



COAST
FUNDS

COASTAL
INDIGENOUS PROSPERITY
SOCIETY

INVESTMENT POLICY

December 2024

A gyaaGang monumental pole raised in 2017 in honour of the ancestors who occupied Tlielang Hiellen Village Site beside Hl'yaalang Gandlee, the river that runs beside Taaw Tow Hill, Haida Gwaii

PHOTO BY
Brodie Guy



Purpose of the Investment Policy

- 1.1 The Coastal Indigenous Prosperity Society (“Society”) was created as a not-for-profit society to manage a \$120 million fund economic development fund for First Nations. The successful management of the Society’s assets (the “Fund”) will have a direct effect on the ability of the Society to deliver its mandate.
- 1.2 This document constitutes the Statement of Investment Policy (“Policy”), which sets out the policies to be followed in the management of the Fund.

Socially Responsible Investment

- 1.3 The Fund will be managed to include a screening process that takes into consideration Indigenous, environmental, social, and governance (“I+ESG”) elements. The screening process may incorporate both positive and negative screens.
- 1.4 When investing in securities, consideration must be given to whether the underlying entity is committed to operating in an economically and environmentally sustainable manner while recognizing the interests of its stakeholders (which include investors, customers, employees, business partners, Indigenous and local communities, the environment and society at large).
- 1.5 The Fund shall not hold ownership or lending interests, either directly or indirectly through a pooled fund investment vehicle, in the following industries:
 - (a) those that produce military weapons or weapons-related products;
 - (b) those that produce tobacco products;
 - (c) those that produce nuclear power;
 - (d) those that involve gambling or gambling-related products or services;
 - (e) companies with 20% or more of total production derived from Alberta oil or tar sands extraction; and
 - (f) Enbridge Inc. (and related entities), with the exception of renewable power projects.

Responsibilities for the Investment of the Fund

- 1.6 The Board has created an Investment, Finance and Audit Committee (“Committee”) which operates under Terms of Reference to have responsibility for overseeing the investment management of the Fund.
- 1.7 The Committee is responsible for making recommendations to the Board on any changes that may be required to this Policy.
- 1.8 The Committee is responsible for developing, reviewing and monitoring detailed guidelines and constraints for the management of the Fund investments, to be contained in Investment Guidelines (“Guidelines”).

Investment Objectives

- 1.9 The investment objective of the Fund is to generate investment earnings each year, at least equal to an annual rate of 4%, after investment management expenses. It is understood that the achievement of this objective depends in large part on the performance of the financial markets, and not on any decisions that might be made by the board, the Committee or an investment manager.
- 1.10 Risk is defined as the possibility that capital might be lost. Accordingly, the risk objective is to reduce the chance that there may be a loss of capital at any time, subject to meeting the Fund’s investment objective. It is understood that the risk objective might not be achieved over the short term in order to achieve the investment objective over the medium to long term.



Investment Principles

- 1.11 The assets of the Fund will be invested in the capital markets, and invested only in investments that a prudent investor would make.
- 1.12 The selection of investments in the Fund will be made in the context of the total portfolio, with a reasonable expectation of a fair return or appreciation.
- 1.13 The investment objectives can best be achieved by investing in diverse asset classes with varied investment characteristics.
- 1.14 The risk of price fluctuations within the asset classes and the uncertainty of future economic and investment conditions dictate prudent diversification by economic sector, industry, geographic markets and market capitalization.
- 1.15 Active investment management by professional investment managers through opportunistic security selection is expected to add value.
- 1.16 Investment managers will be hired that have specialized expertise in their asset class and in implementing social, environmental and Indigenous screens.
- 1.17 Risk will be controlled; accordingly guidelines and constraints will be established and compliance with the guidelines and constraints will be monitored.
- 1.18 A substantial portion of the Fund will be marketable and liquid to meet the need to fund expenses and funding disbursements.

