



Memorandum

Secretariat

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TO: Board of Governors
FROM: Edyta Rogowska, Secretary-General
SUBJECT: Update on Consultations regarding Review Period of SRI Practices
DATE: April 20, 2023
DOCUMENT #: GD22-61

ACTION REQUIRED: INFORMATION APPROVAL/DECISION

ISSUE & EXPECTED OUTCOME A recommendation arising from consultations regarding the review period of SRI Practices is presented to the Board of Governors for approval.

BACKGROUND & RATIONALE

At the meeting of February 8, 2023, a few Governors asked the Board to pass a motion on the question of divestment from the fossil fuel industry. The Chair reminded members that the Board had referred the question of divestment to the Committee to Advise on Matters of Social Responsibility (“CAMSR”) for further study, which took place during a two-year review period from 2018-2020. Following the extensive review period, the Board approved CAMSR’s recommendations for execution by the Investment Committee, notably involving the implementation of a plan to decarbonize the endowment fund through a robust strategy that includes divestment from highly carbon intensive companies, including those within the fossil fuel industry. In addition, the plan established a five-year review schedule regarding the University’s practices in the area of socially responsible investment (SRI). The next review, based on that timeline, is set for Spring 2025.

Taking into account McGill’s commitment to sustainability goals, as well as the time and effort that was committed to the 2018-2020 review, the Board of Governors authorized the Chair to undertake consultations with the administration, the Committee to Advise on Matters of Social Responsibility (CAMSR) and the Investment Committee on the question of reopening the University’s position on divestment by accelerating a review of its SRI practices. It was noted that the result of these consultations would be shared with the Board at its April 20, 2023 meeting.

Consultation with the Investment Committee regarding McGill’s SRI practices revealed that, as outlined on p. 8 of the Investment Committee Report on Socially Responsible Investing, less than 1% of the McGill Investment Portfolio’s current holdings include exposure to fossil fuel

companies named in the Carbon Underground 200TM, a list of the top 100 publicly traded coal companies and the top 100 publicly traded oil and gas companies. In other words, in the 2-3 years since McGill implemented its SRI strategy, there has been an almost complete divestment (99.1%) of the MIP from these holdings. While the Committee was favourable to the idea of accelerating the review, it noted that the outcome of the review may result in the Board approving a strategy that may impact investment returns, which was a risk factor.

Subsequent consultations with the administration and the Committee to Advise on Matters of Social Responsibility (CAMSR) yielded a broader conversation on the possibility of accelerating a review of McGill's SRI practice, with Committee members and the administration alike responding in favor of that option.

It was highlighted that accelerating the review would only change the timeline by a year when taking into account the time needed to conduct the review.

ALIGNMENT WITH MISSION AND STRATEGIC PRIORITIES	The 2025 review of the University's SRI practices was established as a priority for the University at the time that the Board approved the recommendations of the CAMSR Report in December 2019.
COMPLIANCE WITH UNIVERSITY POLICY	The recommendation to accelerate the review period requires approval by the Board.
COMPLIANCE WITH LEGISLATION/ EXTERNAL REGULATIONS	N/A
RISK FACTORS	The results of the SRI review will describe the risk factors involved, notably in relation to the University's ability to sustain a dependable source of endowment income.
SUSTAINABILITY CONSIDERATIONS	Sustainability considerations are a key component of the review.
IMPACT OF DECISION AND NEXT STEPS	Following Board approval, CAMSR will initiate the review and submit a report to the Board by the end of 2023.
MOTION OR RESOLUTION FOR APPROVAL	<i>Be it resolved that Board of Governors, pursuant to the Board Chair's consultation with the senior administration, the Committee to Advise on Matters of Social Responsibility (CAMSR) and the Investment Committee, authorize CAMSR to accelerate the 2025 review of SRI practices to take place effective immediately, on the understanding that CAMSR will submit a report, with any recommendations stemming from this review, to the Board of Governors by the end of the calendar year 2023.</i>
APPENDICES	N/A