

UNIVERSITY OF
VICTORIA
FOUNDATION
ANNUAL REPORT

2016-17



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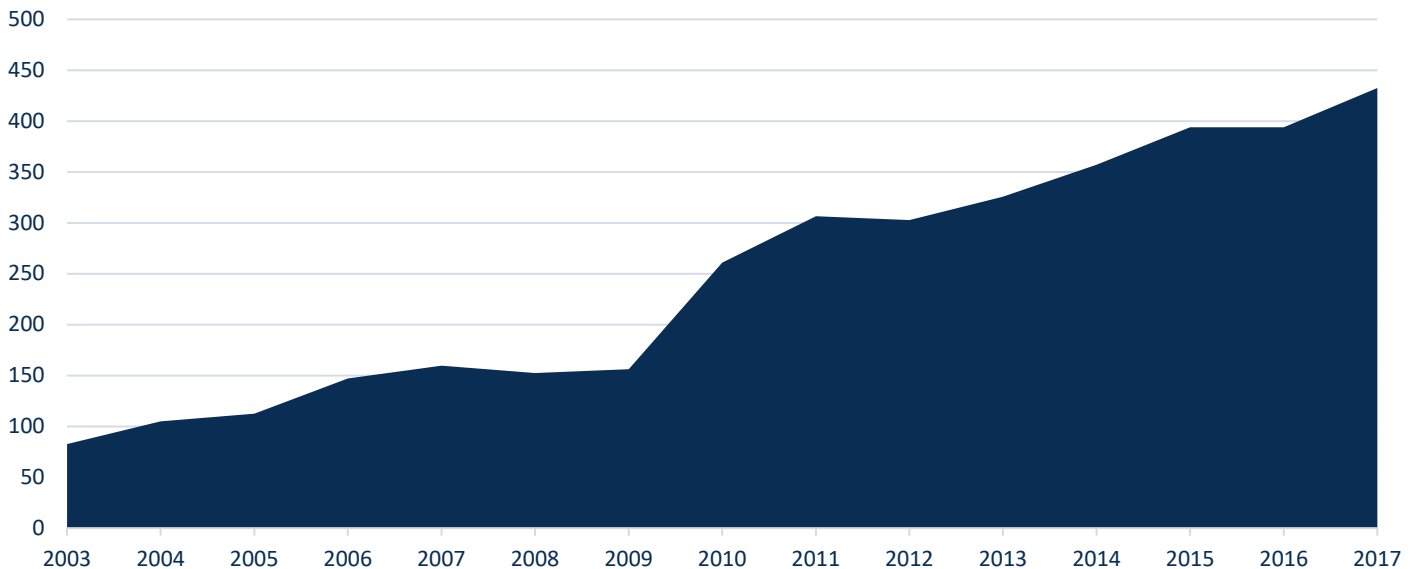
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“Time and time again I hear that funding from the endowments is a critical component of success for students, research or programming. None of this is possible without the past and continued support from donors, who believe in the mission of UVic and the potential of its students and faculty. The Foundation Board members do not take this for granted and are committed to ensuring that the endowment funds they manage will continue to have a vital impact on future generations.”

Tom Zsolnay
President, University of Victoria Foundation

Figure 1: Foundation Growth

\$ Millions, Market Value, 2003-2017 (as at March 31)



MESSAGE FROM THE CHAIR

It is with great pleasure that I present the University of Victoria Foundation Annual Report for 2016-17. The purpose of this Annual Report is to provide an investment overview and summary of the Foundation's activities for its many stakeholders.

This year marks the eighth straight year of positive returns since the financial crisis of 2008-09. The net annual investment return for the fiscal year of 12% exceeded the Foundation's absolute and relative benchmarks. The Foundation's long-term investment goal is to achieve a minimum annualized rate of return (net of management fees) of inflation + 4.5%. The Foundation Board (the Board) is pleased to have achieved this goal over the past five years with an annualized return of 9.8%, exceeding the goal by 1%. On a ten-year basis, which includes the financial crisis, the net annualized return is 5.5%, inline with the investment goal.

The Board continues to meet at least six times a year. In addition to in-depth discussions with the Foundation's investment consultant and asset managers, the Board regularly reviews the Foundation's Statement of Investment Objectives and Guidelines, Endowment Management Policy, Statement of Investment Beliefs and other areas of priority. This year's highlights include:

- Approval of the 2017/18 Annual Spending Budget of \$15 million;
- Creation and investment update of the pilot fossil-fuel-free fund;
- Endowment System Review; and
- Asset Allocation Review.

2016-17 marks the largest budgeted distribution in the Foundation's history with more than \$15 million in planned disbursements from more than 1200 funds. The vast majority of these funds go to support scholarships, bursaries and research centres at the university. A detailed breakdown is provided in this report.

To provide for the potential future demand for such investment options, the pilot fossil-fuel-free fund was established with \$25,000 from the University to the Foundation. The fossil-fuel-free fund does not invest in companies that have proven and probable thermal coal, oil or natural gas reserves. In addition, on March 31, 2017, the fund excluded companies who use thermal coal for power generation purposes.

A comprehensive review of the endowment tracking system, a detailed and important database of the endowment funds was completed in the year. The University of Victoria enterprise financial system will be leveraged to enhance reporting and increase efficiencies. The first phase of this project is planned to be completed in April of 2018.