Permitted Categories of Investments

- 1.19 The Fund may be invested in equities, fixed income and short-term securities. Equities include global equities. Fixed income includes bonds, mortgages and short-term investments. The Guidelines prepared by the Committee will describe the detailed guidelines and constraints for investing in these asset classes.
- 1.20 Upon the recommendation of the Committee, the Board may allow other categories of investment by amending this Policy if such investments, on the recommendation of the Committee, may help achieve the investment objectives.
- 1.21 Until the Board approves a new category of investment and the Committee amends the Guidelines for that category of investment, any investment not specifically permitted by this Policy shall be prohibited.

Asset Mix

- 1.22 The asset mix shall always be maintained within the following ranges.

<u>Asset Class</u>	<u>Minimum</u>	<u>Benchmark</u>	<u>Maximum</u>
Bonds	40%	50%	60%
Global Equities	5%	15%	25%
Mortgages	20%	30%	40%
Short-Term Investments	0%	5%	15%

- 1.23 The Committee has the discretion to vary the asset mix within the ranges set out in Section 1.22.



Custodian

1.24 The Board may select a custodian to hold the assets of the Fund.

Investment Managers

1.25 The Board, on the recommendation of the Committee, will retain external independent professional portfolio managers to provide it with investment advice.

1.26 The selection of an investment manager will be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.

1.27 The Board will only retain investment managers which have proven financial track records and proven capability of implementing social, environmental and Indigenous screens.

1.28 An Investment Manager, in performing duties, shall:

(a) exercise the care, diligence and skill of a prudent investment counsellor and shall at all times act on a basis that is fair and reasonable;

(b) adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute and to the internal conduct guidelines established by the Investment Manager; and

(c) manage its portion of the Fund in accordance with the terms of its Investment Management Agreement with the Society and the specific guidelines set out herein.

1.29 The Board will set performance targets for each Investment Manager.

1.30 The Committee will monitor the performance of the investment managers and recommend to the Board any changes as the Committee deems in the best interest of the Society.

Guidelines and Constraints

1.31 All investments shall conform to the Constitution, the Funding Agreements, the Bylaws, this Policy and any applicable law and regulations.

1.32 The Committee will develop documented guidelines and constraints for each category of investment and for the Fund overall, consistent with this Policy (the "Guidelines").

1.33 Investment managers shall not invest in any assets that are not in an approved category of investment.

1.34 No entity, including the Board, the Committee, the Investment Managers, or any member of such entity may lend, pledge or otherwise encumber any of the Fund's assets except for acceptable grants committed in accordance with the Funding Agreements.

Communication by the Investment Managers

1.35 Each investment manager will prepare and deliver a report to the Committee on the management of its part of the Fund as soon as practicable at the end of each calendar quarter, including such content as described in the Guidelines.

1.36 Each investment manager will meet with the Committee or with the Fund's staff at least once a year to review the results the investment manager has achieved and to discuss its economic outlook and investment strategy.



- 1.37 Investment managers shall inform the CFO of the Fund promptly of any changes in the investment manager's firm, including any changes in ownership, senior investment personnel or investment management style.

Monitoring and Review of Investment Performance

- 1.38 Each quarter, the Committee will review the reports prepared by the investment managers and any evaluations conducted of the performance of the investment managers, and shall assess their performance.
- 1.39 An investment manager's continued suitability may be examined at any time should the Committee lose confidence in the investment manager's ability to succeed.
- 1.40 Concerns about the performance of an investment manager shall be noted in the minutes of the Committee's meeting, and shall include the conclusions of the Committee as to the next steps that will be taken in connection with the retention of such investment manager.

Review and Amendment of the Policy

- 1.41 The Committee will review the Policy at least once each year, and recommend to the Board any changes the Committee feels are necessary.
- 1.42 The Committee will review the Policy as soon as practicable when any legislative changes may affect the investment of the Fund, and recommend to the Board any revisions they feel are necessary.

Communication by the Committee

- 1.43 The Chair of the Committee will meet at least quarterly with the Board to report on the activities of the Committee, the investment management and performance of the Fund, and any recommendations by the Committee on changes to the Policy.

