



Introduction

The Catherine Donnelly Foundation (CDF or Foundation) strives to exercise a positive influence for a just social order. The CDF believes that responsible corporate behavior with respect to environmental, social and governance (ESG) factors contributes to its quest and can have a positive influence on long-term financial performance.

The CDF strives to be both principled and pragmatic in its investment approach, taking into account industry norms, corporate performance, competitive issues, regulatory requirements and other factors necessary to put specific issues into a fair and practical context. The Foundation recognizes that the importance of ESG factors varies across industries, geography and time.

ESG Factors

The CDF requires that its investment managers incorporate ESG factors into the investment management process for all asset classes, to the extent that they affect risk and return. This will involve incorporating non-financial information into the process of analyzing and managing investment portfolios. It will likely result in considering the corporation's impact on the environment, its energy use and conservation practices for example. The company's accountability to its stakeholders, from communities and customers to employees and shareholders, should also be weighed. While under governance, executive compensation as well as board nominations, elections and independence are keen issues at this time.

In some cases this analysis will lead to changes in portfolio construction based upon conclusions about risk and return.

Screens

No investments are to be made in industries or entities that are considered socially undesirable, as determined by the CDF from time to time. In applying the exclusionary criteria, the Foundation makes a distinction between primary involvement (for which there is usually a zero revenue tolerance threshold), and secondary involvement (for which there is a higher threshold of 10 per cent).

The CDF will not invest in:

Fossil Fuels

- Any of the two hundred publicly-traded companies with the largest coal, oil and gas reserves as measured by the gigatons of carbon dioxide that would be emitted if those reserves were

extracted and burned, as listed in the Carbon Tracker Initiative's "Unburnable Carbon" report as updated from time to time.

Military Weapons

- Companies which design or produce weapons, weapons systems, or highly specialized major components/assemblies of the same.
- Companies which derive 10 per cent or more of their revenues from the design and/or manufacture of components of weapons or weapons systems.
- Companies which derive 10 per cent or more of their revenues from the design and/or manufacture of weapons-related products such as specialized radar or communications systems or military flight simulation systems.
- Companies which derive 10 per cent or more of their revenues from the provision of weapons-related services. Such activities may include, but are not limited to: repair and maintenance of military hardware, military flight training services, the operation and/or maintenance of satellite or missile tracking systems or radar systems.

Environment

- Companies that do not respond to problems of ecological balance and/or pollution;

Human Rights

- Companies that contribute significantly to the activities of oppressive governments. That is grievous abuses whereby companies which through their operations in zones of conflict, countries with repressive regimes, or countries with poor human rights records, have been complicit in the violation of human rights.

Shareholder Engagement

The CDF will use its position as a shareholder to engage companies on issues that are important to the Foundation and which affect the long-term value and performance of companies in the portfolio.

The CDF has retained Shareholder Association for Research and Education (SHARE) to conduct shareholder engagement dialogues with companies in the CDF's Canadian equity portfolio in accordance with the priority areas identified in SHARE's Core Engagement Program.

Proxy Voting

The CDF will actively vote its proxies. Presently through its Investment Manager, Alan Harman, the CDF has retained SHARE to continue the filing of the Foundation's proxy votes in accordance with SHARE's Model Proxy Voting Guidelines.