This year the Board will build on the asset allocation work done in prior years. The Board plans to review the size and composition of the fixed income mandate in what has been a challenging and persistent low interest rate environment. In addition, the Board will consider expanding the Foundation's exposure to alternative investment strategies.

Finally, this report will be my final report as Board chair as my term comes to an end in October. It has been an honour and a pleasure to volunteer my time over the past nine years for the Foundation and a privilege to work with an engaging and dedicated group of Board members and University staff. I would also like to recognize the valuable insight and contributions provided by outgoing Board member Richard Weech. Richard will have also served a nine-year term on the Board.

To all those that support the University of Victoria Foundation, I thank you and welcome your feedback.

Carolyn Thoms (Chair)



ABOUT THE FOUNDATION

The University of Victoria Foundation was established in 1954 by the *University of Victoria Foundation Act*. The Foundation is responsible for managing more than \$420 million in assets and administering over 1,200 endowment funds that disburse more than \$15 million annually for scholarships, bursaries, and other university purposes. These endowment funds are supported by generous donations from individuals, corporations, and foundations that play a vital role in promoting a continuing interest in the University and in higher education more broadly. The Foundation is a registered charitable organization under the Income Tax Act and is exempt from income taxes.

INVESTMENT OBJECTIVES

The University of Victoria Foundation is invested in accordance with the Foundation's [Statement of Investment Objectives and Guidelines](#) (SIO&G). The SIO&G sets out the categories of permitted investments, diversification, asset mix and rate of return expectations.

A fundamental underlying concept is that endowments are intended to exist in perpetuity. As a result the Foundation has a long-term investment horizon and focuses on long term returns. The investment objectives of the Foundation reflect this and are focused on:

- Preserving capital in real terms;
- Generation of cash flow to meet expenditures objectives; and
- Growth of cash flow to meet rising expenditures in the long term.

The SIO&G is reviewed annually.

INVESTMENT BELIEFS SUMMARY

The Board has taken steps to codify its investment practices into belief statements. Our beliefs are summarized in the [Summary of Investment Beliefs](#) available online.

“As members of the Board, we all recognize the far reaching impact that the endowment funds will have for the university. And with this recognition comes a great sense of responsibility to be careful stewards of our donors’ generous investments.”

Tom Zsolnay
President, University of Victoria Foundation

GOVERNANCE

The University of Victoria Foundation Act provides the Foundation Board with the investment powers of a “prudent investor” as per sections 15.1 to 15.6 of the *Trustee Act*.

The Foundation is governed by a Board of Directors distinct from the University Board of Governors and includes volunteers qualified in investments and trust issues.

MEMBERS OF THE BOARD

Elected by the Members

Ms. Lisa Dempsey
Mr. Ann Glazier Rothwell
Mr. Andrew Turner
Mr. Richard Weech (Vice-Chair)

Appointed by the Board of Governors of the University

Ms. Mary Garden
Ms. Fiona Hunter
Mr. Paul Siluch
Ms. Carolyn Thoms (Chair)
Mr. Duncan Webster

University Members (ex officio)

Prof. Jamie Cassels
Ms. Gayle Gorrill

Officers (non-voting)

Mr. Tom Zsolnay (President)
Mr. Andrew Coward (Treasurer)
Dr. Julia Eastman (Secretary)
Ms. Kathy MacDonald (Assistant Secretary)

Figure 2:

Links to Audited Financial Statements & Portfolio Holdings

A full set of audited financial statements is available on the University of Victoria website at <http://www.uvic.ca/vpfo/accounting/resources/financial-statements.php>.

A list of the portfolio holdings is posted on the Foundation website: <https://www.uvic.ca/universitysecretary/otherbodies/foundations/reports/index.php>