Conflict of Interest

- 1.44 The Board shall establish procedures for resolving actual or perceived conflicts of interest in the management of the Fund.
- 1.45 A conflict of interest exists when a person has the opportunity to advance or protect his or her own interest or the private interests of others with whom the person has a relationship, including a familial or other personal or business relationship, in a way detrimental to the interests, or potentially harmful to the integrity or fundamental mission of the Fund.
- 1.46 No member of the Board, the Committee or an Investment Manager, or a Fund employee or contractor may exercise their powers with regard to the investment of the Fund in their own personal or business interest or in the interest of their family or of a third person, nor may any such member place themselves in a position of conflict of interest or potential conflict of interest.
- 1.47 An individual, upon first becoming aware of a conflict of interest or a potential conflict of interest shall disclose in writing the nature and extent of an interest to the Chair immediately. The Chair shall report such disclosure to the Committee.
- 1.48 If the party disclosing the conflict of interest has the capacity to participate in or to make decisions affecting the investments of the Fund, the party may continue to participate only with the approval of the Committee.
- 1.49 The failure of a person to comply with the procedures described in this Section shall not of itself invalidate any decision, contract or other matter.



Proxy Voting Rights and Responsibilities

- 1.50 The Fund will vote its proxies in accordance these guidelines:
- (a) The Fund will vote in a manner that is consistent with the duties of loyalty and care, and that supports implementation of current best practices in corporate governance and social responsibility.
 - (b) Above all else, the Fund will always vote in the best long-term interests of Participating First Nations and Coast Funds' funders.
- 1.51 In deciding how to apply the guidelines, the Fund will consider the circumstances of each vote as well as the general principles contained in these guidelines. The overarching principle in interpreting and applying these guidelines is to follow the course of action that will best serve the long-term interests of Participating First Nations and Coast Funds' funders. If questions arise about the application or interpretation of these guidelines for any issue, they should be resolved in consultation with the Fund's board of directors.
- 1.52 The Fund will not attempt to manage companies by shareholder referendum and will ensure that any attempts to influence a company does not harm its financial viability.
- 1.53 In cases where the Fund delegates its voting authority to external investment managers or a proxy voting service, it reserves the right to direct the vote on any particular resolution or issue.
- 1.54 The standards for corporate governance and corporate social responsibility evolve over time. There is growing acceptance of the view that shareholders' interests must be considered along with those of a company's other stakeholders, such as its employees, creditors, suppliers, and the citizens of the community where it operates, as well as the environment, in order to sustain long term profitability.
- 1.55 This shift in the view of shareholders' role in the company is consistent with the perspective of long-term shareholders and with the inclusion of environmental, social and governance issues into investment decision-making. Corporate governance standards are evolving accordingly.
- 1.56 The Fund will continue to monitor changes in corporate governance and update these guidelines to reflect those changes. The guidelines will be reviewed, updated, and approved by the Committee on an annual basis.
- 1.57 The Fund publishes these guidelines on its website to ensure they are available to all companies in which it invests in, to any First Nation or funder, and to the public. Directors and officers will monitor delegated voting decisions as part of their duty to manage the Fund in the best interests of Participating First Nations and funders. The fiduciaries responsible for voting should report regularly to the board on how each proxy has been voted. This report should include a written account of the reason the Fund authorized any vote that deviates from these guidelines. The Fund's board and their voting fiduciaries will agree on the details, timing, and frequency of these reports at the beginning of the fiduciaries' contract, and they will review their agreement annually.

Proxy Voting Guidelines (PVG)

- 1.58 The Fund delegates its voting rights to individual Investment Managers. Investment Managers will exercise the Fund's voting rights in order to maintain the highest standard



of corporate governance, sustainability of the business, and practices of the companies whose shares are held.

- 1.59 Proxy voting is a key element of the Fund's integration of I+ESG factors in the investment process.
- 1.60 Delegation of voting rights:
- (a) Investment Managers are delegated the responsibility of directing the Custodian in the exercise of voting rights acquired through the Fund's investments in the porting of the Fund managed by them.
 - (b) Investment Managers will maintain a record of how voting rights are exercised on behalf of the Fund.
 - (c) Investment Managers will exercise acquired voting rights with the intent of fulfilling the Fund's investment objectives and policies, with careful consideration of specified voting guidelines below.

