Update on the Implementation of the Recommendations contained in the report of the Committee to Advise on Matters of Social Responsibility

Prepared for the Committee to Advise on Matters of Social Responsibility

October 13, 2020
CONTEXT

• In December 2019, the Board of Governors approved 8 recommendations contained on pages 17-19 of the CAMSR Report GD19-29.

• In April 2020, the Board of Governors approved an implementation plan (GD19-50) supporting the operationalization of the 8 recommendations contained in the CAMSR Report GD19-29.
RECOMMENDATION #1

with respect to Decarbonization

“Reduce carbon emissions of the McGill Investment Pool ("MIP") public equity portfolio in order to achieve and sustain, by 2025, a 33% carbon emissions reduction of the MIP public equities relative to the MIP public equities benchmark, with the understanding that the majority of the reduction is to be achieved within the first two years.” (GD19-50)

UPDATES

- Reduction by 19.4% of carbon emissions vs benchmark as of June 30, 2020 (was at 9.0% in Sept. 2019)

- Termination of a $73M International Equity carbon intense mandate in April 2020, replaced by a lower carbon intense International Equity Fund manager in August

- A Hedge Fund manager is conducting a carbon research project aiming to reduce carbon intensity of its strategy

- Another Hedge Fund manager has agreed to reduce the carbon footprint of its strategy by half by end of 2020
RECOMMENDATION #2

*with respect to Impact Investing*

“By 2025, commit 5% of the MIP to low-carbon funds and funds that contribute to decarbonization of the MIP.” (GD19-50)

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**UPDATES**

- Investment of up to US$25M (approximately 2% of the McGill Investment Pool) in a Global Renewable Fund approved.

- 2 Fixed Income managers have agreed to increase their allocation to green bonds to 10% and 5% of their portfolios.

- Ongoing discussion with another Fixed Income manager to increase its green bonds exposure.
RECOMMENDATION #3
with respect to 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.” (GD19-29)

“As part of McGill’s Bicentennial Campaign, the University will actively promote the Endowment’s fossil-free fund and seek the interest of the donor community to increase allocations to it. Based on the response from the donor community, the University will propose to the Investment Committee, within two years, a target allocation and an appropriate mechanism for implementation. Donor allocations of MIP funds will be used to meet this target allocation.” (GD19-50)

UPDATES

- University Advancement will launch a branding effort at the end of October 2020.
UPDATES

- Increased managers that have adopted a ESG (Environmental, Social, Corporate Governance) Policy or are signatories of the UNPRI (United Nations-supported Principles for Responsible Investment) from 70% in 2016 to 93% in 2019. Currently stands at approximately 94%.

- The Office of Investments is planning to appoint a shareholder engagement service provider which will allow the University to have a greater influence and an improved chance at making positive changes.

- Staff of the Office of Investments attended multiple webinars in a continued effort to increase its knowledge base in Socially Responsible Investment practices.

RECOMMENDATION #4 with respect to Engagement

“Exercise, to the extent possible, active stewardship through investor engagement opportunities with investment managers.” (GD19-29)
RECOMMENDATION #5
with respect to ESG Integration

“Review the Statement of Investment Policy of the McGill Investment Pool to reflect ESG goals and objectives, including modifying the Investment Objective section to consider ESG commitments.” (GD19-29)

“[…] the Office of Investments will propose amendments to the Statement of Investment Policy (SIP) to the Investment Committee at its meeting in June 2020. The amendments will aim to implement the proposed CAMSR recommendations, which are presented to the Board of Governors for consideration.” (GD19-50)

UPDATES

- The Statement of Investment policy was amended in June 2020 to reflect ESG goals and objectives, including modifying the Investment Objective section to consider ESG commitments with the aim to implement the proposed CAMSR recommendations.
RECOMMENDATION #6
with respect to Annual Reporting

“The Investment Committee will present to CAMSR and to the Board of Governors, and publish annually, a report on SRI beginning in Spring 2021, following the MIP’s year-end (December 31, 2020).” (GD19-50)

UPDATES

- The McGill Investment Pool’s portfolio carbon footprint is calculated quarterly
- Beginning in spring 2021, the Office of Investments will present an annual Socially Responsible Investment report to the Investment Committee, which will include:
  
  ▪ % of assets managed by managers with an Environmental, Social, Corporate Governance Policy and/or as signatories of the United Nations-supported Principles for Responsible Investment
  
  ▪ McGill Investment Pool carbon emission absolute and relative measures
  
  ▪ Impact investment exposures
  
  ▪ Such other initiatives as may be relevant to Socially Responsible Investment activities
RECOMMENDATION #7
with respect to SRI Review

“The Board commit to reviewing the current SRI practices on a five-year basis in order to determine the need for any adjustments or further SRI actions, as may be advisable, in relation to the University’s endowment fund.” (GD19-29)

UPDATES

- A review of the current Socially Responsible Investment practices has been added to the Board’s calendar of business and is planned to take place in Spring 2025.
RECOMMENDATION #8

with respect to Institutional Leadership

“The University, in line with its mission, take a leadership role to evaluate and promote, in collaboration with peer (U15) universities, policies and best practices in the area of SRI.” (GD19-29)

UPDATES

- In June 2020, McGill University signed the Investing to Address Climate Change: A Charter for Canadian Universities.

- In June 2020, McGill University’s Chief Investment Officer and Treasurer presented a CAUBO-organized webinar “The University Endowment – The McGill University Approach organized by CAUBO” to more than 70 registrants from 32 Canadian Universities.

- In collaboration with peers at other U15 universities, the Office of Investments is evaluating and promoting policies and best practices in the area of Socially Responsible Investment.

- A presentation by McGill’s Chief Investment Officer and Treasurer on the University’s action plan towards carbon reduction was made to U15 universities.