INVESTMENT PERFORMANCE

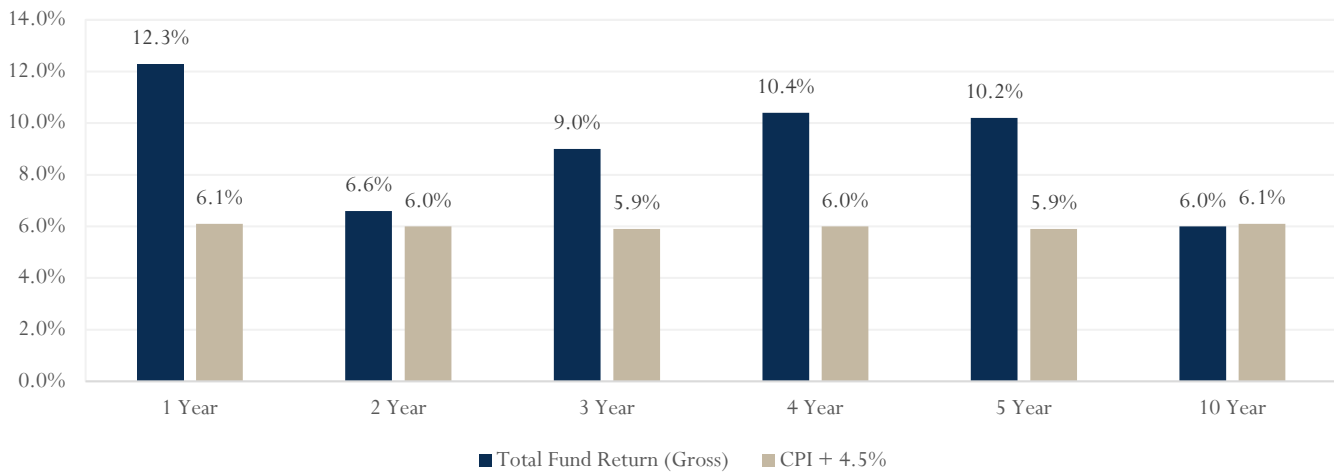
Fund Return Relative to Investment Goal

The long-term investment goal of the Fund is to achieve a minimum annualized rate of return of 4.5% in excess of the Canadian Consumer Price Index. To achieve this goal, the Fund has adopted an asset mix that has a bias to equity investments and in the last five years has been funding allocations to real estate and infrastructure.

Investment risk is mitigated by investing in a well-diversified portfolio of asset classes and managers. Strong absolute returns and relatively low inflation has allowed the Foundation to outperform that goal over five years. On a ten-year basis that includes the 2008/09 global financial crisis, returns are inline with that goal.

Figure 3: Fund Return Relative to Investment Goal

Total Gross Fund Return vs Investment Goal of CPI + 4.5%, as at March 31, 2017

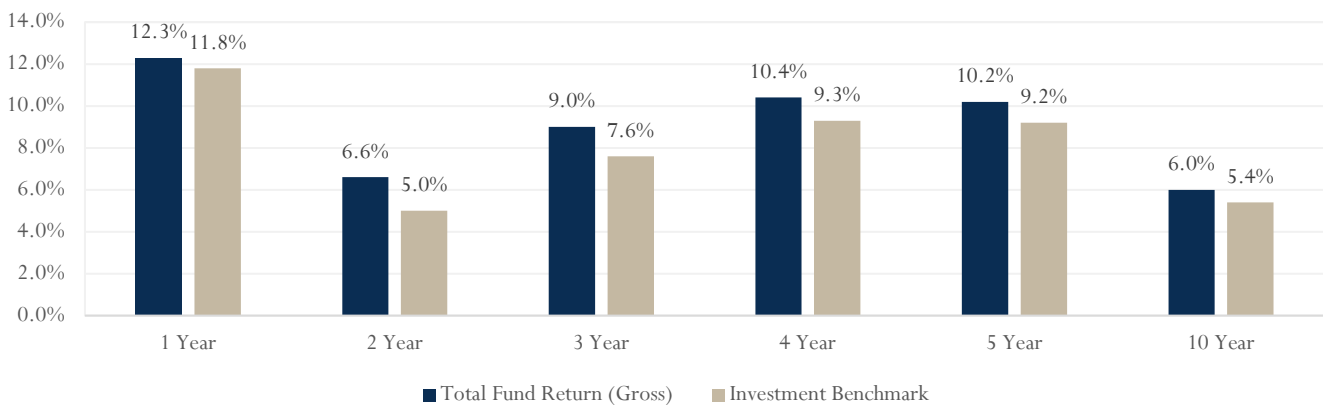


Fund Return Relative to Investment Benchmark

The Fund employs an active management style. Active management provides the opportunity to outperform specific investment benchmarks. On a relative basis the total Fund has met its investment benchmarks in each period measured below.