Application of Guidelines by Asset Managers or Voting Agent

- 1.61 Any investment manager or adviser who, under the terms of a contract, is responsible for voting shares held by the Fund is expected to follow the proxy voting guidelines outlined below in making voting decisions. Where the guidelines call for decisions to be made on a case-by-case basis, voting agents should base their decision on what would best serve the Fund's Participating First Nations and funders in the long term as embodied in the agreements and standards referenced in these guidelines. If a voting agent believes the interests of Participating First Nations and funders would be best served by deviating from the guidelines, the Fund should be consulted before such a vote is cast.

PVG 1 – Free, Prior, and Informed Consent of Indigenous Peoples and Social License to Operate

Background

- 1.62 The survival, security and human rights of millions of Indigenous peoples around the world are continuously threatened. Efforts to extract or develop natural resources in Indigenous peoples' traditional territories often threaten their lives, cultures, and territories. Indigenous communities are demonstrating an assertiveness when it comes to rejecting resource extraction projects. Coast Funds believes that to secure project access and ensure that invested assets eventually realize a return, leading companies must recognize the right to the free, prior and informed consent of affected Indigenous communities and deliver tangible benefits to them. Companies should recognize and follow the UN Declaration on the Rights of Indigenous Peoples, which sets out the individual and collective rights of Indigenous peoples, as well as their rights to culture, identity, language, employment, health, education and other issues.
- 1.63 The phrase "social license to operate" refers to companies obtaining the support of communities who may be affected by mining, energy, pipeline or other projects before proceeding. Social license to operate includes the free, prior, and informed consent of Indigenous peoples. Obtaining a social license to operate often requires companies to take steps to secure community support that go beyond what is required by law. Proposals concerning social license to operate are usually filed with extractive-industry companies, but the concept also applies to other industries.



1.64 Companies that proceed with projects without obtaining and maintaining local consent may face protests, sabotage, boycotts, negative publicity, and falling share prices. Some oil and mining companies have had to abandon projects because of local opposition, after investing hundreds of millions of dollars. Companies that fail to obtain local consent may also violate laws and/or international agreements, particularly those designed to protect the rights of Indigenous peoples.

1.65 Voting Guidelines

- (a) Investment Managers exercising proxies on behalf of the Fund will vote FOR reasonable proposals that ask companies to obtain and maintain free, prior, and informed consent of Indigenous peoples.
- (b) Investment Managers exercising proxies on behalf of the Fund will vote FOR proposals requesting companies to develop, strengthen or implement a policy or guideline designed to address free, prior and informed consent/consultation from Indigenous peoples or other communities.
- (c) Investment managers exercising proxies on behalf of the Fund will vote FOR proposals requesting that companies support and follow the UN Declaration on the Rights of Indigenous Peoples and/or create a policy or program to do so.
- (d) Investment managers exercising proxies on behalf of the Fund will vote FOR proposals asking companies to assess and report on the adoption of policies related to free prior and informed consent.

PVG 2 – Human Rights and Workers’ Rights

Background

1.66 The Fund is in favour of shareholder proposals calling for the respect of human rights in Canada and elsewhere in the world where such proposals are based on the universal principles established by the UN’s Universal Declaration of Human Rights, by the conventions of the International Labour Organization (ILO), or by the Canadian Charter of Rights and Freedoms.

1.67 Voting Guidelines

- (a) Investment Managers exercising proxies on behalf of the Fund will vote FOR the adoption of codes of conduct or policies related to any of the following areas:
 - 1. Worker’s rights as defined by the ILO’s Declaration on Fundamental Principles and Rights at Work, including the prohibition of forced labour, the prohibition of child labour (under 15 years of age), the prohibition of discrimination in employment and in working conditions, and the right of association and of collective bargaining.
 - 2. Policies against discrimination on the basis of sex, race, ethnic origin, religion and sexual orientation.
 - 3. Addressing the gender pay gap.
 - 4. The application of international humanitarian law in zones of conflict.
 - 5. Ensuring adequate working conditions in all facilities of the company, its subcontractors and suppliers throughout the world.



6. Improved disclosure, such as reporting under the Workforce Disclosure Initiative.

(b) Investment Managers exercising proxies on behalf of the Fund will vote FOR any resolution calling for an internationally recognized certification organization to ascertain the respect of human rights in the facilities of the company, its subcontractors and suppliers and to formulate appropriate recommendations.

