



This report arises from the Investment Committee meeting of October 20, 2016 and conference call of November 22, 2016. It contains informational items that are presented to the Board of Governors.

I. FOR THE INFORMATION OF THE BOARD OF GOVERNORS

1. Initiatives in Relation to CAMSR Recommendations

On March 23, 2016, the Board of Governors, on the recommendation of the Committee to Advise on Matters of Social Responsibility (CAMSR), endorsed the recommendations of the CAMSR Report. The Board requested that the Investment Committee, while exercising its fiduciary responsibilities, consider and report on measures as set out below, by December 2016:

- Establishing a socially responsible investment fund option for donors interested in such an option, similar to the fund established for pension investments
- Looking at opportunities for, and supporting, sound investments in alternative (renewable) energy firms, alternative technology development and commercialization
- Developing ESG (Environmental, Social, Governance) principles and guidelines for endowment investments
- Asking investment managers to report annually on ESG and UNPRI (United Nations Principles of Responsible Investing) implementation and compliance, which will in turn be reported to the Board
- Supporting and initiating shareholder resolutions to encourage changes in company practices deemed inconsistent with ESG and UNPRI

The McGill Endowment Fund is under the responsibility of the Board of Governors, which is responsible for the approval of the Statement of Investment Policy (SIP). The management of assets is delegated to the Investment Committee.

The Investment Committee has a fiduciary responsibility to oversee investments and effective management of the University's endowment funds to generate optimal, risk-adjusted returns in accordance with the SIP and its terms of reference. While the primary purpose of the management of the endowment fund is to optimize risk-adjusted returns, the Investment Committee follows the instructions of the Board, pursuant to recommendations of CAMSR on matters concerning social responsibility.

The Investment Committee (Committee) considered the Board's request at its meetings of October 20, 2016 and November 22, 2016. The following initiatives are presented to the Board of Governors in response to the Board's request:

- The Committee will establish a Socially Responsible Investment (SRI) strategy that will initially be funded with an investment of \$5 million of endowment assets. Donors will have

the possibility to select this option for future donations. The objective of the SRI strategy will be to:

- invest in companies employing leading environmental practices in the resources/energy sector.
 - address a wide range of environmental, social and governance (ESG) issues in applying a defined set of SRI principles.
 - support shareholders resolutions to encourage changes in company practices deemed inconsistent with ESG practices (active in proxy voting).
 - attempt to generate returns in line with equity benchmarks, with reasonable management fees.
 - avoid the securities of companies engaged primarily in production or distribution of alcohol, tobacco, pornography, gaming, weapons.
- The Committee will be receptive to opportunities regarding sound investments in alternative (renewable) energy strategies, alternative technology development and commercialization.
 - The Committee will promote the engagement of McGill investment managers to adopt ESG policies and to be signatories of the UNPRI.
 - The Committee will review ESG policies and governance of current investment managers in public equities, and assess whether or not these managers integrate ESG factors into their investment decision process.
 - 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 will be to increase that percentage to 80% or more by 2021.
 - The Committee will receive a report on the ESG and UNPRI status of its investment managers annually.

2. 2015-2016 Report on Endowment Performance

The Committee approved the Annual Report on Endowment Performance, which provided an overview of various features of the McGill Investment Pool for the University's fiscal period ending April 30, 2016. The 2015-2016 Report on Endowment Performance is attached as Appendix A.

END

December 2016