aim of 15% to an aspiration of at least 40% by 2025 (subject to there being no significant impact upon the financial risks and returns); annual report on progress. *Timeline for transition*: 4 years (by 2022)

University and Value of Endowment	Fossil Fuel (FF) Divestment?	SRI/ESG Policies?	Actions
University of Copenhagen	Yes	Ethical Investment Policy (Danish)	

Part II -

ORGANIZATION	MISSION	ASSETS UNDER MANAGEMENT	HOLDINGS IN FOSSIL FUELS INDUSTRY	SRI CONSIDERATIONS IN INVESTMENT PRACTICES
Foundation of Greater Montreal (FGM) ***Fondation du Grand Montréal*** Based in Montreal https://fgmtl.org/	The Foundation of Greater Montreal (FGM) helps individuals, families and organizations getting involved to support their community by creating funds for selected causes in all sectors. The FGM manages the funds' assets and guides donors by identifying key issues and supporting the community's most dynamic actors. It also encourages philanthropy as a major driver for well-being in Greater Montréal.	$292 million (2017)	Not disclosed. No mention of a move towards divestment from the fossil fuel industry, or any other industry.	In 2017, the FGM Investment Policy was revised. The revision included a commitment that the FGM will conduct itself as a socially responsible investor. As such, as of 2017, the FGM assigns 10% of its portfolio to an Environmental, Social and Governance (ESG) investment manager. The FGM is also studying the possibility of incorporating the use of ESG criteria among its conventional investment managers.

ORGANIZATION	MISSION	ASSETS UNDER MANAGEMENT	HOLDINGS IN FOSSIL FUELS INDUSTRY	SRI CONSIDERATIONS IN INVESTMENT PRACTICES
The J.W. McConnell Family Foundation (McConnell Foundation) Based in Montreal https://mcconnellfoundation.ca/ Member of the Responsible Investment Association, (RIA) a Canadian membership-based association that advises members on incorporating ESG				

ORGANIZATION	MISSION	ASSETS UNDER MANAGEMENT	HOLDINGS IN FOSSIL FUELS INDUSTRY	SRI CONSIDERATIONS IN INVESTMENT

ORGANIZATION	MISSION

ORGANIZATION	MISSION	ASSETS UNDER MANAGEMENT	HOLDINGS IN FOSSIL FUELS INDUSTRY	SRI CONSIDERATIONS IN INVESTMENT PRACTICES
The George Cedric Metcalf Charitable Foundation (Metcalf Foundation) https://metcalffoundation.com/ Based in Toronto	The mission of the Metcalf Foundation is to enhance the effectiveness of people and organizations working together to help Canadians imagine and build a just, healthy, and creative society.	$170 million (2017)	Not disclosed. No mention of a move towards divestment from the fossil fuel industry, or any other industry.	The Metcalf Foundation does not publish its investment policy in the public domain. However, they state that projects with an environmental focus are a pillar of initiatives funded by the Foundation. In 2017, 28% of all grants were directed towards initiatives is to *advance natural climate solutions in Canada*, and build a *low-carbon, resource efficient and resilient Canada.*

ORGANIZATION	MISSION	ASSETS UNDER

ORGANIZATION	MISSION	ASSETS UNDER MANAGEMENT	HOLDINGS IN FOSSIL FUELS INDUSTRY	SRI CONSIDERATIONS IN INVESTMENT PRACTICES
Canadian Medical Association (CMA) https://www.cma.ca/ Based in Ottawa	The CMA is the voice of Canada's medical profession. The CMA works with physicians on issues that matter to the profession and the health of Canadians. Their focus is health advocacy — informed by policy and prioritized by members.	Total assets are over $40 billion (managed by MD Financial) The CMA also has a Reserve Fund, valued at $30 million in 2015.	From total assets: Not disclosed From the Reserve Fund: $1.8 million of holdings in fossil fuels industry in 2015.	In 2015, the CMA General Council voted to divest its Reserve Fund of holdings in fossil fuel companies. This represented 6% — or $1.8 million of the fund. The $1.8 million divestment was completed in 2016. The decision did not apply to MD Financial Management Inc., a CMA-owned financial company that manages more than $40 billion in investments for physicians.