Figure 4: Fund Return Relative to Investment Benchmark

Total Gross Fund Return vs Investment Benchmark, as at March 31, 2017



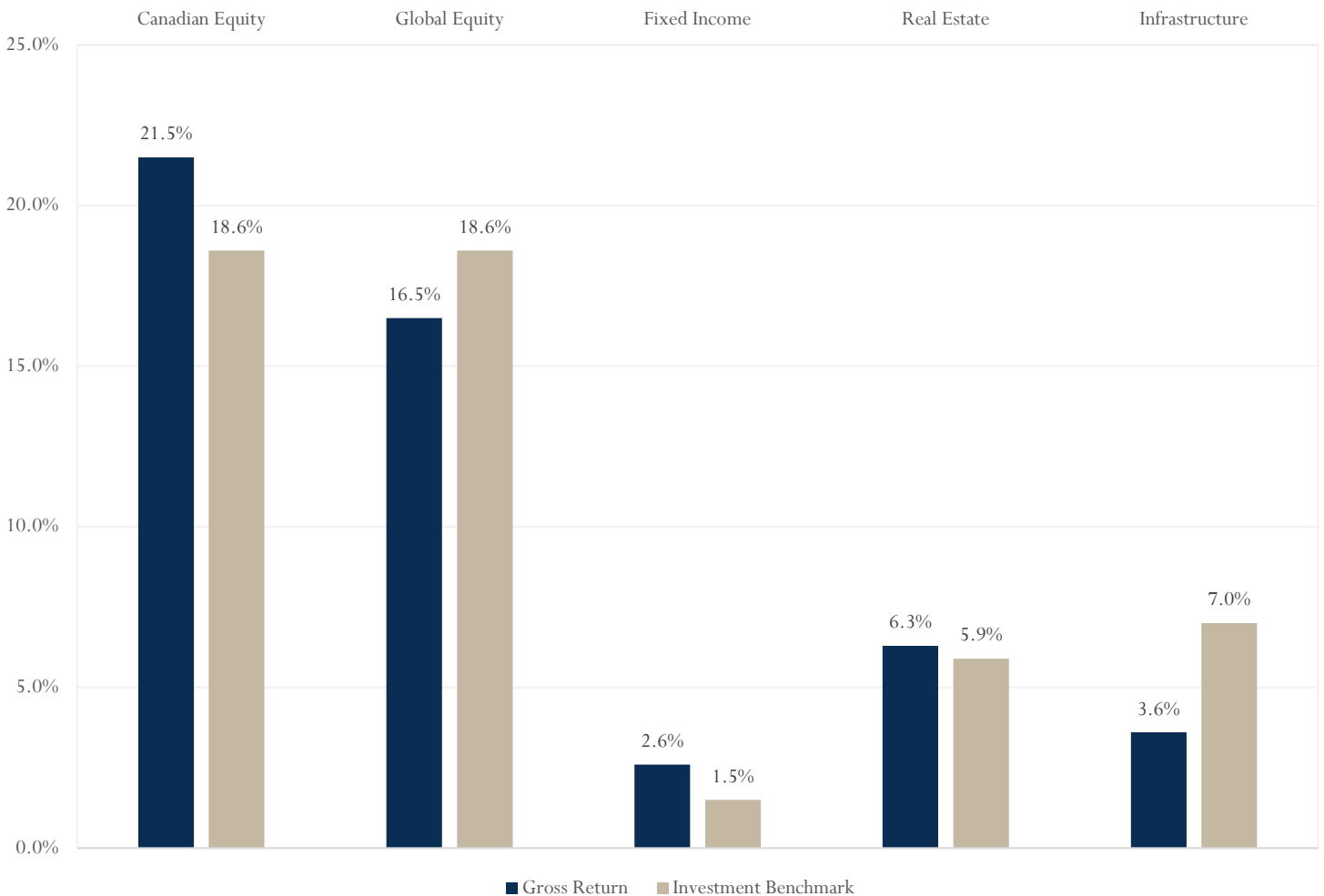
Returns by Asset Class Relative to Benchmarks

2016-17 was a great year for equities; Global and Canadian equities both posted double-digit gains of 16.5% and 21.5% respectively. Our Canadian equities exceeded our benchmark by 2.9% while the Global equities underperformed our benchmark by 2.1%. Fixed income returned 2.6% and outperformed its benchmark by 1.1%.

Real estate returned 6.3% and outperformed its benchmark by 0.4%. Infrastructure returned 3.6% and underperformed its benchmark by 3.4%. The infrastructure benchmark is the best of many not ideal alternatives (50% global equities/50% real return bonds). The Foundation is close to meeting its investments allocation target of 10% to infrastructure.

Figure 5: One-Year Returns by Asset Class Relative to Benchmarks

Total Gross Fund Return vs Investment Benchmark, as at March 31, 2017



As a long-term investor, the Foundation monitors year over year performance but it places more emphasis on 4-year performance. Over the past four years, three of the Foundation's five asset classes have outperformed their benchmarks while all have generated positive returns with a total fund return of 10.4%, outperforming its benchmark by 1.1%.

It is worth noting that the real estate and infrastructure benchmarks are the least comparable of all the benchmarks, however, the Board felt it was better to have a relative measure for reference, even if it is not directly comparable.

Figure 6: Annualized Performance by Asset Class

Total Gross Returns & Benchmarks by Asset Class, as at March 31, 2017

<i>As at March 31, 2017</i>	Annualized Performance			
	1 Year	2 Year	3 Year	4 Year
Canadian Equity (Gross)	21.5%	6.2%	8.3%	10.5%
Benchmark: S&P/TSX Composite Total Return Index	18.6%	5.3%	5.8%	8.3%
<i>Value Added</i>	2.9%	0.9%	2.5%	2.2%
Global Equity (Gross)	16.5%	10.2%	13.7%	16.1%
Benchmark: MSCI ACWI (Net) (CAD)	18.6%	7.7%	11.9%	15.4%
<i>Value Added</i>	-2.1%	2.5%	1.8%	0.7%
Canadian Fixed Income (Gross)	2.6%	2.0%	4.8%	4.1%
Benchmark: PH&N Fixed Income Benchmark	1.5%	1.1%	4.1%	3.3%
<i>Value Added</i>	1.1%	0.9%	0.7%	0.8%
Real Estate (Gross)	6.3%	6.0%	5.4%	5.7%
Benchmark: REALpac/IPD Canada Property Index	5.9%	7.0%	6.9%	7.8%
<i>Value Added</i>	0.4%	-1.0%	-1.5%	-2.1%
Infrastructure (Net)	3.6%	13.2%	9.0%	14.3%
Benchmark: Macquarie Infrastructure Benchmark*	7.0%	2.4%	7.2%	8.0%
<i>Value Added</i>	-3.4%	10.8%	1.8%	6.3%

*FTSE TMX Real Return Bond Index (50%) and MSCI ACWI (Net) (CAD) Index (50%)