PVG 3 – International Standards for Sustainability and Social Issues

Background

1.68 As a practical matter, proxy votes on sustainability and social issues differ from those on corporate governance issues in several ways. First, proposals on environmental and social issues are usually made by shareholders rather than by management. Second, the range of possible issues within corporate social responsibility is vast – certainly much larger than the range of topics covered by corporate governance. This makes it virtually impossible to anticipate and devise guidelines for all of the possible proposals that could be presented on a given proxy ballot. These guidelines address this problem by identifying a set of broad, internationally accepted standards and norms against which to assess corporate social responsibility proposals, augmented by specific guidelines for common types of proposals.

1.69 As stated earlier, if an issue on a proxy ballot is not specifically addressed by the guidelines, the Investment Manager’s voting decision will be guided by the Fund’s commitment to the long-term interests of Participating First Nations and funders.

1.70 Voting Guidelines

(a) In general, Investment Managers exercising proxies on behalf of the Fund will vote FOR any proposals that call on companies to adhere to report or report on compliance with principles established in the following international standards:

1. The UN Declaration on the Rights of Indigenous Peoples
2. The UN Universal Declaration of Human Rights
3. The UN Guidelines Principles on Business and Human Rights
4. The International Labour Organization’s Fundamental Principles and Rights at Work
5. The International Labour Organization’s Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
6. The Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises
7. The International Finance Corporation Performance Standards on Environmental and Social Sustainability
8. The UN Global Compact

PVG 4 – Mitigating Climate Change

Background

1.71 As a practical matter, proxy votes on sustainability and social issues differ from those on corporate governance issues in several ways. First, proposals on environmental and



social issues are usually made by shareholders rather than by management. Second, the range of possible issues within corporate social responsibility is vast – certainly much larger than the range of topics covered by corporate governance. This makes it virtually impossible to anticipate and devise guidelines for all of the possible proposals that could be presented on a given proxy ballot. These guidelines address this problem by identifying a set of broad, internationally accepted standards and norms against which to assess corporate social responsibility proposals, augmented by specific guidelines for common types of proposals.

1.72 **Voting Guidelines**

- (a) Investment Managers exercising proxies on behalf of the Fund will vote FOR reasonable proposals calling for companies to improve oversight, management, and reduction of their greenhouse gas emissions.
- (b) Investment Managers exercising proxies on behalf of the Fund will vote FOR reasonable proposals that encourage boards and management to disclose steps they are taking to address climate-related risks in business planning and/or capital expenditures.
- (c) Investment Managers exercising proxies on behalf of the Fund will vote FOR any proposals calling for additional disclosures on strategic planning in a low-carbon economy and the objective of limiting the global average temperature increase to well below 2 degrees Celsius.
- (d) Investment Managers exercising proxies on behalf of the Fund will vote FOR any proposals calling for companies to report on policies and procedures governing lobbying and public policy advocacy as they relate to climate change.
- (e) Investment Managers exercising proxies on behalf of the Fund will vote FOR any proposals calling for nomination of directors with appropriate expertise in climate science and related matters.

PVG 5 – Disclosure of ESG Responsibilities

Background

1.73 The Fund supports the disclosure of ESG information. With this information, shareholders are better equipped to make adequate assessments of risks and potential liabilities versus potential return based on our fundamental research. The Fund supports a standardized approach to reporting on ESG factors in order to make the information useful and comparable.

1.74 **Voting Guidelines**

- (a) Investment Managers exercising proxies on behalf of the Fund will vote FOR proposals that ask companies to report shareholders using the Global Reporting Initiative Guidelines <https://www.globalreporting.org/standards>
- (b) Investment Managers exercising proxies on behalf of the Funds will vote FOR proposals for companies to issue integrated sustainability and financial reports as long as integrated reports can be understood and provide as much information as separate sustainability and financial reports would provide.
- (c) Investment Managers exercising proxies on behalf on the Fund will vote FOR proposals to provide shareholders with reports related to the specific social and environmental aspects of their operations, including related risks and liabilities and



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efforts to mitigate those risks, provided the information is not already easily accessible to shareholders.