QUEEN'S UNIVERSITY
STATEMENT ON RESPONSIBLE INVESTING
(approved by the Board of Trustees, March 6, 2009)

In recent years, there has been considerable discussion/activity on the topic of responsible investing. Responsible investment approaches are based on the belief that environmental, social and governance (“ESG”) factors can be material to shareholder value across industries and through time.

The purpose of this statement is to set down the principles which govern investments at Queen’s and to provide details on the process under which non-financial factors will be considered in investment decisions.

I. GENERAL STATEMENT ON FIDUCIARY DUTIES

The Board of Trustees has the overall responsibility for the management of the investment funds of Queen’s University. To help ensure that its investment responsibilities are met, the Board has appointed a Pension Committee and an Investment Committee – the latter having responsibility for the Pooled Endowment Fund and the Pooled Investment Fund.

Each committee has developed a Statement of Investment Policies and Procedures (“SIP&P”) with the objective of ensuring continued prudent and effective management of the fund(s) under its mandate.

The Board of Trustees, the Pension Committee and the Investment Committee all have fiduciary duties with regard to the various funds. In an investment context, fiduciary duties include the duties of prudence and loyalty. The duty of prudence requires that investment decisions take into account appropriate plan-specific factors, the specific nature of the investment under consideration and the investment portfolio at large. The duty of loyalty requires that fiduciaries act honestly, in good faith, in the best interests of the beneficiaries, and that all beneficiaries are treated with an even hand.

As a consequence of the above, the University has always considered that its fiduciary duties require the objective of obtaining the highest return for the Pension Fund, the Pooled Endowment Fund and the Pooled Investment Fund subject to acceptable levels of risk.

In 2005, the United Nations sponsored a study by a law firm in London, England - Freshfields Bruckhaus Derenger. The Freshfields report concluded that, in each of the jurisdictions examined, investment decision-makers retain some degree of discretion as to how they invest the funds under their control. Thus, it may be permissible and lawful for fiduciaries to take into account ESG considerations in specific circumstances.

There are two general approaches to ESG matters. If the plan sponsor wants to effect a change in the behaviour of companies on ESG matters, it will take a corporate engagement approach. Activities under this approach could include the voting of proxies and letters to management. If the plan sponsor does not want to profit from companies whose activities are considered socially unacceptable, this could lead to negative screens or divestiture. In most circumstances, Queen’s favours the first approach.
II. RESPONSE FROM QUEEN’S

Queen’s has also sought legal advice with regard to the consideration of non-financial factors in making investment decisions. The legal opinion which we received suggests that responsible investing policies are not per se inconsistent with the University’s fiduciary duties of loyalty and prudence to the Pension Fund, the Pooled Endowment Fund and the Pooled Investment Fund.

The University acknowledges that consideration of non-financial factors could differ between the Queen’s Pension Plan and the Endowment and Investment Funds. Therefore, the course of action taken by the Pension Committee on a particular issue could differ from that taken by the Investment Committee.

Currently, the two SIP&Ps do not provide direction on these matters.

For the last year or so, the University has been considering how best to respond to issues that may arise around responsible investing. The process which has been developed for Queen’s is described in the following sections of this statement.

III. SPECIAL ACTION

In exceptional circumstances, Queen’s may take Special Action with respect to a specific investment or a series of investments. Special Action may include divestiture of existing holdings and/or applying investment screens.

The criterion for taking Special Action would be based on the concept of “social injury”. This has been defined by Yale University as follows:

“the injurious impact which the activities of a company are found to have on consumers, employees, or other persons, particularly including activities 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; for the purposes of these Guidelines, social injury shall not consist of doing business with other companies which are themselves engaged in socially injurious activities.”

IV. PROCESS FOR REPRESENTATION

In order to provide the University community with an opportunity to make representations on social responsibility with respect to the University’s investments, the following process has been established.
**Expressions of Concern**
These must be initiated by members of the Queen’s community. For the purposes of this statement, we have identified five separate constituencies - faculty, administrative and support staff, students, retirees, and alumni. Requirements would be a documented submission identifying the social injury that should influence investment decisions.

The submission must be accompanied by a petition of at least 200 individual signatures, with a minimum of 20 signatures from each of three constituencies.

The submission along with the requisite signatures should be sent to the attention of the Principal of the University.

**Investment Holdings**
Members of the Queen’s community can obtain a list of the investment holdings of the Pension Fund, the Pooled Endowment Fund, or the Pooled Investment Fund by contacting the Department of Investment Services at investment.services@queensu.ca.

**V. ADVISORY COMMITTEE ON RESPONSIBLE INVESTING**

Upon receipt of the requisite submission and signatures, the Principal will establish an Advisory Committee on Responsible Investing and will appoint a Chair. Membership on the committee may include representatives from the University’s administration, the Pension Committee, the Investment Committee, and others drawn from the various University constituencies.

The Advisory Committee will review the brief and make a recommendation to the Principal on what further action, if any, should be taken. Actions may include (but are not limited to):

- No action
- Shareholder engagement activities which may include some of the following actions:
  - letters to management
  - supporting shareholder resolutions
  - voting of proxies
  - joining coalitions
- Special Action which must be consistent with our fiduciary duty, and may include:
  - divestiture of existing holdings
  - applying investment screens

**VI. REVIEW BY BOARD COMMITTEES**

The Principal will then refer the recommendation to the appropriate Board committee(s) – Pension and/or Investment Committee for a final decision. The decision will be made within the policy framework which is being established for each committee. We note that the Pension Committee and the Investment Committee are in the process of revising their respective SIP&P’s to include a Responsible Investment Policy.