Asset Allocation

Asset Class Benchmark Policy	Investment Policy (%)	Actual Allocation (%)
<i>Fixed Income:</i>		
Fixed Income-FTSE TMX Canadian Universe Bond Index	25.0	23.1
Total Fixed Income	25.0	23.1
<i>Equity:</i>		
Canadian Equity - S&P TSX Composite Index	25.0	26.6
Global Equity - MSCI ACWI (Net) (CDN) Index	30.0	31.5
Total Equity	55.0	58.1
<i>Alternatives:</i>		
Real Estate - REALpac / IPD Canada Property Index	10.0	9.2
Infrastructure: FTSE TMX Real Return Bond 50% Index MSCI ACWI (Net) (CAD) 50% Index	10.0	9.6
Total Alternatives	20.0	18.8
Total Fund	100.0	100.0

*Rounded figure

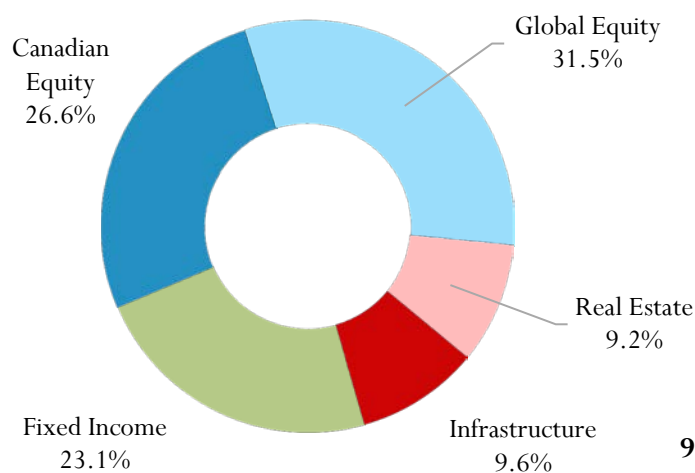
Figure 7: Asset Allocations Relative to Policy

As at March 31, 2017

The Foundation's actual allocation to each asset class remains within the approved investment policy ranges.

The infrastructure asset class allocation is close to the target allocation. The Foundation has committed to North American and European Infrastructure Funds to achieve geographical diversity.

Actual Asset Allocations



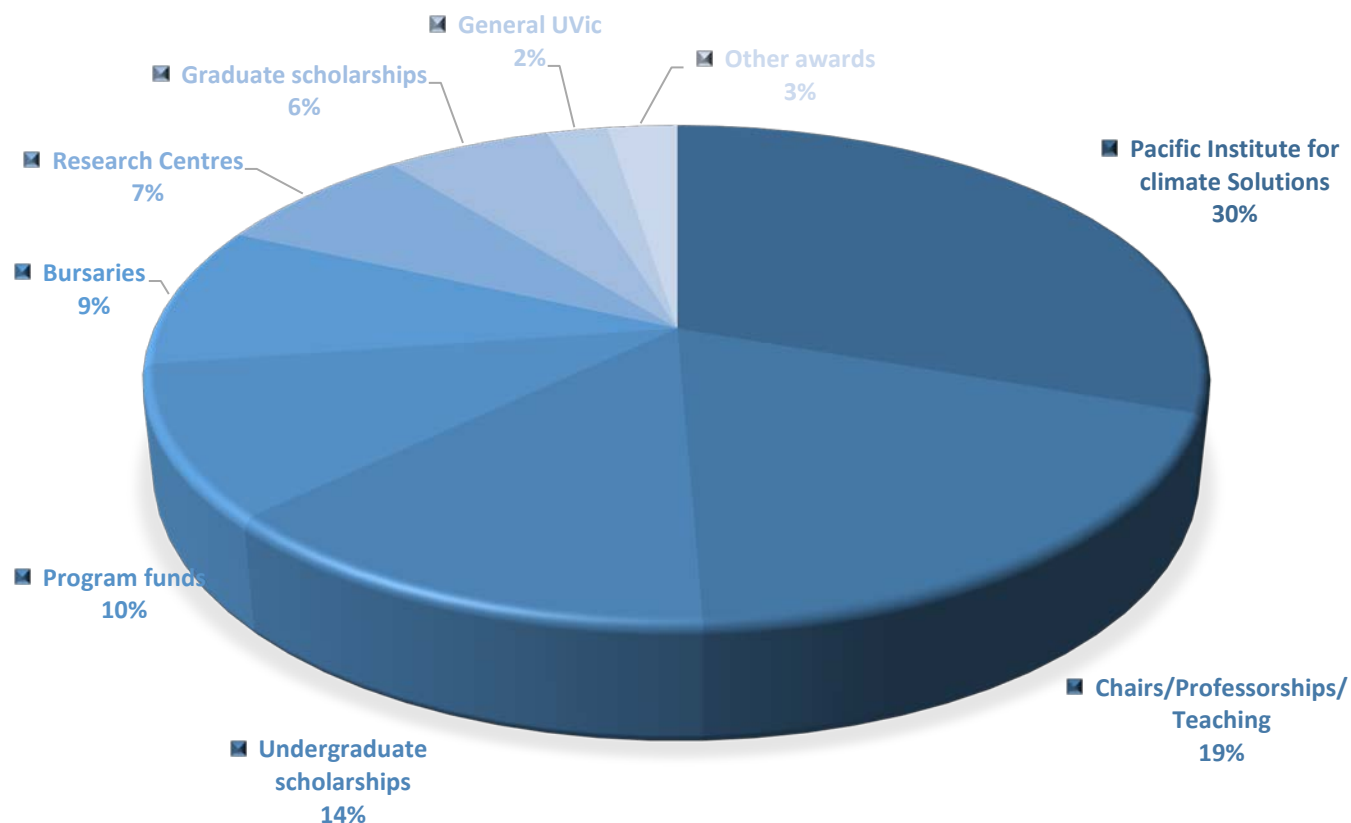
ENDOWMENT MANAGEMENT (SPENDING) POLICY

The Board maintains an Endowment Management Policy that sets out the following objectives:

- Protect the value of the Fund against inflation over time so that the donor is assured that the donation will continue to work for the benefit of the University for generations to come; and
- Provide stability in the earnings distribution to allow both the recipients and the University to plan ahead knowing what funds will be made available each year.

In order to achieve the goals the Foundation updated the spending policy in 2010 to allow for a 4.0% spend rate of the principal adjusted for inflation annually. In order to achieve a 4% distribution as well as fund approximately 2% annually for inflation and up to 1% for investment costs, the endowment must earn a mean expected return of roughly 7%. If investment returns exceed 7%, then the endowment can establish a cushion that enables stability in fund disbursements and the maintenance of a long term asset allocation strategy throughout the ebbs and flows of various market cycles. Funds with two years of spend cushion (i.e. funds with a market value of greater than 108% of principal, adjusted for inflation) are permitted an additional annual 0.5% spend. In 2016-17 more than 70% the funds are eligible for the additional 0.5% spend. Conversely, if the market value of a fund falls below 80% of the original donation, the distribution of that fund will be re-evaluated and may result in no distribution for a given year. In 2016-17 no funds market value fell below the 80% threshold. It is through adherence to the Endowment Management Policy that the Board was able to approve a budget of \$15 in 2017-18. The breakdown of how the budget is allocated is illustrated below.

Figure 8: 2016-17 Budget Allocations



Management Fees

The majority of investment expenses are investment management fees. The spending policy limits other expenses to a maximum of 0.35% per annum of the inflation adjusted principal at cost as at December 31st of the prior year.

These expenses may include audit, consulting and performance measurement fees as well as advancement and administration services provided by the University of Victoria.

For 2016-17 the Foundation budget for these expenses is 0.31% of the inflation adjusted principal at cost as of December 31, 2016.

Budget Categories:

Awards – Achievement based

Bursaries – Bursaries are non-repayable awards based on financial need and reasonable academic standing.

Specific Purpose - Research Chairs, Centres, etc.

Scholarships – Scholarships are non-repayable and are awarded to students on the basis of academic merit or excellence

SERVICE PROVIDERS

INVESTMENT MANAGERS

Walter Scott & Hexavest -Global equity
Phillips, Hager & North -Fixed Income
Foyston, Gordon and Payne -Canadian equity
Macquarie Infrastructure -Infrastructure
Bentall Kennedy -Real Estate

CUSTODIAN

RBC Investor Services

INVESTMENT CONSULTANT

Aon Hewitt

PERFORMANCE MANAGEMENT

Aon Hewitt

AUDITOR

KPMG LLP

As at March 31 2017

RESPONSIBLE INVESTING REPORT

In 2012, the Foundation extended its list of investment beliefs to include a belief on responsible investing. Two years later, it was updated to include a requirement that investment managers submit annual disclosures regarding the processes by which Environmental Social and Governance (ESG) factors are incorporated into the investment decision-making process. The Board continues to focus its efforts on responsible investing instead of divestment. In order to advance responsible investing, the Board continues to:

1. complete the United Nations-supported Principles for Responsible Investing (PRI) reporting;
2. review the landscape of asset owner best practices in implementing responsible investing; and
3. review the responsible investment practices of its investment managers and their commitments to ESG.

PRINCIPLES FOR RESPONSIBLE INVESTING

The United Nations-supported PRI Initiative has quickly become a leading global network for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision-making and ownership practices.

Responsible investment is a process to be tailored to fit each organization's investment strategy, approach and resources. The Foundation views the principles as framework for responsible investing and, where consistent with our fiduciary responsibilities, we commit to the following:

- Incorporate ESG issues into our decision-making processes.
- Encourage managers to be active owners and incorporate ESG issues into ownership policies and practices.
- Encourage managers to seek appropriate disclosure on ESG issues by the entities in which we invest.
- Promote acceptance and implementation of the Principles within the investment industry.
- Work together to enhance our effectiveness in implementing the Principles.
- Report on our activities and progress towards implementing the Principles.

Four of the Foundation's six external investment managers are PRI signatories. FGP has submitted an application to become a signatory and Walter Scott is not a signatory.

INVESTMENT MANAGER ESG INTEGRATION

The Board requests that its investment managers provide annual written reports on ESG practice integration. Key disclosures from each investment manager are included below.

Walter Scott – Global Equity Manager

Through in-house research and engagement with investee companies, the investment team seeks to identify and review all relevant factors appropriate to assessing a company's ability to generate long-term sustainable growth in wealth, including ESG factors. As long-term investors, it is essential that the firm invests in businesses with robust attitudes towards, and the highest standards of, corporate governance. Over time, Walter Scott considers corporate performance to be the key determinant of investment performance and, therefore, the firm is committed to encouraging the highest standards of corporate governance in the companies in which it invests.

