

<b>Impact Investing Policy</b>		<b>X-XX</b>
<b>Effective Date: November 22, 2014</b>	<b>Revision Date:</b>	

**Definitions**

- *Impact investing*: Active investment in assets and organizations to generate positive social or environmental impacts as well as financial returns.
- *Mission-related investment (MRI)*: An investment of assets from the endowment of a foundation that seeks to create social impact as well as typically market-rate, risk-adjusted financial returns.
- *Program-related investment (PRI)*: An investment (as opposed to a grant) made from a foundation’s endowment or other funds for the primary purpose of furthering the foundation’s charitable purposes, not generating income. PRIs can be made in qualified donees and/or non-qualified donees. Where a PRI is made in a non-qualified donee, the PRI must be structured so as to comply with the foundation’s obligations under the *Income Tax Act* (Canada) and Canada Revenue Agency policies related to program-related investments by registered charities. This generally means that:
  - the foundation must maintain appropriate direction and control over the investment and the use of the invested funds;
  - the foundation must be able to show that any private benefit resulting from the PRI is reasonable and not excessive; and
  - appropriate exit mechanisms must be in place in the event that the PRI no longer furthers the foundation’s charitable purposes.

A portion of a PRI may count toward the Foundation’s disbursement quota.

- *Socially responsible investing (SRI)*: An approach to attempt to avoid social and/or environmental risks, as well as reward progressive business practice and potentially, to create social good through useful goods and services. SRI falls within the mandate of the Foundation’s Investment Committee, not the Impact Investment Committee, and so is not addressed by this Policy.

**Introduction**

The Foundation has traditionally provided grants to charities as the principal means of support for initiatives related to its mission and values. The Canada Revenue Agency (CRA) has established a disbursement quota (DQ) of 3.5% for all foundations. The Foundation reviews and approves its giving guideline for granting annually.

The Foundation intends to target a portion of its financial assets for impact investing.

**Impact Investing Core Beliefs**

The Foundation believes that, by targeting a portion of its endowment for impact investing, it can generate a blended value return that can significantly multiply the impact on communities and generate financial returns with an acceptable risk profile.

The Foundation sees impact investing as an extension of our grant making and as a means to expand our reach. Utilizing our broader financial assets in this way can provide a powerful additional device in our toolkit to do good and to fulfill our mission as a foundation.

Our impact investing can allow the Foundation to increase the impact in our current granting areas of interest. It can also allow us to expand in new areas that our members have identified as important but that are not currently priority areas for our grant programs.

### **Purpose of this Policy**

The purpose of the Policy is to provide impact investing principles and guidelines, which are appropriate to the needs and objectives of the Foundation, in a manner conforming to the requirements of the Income Tax Act and legal regulatory environment.

### **Asset Allocation and Objectives (Social and Financial)**

- Initial objective: up to 3% of Fund #1 assets invested in impact investments
- During the first 2years, the Foundation will limit its impact investing to 4-5 offerings, creating a manageable portfolio and giving us the time to gain experience working with various investment vehicles
- *Program-related investments:* are made available to Canadian agencies in the form of loans, patient capital, guarantees or mortgages, and are generally fixed term and illiquid. PRIs may also include equity investments in corporations where appropriate, as well as investments as beneficiaries of one or more trusts. PRIs seek market rates of return wherever possible, but would also accept some below-market returns where there are clearly attractive social or environmental benefits.

*Mission-related investments:* are readily available in public financial markets, open to large numbers of investors. MRIs are made at market rates of return, but also have a desirable social or environmental impact that is aligned with the Foundation's overall mission.

The Impact Investment Committee will oversee and monitor PRIs and MRIs.

- The Foundation recognizes that, while financial returns are quantifiable, defining and measuring the social impact or return is still very difficult to do (long-term nature of change, difficulty to attribute particular actions to results, complexities of the issues and challenges, etc.). The Foundation and other funders have been investing for social good for a long time, despite the fact that we still find it very difficult to measure the social impact of our grants. No one has yet been able to find an effective way to truly measure social change and link that change to particular actions or initiatives. While we must continuously strive to measure more effectively and identify appropriate methodologies, the challenges in this kind of work should not hamper our desire to engage in impact investing.

### **Social and Environmental Impact Themes or Areas of Interest**

- The Foundation's impact investments will be able to demonstrate clear social or environmental benefits.
- The Foundation's impact investing looks broadly at social benefit or return and is not limited by the Foundation's grant making areas of focus.
- The Foundation generally will invest in Canadian investments with social impact in Canada.

We expect that financial intermediaries or pooled funds in which we invest our capital will also be able to demonstrate their adherence to social and environmental themes. The Foundation will monitor the performance of impact investing activities in regards to social and environmental themes and report outcomes to the Board.

## **Types of Eligible Investments**

The Foundation may invest directly in qualified donees or non-qualified donees on a case-by-case basis or may invest in pooled funds with a focused impact investing strategy. Investments may include but are not limited to:

- Patient capital
- Interim financing
- Letters of credit
- Loans
- Loan guarantees
- Equity investments
- Mortgages
- Community bonds

The Foundation will consider any applicable regulatory restrictions in structuring specific investments. Legal advice may be necessary.

## **Investment Guidelines and Selection**

- Social and environmental benefits will be paramount when considering the eligibility of investments.
- *Pooled funds*: The Foundation will invest in funds with a focussed impact investing strategy. The funds' guidelines determine investment selection. To the extent a PRI is to be made in a pooled fund held by a non-qualified donee, all tax compliance requirements in respect of the PRI must be met.
- *Direct investments*: The Foundation will generally invest in community organizations with a proven record of success and credible plans for execution with a low risk profile. The Foundation will conduct its due diligence of potential investments, including an assessment of the organization's governance, capacity, etc.
- *Financial products*: The Foundation will invest in financial products with a focused investing strategy.

## **Valuation**

- *Pooled funds*: The valuation of investments in pooled funds will be largely based on external analysis. The valuation will be fair valued using criteria that include the value determined by the fund manager and the audited financial statements of the fund.
- *Direct investments*: The valuation of direct investments will be largely based on internal analysis. The valuation will be based on the cost of the investment at the time of the transaction, unless an updated valuation is available. The investment will be assessed annually for any events that would lead the impact investment committee to believe that the value of the investment has materially changed. This process will use objective measures as much as possible but may require the use of some assumptions.

## **Impact Investment Committee (see the Committee's Terms of Reference, Governance Policy)**

Oversight of the Foundation's Impact Investing will be provided by the Impact Investment Committee, which reports to and is accountable to the Board of Directors