



## QUESTIONS AND RESPONSES

1. **In the guidelines of the Statement of Investment Policy, there are currently no explicit reference made to the need to manage fiduciary risks associated with climate change. Climate change poses a known financial risk to investors, both through the physical danger the infrastructure of the global economy faces, and the social and political pressures that will be placed on the market so as to avoid exceeding 1.5 degrees of warming. As many investors and trustees have already begun to address this concern, how is the investment committee preparing for the fiduciary risk associated with climate change? How will the investment committee seek to reconcile short-term and long-term investments, when the threat and risk associated with climate change will undoubtedly increase drastically as time goes on? As recent extreme climate events in the Caribbean and southern United States make us viscerally aware of the current danger that the global economy is in, how does the investment committee currently deal with the fiduciary risk associated with climate change and how might they adapt or improve upon it?**

The Investment Committee assists the Board in fulfilling its governance responsibilities with respect to the University's endowment funds. It operates within the framework established by the Investment Committee Terms of Reference and the Statement of Investment Policy (Policy). As indicated in the Policy, the overall objective of the McGill Investment Pool (MIP) is to preserve the capital of the MIP within the social and ethical norms of the University, to obtain a total return necessary to provide a dependable and optimal source of income for endowment beneficiaries and to cover the annual operating costs of the MIP.

Pursuant to the 2016 recommendations of the Board, climate change considerations are addressed by the Investment Committee, as follows:

- At its meeting of March 16, 2017, the Committee established a fossil fuel free Socially Responsible Investment (SRI) strategy funded with an investment of \$5 million of endowment assets. Donors will have the possibility to select this option for future donations.

The Committee is also:

- receptive to opportunities regarding sound investments in alternative (renewable) energy strategies, alternative technology development and commercialization.
- promoting the engagement of McGill investment managers to adopt ESG policies and to be signatories of the UNPRI.
- reviewing ESG policies and governance of current investment managers in public equities, and assessing whether or not these managers integrate ESG factors into their investment decision process.
- receiving a report on the ESG and UNPRI status of its investment managers annually.



In 2016, investment managers responsible for approximately 71% of the market value of the McGill Investment Pool (MIP) either adopt ESG policies or are signatories of the UNPRI. As signatories of the UNPRI, they need to abide by strict principles and are obligated to incorporate ESG principles in their decision-making processes and practices related to proxy voting. The Committee's objective is to increase that percentage to 80% or more by 2021.

2. **A. McGill's Statement of Principles [<http://www.mcgill.ca/secretariat/mission>] commits the university to "embrace the principles of academic freedom, integrity, responsibility, equity, and inclusiveness." Many members of the community are horrified by the recent eruption of anti-Semitic and anti-Israel incitement on campus, as manifested by the Igor Sadikov scandal. Compounding their dismay is the lackadaisical response of the McGill Administration. Does the Board have any plans to take the Administration to task for this failure? Has the Administration conveyed to the Board any plans to proactively deal with the unacceptable situation? What, if any actions, has the Board taken (or does the Board contemplate taking) in its own name to affirm the safety and security of Jewish and Zionist students on campus?**

**B. Suzanne Fortier did not issue a public statement until February 13, 2017, more than one week after Igor Sadikov's nakedly violent "Punch a Zionist tweet". By February 13, 2017, this tweet had also made national news for several days, harming the reputation of McGill. Mme. Fortier's statement acknowledged concerns about a SSMU Legislative Council on 9 February – at which Jewish Social Work Counsellor was subjected to personalized attacks based on her Jewish and Zionist identity - but consciously refused to explicitly identify or condemn this incident. Does the Board of Governors believe this delay and lacuna was appropriate?**

The Board defends the University's commitment to freedom of expression and respectful discourse and to creating and sustaining a safe environment for the community, which is upheld by McGill's principles, policies and practices. It has full confidence that the University is taking the necessary measures to ensure a respectful and inclusive campus, reflective of its principles of integrity, responsibility, equity and inclusiveness. Following the incident mentioned in the question, a message to the McGill community was sent by the Provost and Vice-Principal (Academic) on February 9, 2017, and by the Principal on February 13, 2017. These messages emphasized the University's commitment to maintain an environment where different views and ideas can be expressed and debated, with respect and tolerance. They also affirmed the University's position to condemn all expression of hatred and attempts to incite violence.

3. **In the "Report to the Board on Divest McGill Submission" that was ratified by the Board, CAMSR committed to the establishment of "a socially responsible investment fund option for donors interested in such an option" (CAMSR Report, 15). Six months later, the Investment Committee presented their proposal for a Socially Responsible**



**Investment (SRI) fund in which 5% of the McGill endowment would be set aside as a socially responsible investment option for McGill donors. At this same meeting, after questioning from members of the Board, it became apparent that this SRI fund would still include investments in the fossil fuel industry. As a result, it was returned to the CAMSR for further review. Since then, CAMSR has only met once, and no further information has been disclosed. What is the current status of this SRI fund? What steps are being taken to ensure the transparency of the investments within this fund? Additionally, given that this SRI fund was proposed as a solution to McGill's investments in the fossil fuel industry, will the fund include investments in the fossil fuel industry?**

On December 1, 2016, the Investment Committee apprised the Board of Governors of a proposal to establish a Socially Responsible Investment (SRI) strategy that would initially be funded with an investment of \$5 million, pursuant to the recommendations of the Committee to Advise on Matters of Social Responsibility (CAMSR). In considering the SRI strategy, the Board asked whether the Investment Committee could explore the option of avoiding securities of companies primarily engaged in the fossil fuel industry within the Fund.

The Investment Committee considered the matter at its March 16, 2017 meeting, and approved an allocation of \$5 million to Hexavest's ACWI Fossil Fuel Free Pooled Fund, a global equity SRI mandate, which has a two-tier criteria that excludes companies with proved and probable reserves of coal, oil, and natural gas as well as companies that burn and emit coal to produce energy. Donors will be offered the choice to select Hexavest's Fossil Fuel Free Fund for their future donations. The status of the fund will be reported annually in the Report on Endowment Performance, which will be made available on the Office of Investment's website: <https://www.mcgill.ca/investments/annual-reports>.