In researching any company, regardless of geography or sector, the same analytical framework is followed. That framework forms an important part of the overall research process and is based on seven areas of investigation. It may be appropriate to consider ESG factors across almost any aspect of a company's business and therefore all seven areas, but those considerations will usually come to the fore in the areas of investigation titled, 'integrity' and 'control of destiny'. Assessing a company's integrity encompasses matters such as accounting methods, off balance sheet financing, treatment of minorities, insider selling as well as ethical and governance factors. A company that cannot show integrity in its operating structure and practices is not a valid long-term investment idea. Similarly, in assessing whether a company is in control of its destiny, it is only companies with market leadership based on reputable ethical and operating practices that will retain that control.

As long-term investors it is essential that the firm invests in businesses with robust attitudes towards, and the highest standards of, corporate governance. ESG considerations are present throughout the firm's investment activities. They come to the fore particularly in three areas: (a) research, where companies with poor standards of governance are screened out; (b) in face-to-face meetings and other communications with company management; and (c) in the way proxy votes are exercised. The investment team is responsible for all three aspects.

Walter Scott has not become a signatory to the Principles for Responsible Investment (PRI) or any other such code. Membership to the code is kept under constant review and members of the team regularly attend PRI events and roundtables. This stance reflects a belief that there are no substitutes for in-house research and autonomous decision making from first principles. That said, it is unlikely that the firm's actions would materially contradict any of the recognised codes and Walter Scott is generally aligned to the spirit and aims of such groups.

Hexavest – Global Equity Manager

Hexavest’s approach regarding ESG issues is based on the belief that companies lacking strong governance standards or social and environmental responsibility are taking business risks which may adversely affect them as well as their stock’s performance. Our firm is mindful of the potential risks associated with ESG issues, which are therefore considered from a risk assessment standpoint. We also believe that some investment opportunities can sometimes arise from ESG factors, but we give greater prominence to risk management than we do to identifying opportunities. To date, their voting policy is their main tool for managing ESG issues using resources from their Management Team, Customer Service, Middle Office and Compliance, and other external providers.

Hexavest’s external firm AEquo met with 13 Canadian companies to discuss climate change, local collectives, labour, taxation, and governance. In collaboration with AEquos, Hexavest has also increased the number of initiatives over the past year from three in 2015, to seven in 2016. In signing the six Principles for Responsible Investments, Hexavest has committed to work together with other investors to enhance its effectiveness in implementing the Principles. They believe that continuing to collaborate in various investor initiatives will improve their ability to meet commitments to beneficiaries as well as better align their investment activities with the broader interests of society.

Proxy Voting - During the year 2016, Hexavest exercised its voting rights in the assemblies of 676 companies and voted in 8,717 resolutions. In 56% of cases, Hexavest voted in opposition to the Board’s recommendations. One should note that only 1,609 out of 4,617 candidates in the elections of Board Directors received approval from Hexavest and that a large majority of the advisory resolutions on compensation were rejected (271 out of 338 “say on pay” resolutions). Finally, Hexavest supported 281 shareholder proposals over the last year.

Hexavest’s main areas of strength include resolution of conflicts of interest, objectives and strategies, roles and responsibilities, and dialogues with public policy makers as well as disclosure of approach to clients, and engagement methods for collaborative initiatives. Areas for improvement include the lack of ESG policy and HR development & training, analysis of the impacts on performance and disclosures of approach to the public, and the lack of engagement policy, process for identifying and prioritizing engagement activities, objectives for activities, intensity of engagement and disclosure.

Bentall Kennedy – Canadian Real Estate Manager

At Bentall Kennedy we believe in investing soundly and sustainably. Our approach to sustainability is directly tied to our investment strategy and designed to match a range of investor risk and return expectations. Incorporating sustainability factors into our investment portfolio supports stable, long term returns. Bentall Kennedy has formal Corporate Responsibility, Responsible Contracting and Environmental Policies. We disclose sustainability performance and practices to Global Reporting Initiative, Global Real Estate Sustainability Benchmark, Carbon Disclosure Project and the UNPRI to demonstrate our commitment to transparency and industry leadership.

In 2014, we committed to obtaining compelling, portfolio-wide evidence that green certified buildings outperform their non-green counterparts. We commissioned an academic research study and were pleased to see it published in September 2015 in one of the most respected peer reviewed journals, Institutional Investor's The Journal of Portfolio Management. The study results, discussed throughout this report, have deepened our conviction that sustainability attributes are essential criteria to delivering long-term value for investors.

Bentall Kennedy's focus has been on increasing net operating income through Green Building Certifications, enhancing tenant loyalty, reducing risk, and on suitability through Sun Life Financial.

Bentall Kennedy commissioned a first-of-its-kind report on the financial effects of green building certifications on commercial office buildings. The article, titled "Green Certification and Building Performance: Implications for Tangibles and Intangibles", was published in the September 2015 Special Real Estate Issue of Institutional Investor's The Journal of Portfolio Management.

This research confirmed our intuition, demonstrating not only that green certified buildings are generally more efficient, but also that green office buildings have a higher value than non-certified buildings.

In 2015, we launched our LEED for Existing Buildings: Operations & Maintenance (LEED EB:O&M) Volume Program and a BOMA BEST Portfolio Program. Over the coming years, these programs will enable us to effectively increase the coverage of building certifications across our portfolio to deliver higher income and value.

Reducing energy use is a key strategy in managing the operating costs across our portfolio, for the benefit of our clients, tenants and the environment. An increased emphasis on energy efficiency training, building certifications and data analytics has led to a 4% annual decrease in normalized energy intensity across our portfolio.

Macquarie – Global Infrastructure Manager

ESG considerations are embedded within our investment decision-making approach, and the asset management frameworks through which we encourage portfolio companies to assess and improve performance. This is supported by our ESG and Risk experts, centralized policies and processes, and the expertise of our in-house asset management teams. The Macquarie Group has implemented a group-wide Environmental and Social Risk Policy (ESR Policy) that provides a robust framework for embedding environmental and social risk management into its business activities and is fully integrated with Macquarie Group's Risk Management Framework.

Where necessary, external ESG advisors are engaged to undertake due diligence, resulting in a detailed report that includes assessment of:

- Main licensing requirements and issues arising from investigations;
- Key ESG risks and potential liabilities;
- Recent regulatory actions taken, reviews and/or third party actions or claims against the company;
- Ongoing obligations/regulatory standards to be met post-acquisition;
- Assessment of the ESG risk management framework in place against accepted good practice; and
- Recommendations for any remediation actions and ESG clear allocations of responsibility.

Macquarie Asset Management (MAM) has been a signatory to the United Nations Principles for Responsible Investment (PRI) since July 2015. Macquarie Group is also signatory to the Carbon Disclosure Project (CDP) and responds to the CDP about its approach to the risks and opportunities from climate change.

PH&N – Canadian Fixed Income Manager

We believe that the proper disclosure and consideration of ESG risks and opportunities by the companies or countries in which we are invested will enhance the long term, sustainable performance of those investments. Accordingly, we seek to integrate ESG factors into our investment process when doing so may have a material impact on our investment risk or return. As a general rule, we will not exclude any particular investment or industry based on ESG factors alone. We believe it is important to consider those factors within our overall investment process rather than unduly narrowing the universe of potential investments.

Good corporate governance practices are particularly important for all of our investments across all industries and markets. We believe that companies with good governance structures are better able to focus on the company's long-term, sustainable growth and pose less risk for shareholders. Good corporate governance is also essential to properly align the interests of management with those of shareholders. We believe that the quality of a company's corporate governance is relevant to all other environmental and social factors, as poor management or disclosure of environmental or social risks and opportunities may indicate weak board oversight of risk, strategy and management and may also be a sign of poor management quality. For fixed income investments, the governance practices of an issuer (whether sovereign or corporate) may be material to creditworthiness and risk.

In the past year, we have continued to build upon the foundations of our ESG integration strategy, as demonstrated in part by the following:

- Principles of Responsible Investment (PRI) - In March 2016, RBC GAM filed our first Transparency Report with the PRI. The PRI assesses signatories' approaches to the Principles based on its assessment methodology. We are very pleased to report that the PRI gave our overall "Strategy & Governance" a score of A+, with a score of A in every other category reported, with the exception of one where we were given a score of B. We continue to look for additional ways to apply the Principles and building on our 2016 Transparency Report results.
- UK Stewardship Code - RBC GAM is pleased to report that our Code Statement was ranked in Tier 1, the highest ranking.
- Increasing female representation on boards - RBC GAM endorses the goals of the 30% Club and actively encourages the companies we are invested in to increase board diversity by adopting board policies and providing appropriate disclosure to shareholders.

Foyston Gordon & Payne – Canadian Equity Manager

Foyston Gordon & Payne (FGP) incorporates ESG to their equity vetting and monitoring processes. FGP tracks:

- I. Company environmental factors (such as emissions, use of renewables, recycling & whether management has formulated ESG policies);
- II. Social factors (such as employee equity, workplace diversity, adherence to safety standards & whether management has incorporated training and health & safety programs); and
- III. Governance factors (such as board structure and executive compensation).

FGP compiles ESG factors using proprietary software such as Bloomberg ESG metrics, and incorporates this into individual equity's risk/performance profiles. FGP incorporates an investment scoring system which directly correlates to an investment's weighting in their portfolio. FGP also subscribes to Sustainalytics and receives SRI-based coverage of Canadian Equities (mid/large cap).

The ESG strategy focuses on 4 objectives:

1. Consider ESG factors (checklist) and understand ESG risks within the investment decision
2. Identify and monitor corporate ESG disclosure
3. Actively engage and raise our ESG concerns with our management teams - Actively engage management, Support sensible ideas
4. Proactively report our ESG positions with our clients - Quarterly updates, Use fact-based analysis

FGP is not a signatory to the PRI but has submitted an application to become a signatory.

PROXY VOTING

Proxy voting is another essential tool in our commitment to responsible investing. The Board has delegated voting rights to be exercised by the investment managers. Equity investment managers are expected to vote all proxies in the best interests of the Foundation. The proxy voting activity of our investment managers demonstrates that they continue to remain active participants within their equity portfolios. Our managers are requested to report regularly on their proxy voting activity.

The most common types of proxy votes are:

- Board Opposition,
- Say on Pay Opposition, and;
- Shareholder Proposal Support.



