RESPONSIBLE CHARITABLE INVESTING

AN ANALYSIS OF INVESTING DISCLOSURE AND PRACTICES IN THE TOP CANADIAN CHARITIES

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Executive Summary

This report, funded by AFP Foundation for Philanthropy- Canada, studied the investing strategies of Canada's charitable sector, to uncover the current socially responsible investment (SRI) techniques for comparison and best practices. A request for information was submitted to the CRA to receive the financials and general information of the largest Canadian charities by investment income to investigate their financial performance and associated characteristics. Additionally, a qualitative review of the disclosure and type of investment practices that charities release to the public was conducted by reviewing the charities' websites and financial statement information, when applicable. The key findings and key learning's of this study are as follows:

Key Findings

- The main differences between the top 25 charities, those that disclosed a responsible investing approach (RI charity), were in the actual characteristics (field type and designation status), not their financial structure or relative performance.
- Each charity that has been considered a RI charity has a unique approach. Some charities have offered comprehensive approaches that addressed all six topics that the researchers have considered to be relevant to SRI: investment philosophies, screens, impact investing, proxy votings, evaluation of ESG, and investment management governance, where others might have disclosed only one topic.
- In many cases, after reviewing the financial statements of charities operating under the same field type and designation status, it appears that there are no financial hurdles to inhibit one charity from implementing SRI strategies versus another.
- Direct impact investments, which do not rely on public market investment, could continue advancing the charitable purpose of a charity while earning a return even during a bear market period.

Key Learnings

- It is critical for the charities that are engaging in SRI strategies to disclose their best practices, their reasons for choosing these approaches and how they transitioned to being an RI charity to bring awareness and opportunity to other charities.
- The new regulation of permitting limited partnerships for foundations has provided charities with the ability to have direct investments in organizations that can further their missions. These impact investments can create larger societal impacts than conventional investments. It is essential to have proper metrics and accountability in place prior to these new strategies being deployed.
- The lack of clarity on laws and regulations that govern the investment policies need to be more thoroughly explained. Investigation is needed to understand the gaps to create a solid recommendation for better responsibility and disclosure for investment practices.
- The majority of RI charities are beneficiary-facing and may experience greater stakeholder pressures than their peers. It is advantageous to engage stakeholders to understand how they make their decisions when supporting a charity and how a charity can incorporate stakeholders into the development of their investment philosophies.

Background

Introduction

The 2010 Social Finance Taskforce, crafted by Canada's financial and charitable leaders, listed as its #1 recommendation that "Canada's public and private foundations should invest at least 10% of their capital in mission-related investments by 2020 and report annually to the public on their activity" (Canadian Task Force on Social Finance, 2010, p. 3). The Taskforce identified mission-related investments, or responsible investing more generally, as a pressing need because of its ability to direct the existing resources of the sector towards creating impact. Five years later, responsible investing remains a curiosity for much of Canada's charitable sector.

This paper was commissioned by the AFP Foundation – Canada to explore responsible investing practices within Canada's charitable sector. The specific intent is to provide insight into the disclosure of investment practices within the charitable sector, and to suggest pathways for charities to align their investment practices with their missions and values.

This document is broadly structured in 5 parts: i) a primer on responsible investing within the context of Canada's charitable sector, ii) the research objectives, data exclusions, and methodologies, iii) the quantitative results, iv) the qualitative results, and v) the implications of responsible investing within the charitable sector and suggestions for further research

Canadian Charities

Registered charities in Canada "must be established and operate exclusively for charitable purposes" (Canada Revenue Agency, 2015, 1). After registering with the Canada Revenue Agency (CRA) these organizations receive a designation as a charitable organization, or public or private foundation. Charities enjoy the benefits of issuing donation receipts to donors, income tax exemption, and the ability to receive funding from other charitable organizations. Charities should not be confused with non-profit organizations (NPO), which share many similarities, such as having some tax exemptions, but have some notable differences. NPOs cannot operate solely for charitable purposes but can operate for social welfare, civic improvement, pleasure, sport, recreation or any other purpose except profit. NPOs do not have to register with the CRA and cannot issue donation receipts (Canada Revenue Agency, 2015). An organization cannot have both charitable and non-profit statuses, and can be denied both if not fulfilling all the requirements of either. Canada's charitable and nonprofit sector is the 2nd largest in the world, employs 2 million people (11.1% of the economically active population), and represents 8.1% of gross domestic product (GDP). Similar to the unequal distribution of wealth amongst individuals, 1% of charities and non-profits represent 60% of all revenues in this sector. (Imagine Canada, 2015). In 2013, there were over 85,000 registered charities in Canada that filed with the CRA, making a measurable impact on the Canadian economy. Although non-profit organizations are important, this document will focus only on organizations with a charitable designation.

Canadian charities must comply with stringent regulations to maintain their charitable status due to the multitude of benefits they receive. Before further discussing the benefits, the following is a basic list of guidelines charities needs to adhere to:

- Advance its stated charitable purpose by i) carrying on its own charitable activities, or ii) gifting to qualified donees
- Maintain direction and control over its activities, and must not engage in prohibited political activities or unrelated business activities
- Keep adequate books and records
- Issue complete and accurate donation receipts
- Meet annual spending requirement
- File annual T3010 information return
- Inform the charities directorate of any changes to the charity's mode of operations or legal structure (Canada Revenue Agency, 2015)

At any time if these regulations are not adhered to, the charitable status can be revoked. Therefore, charities must remain relevant and adhere to a strict code to retain their charitable status and associated benefits. In addition to the aforementioned benefits of tax exemption, issuing of donation receipts, and ability to receive funding from other charities, charities enjoy the benefits of:

- Streamlined information returns to the CRA as opposed to the more onerous tax returns required of for-profit corporations
- It is not required to have the financial statements audited, although it is recommended if their gross income is more than $250,000 (Charity Central, 2010).

As noted, charities do not only receive donations, they can also issue donations to qualified donees. These qualified donees are as follows: a registered charity, registered Canadian amateur athletic association, registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged, a registered Canadian municipality, a registered municipal or public body performing a function of government in Canada, a registered university outside Canada that is prescribed to be a university, a registered charitable organization outside Canada to which Her Majesty in right of Canada has made a gift, and the United Nations and its agencies. For the charity making a donation, the amount contributed to the annual disbursement quota mandated by the CRA and furthers its charitable purpose. Charitable foundations use this mechanism to provide large amounts of capital to their associated charitable foundation, such as a hospital foundation contributing to a hospital. For a charity receiving a donation, the revenue contributed to the delivering of charitable activities. As a whole, donations to qualified donees are important because it plays a role in the transfer of wealth, revenue support, and partnerships amongst charities. The proceeding section will discuss socially responsible investing in the context of Canadian charities.

Socially Responsible Investing in the Context of Canadian Charities

A charity's primary objective is to fulfill its charitable purpose and this can be measured by the positive impact created within society. Albeit, it is extremely difficult to measure societal impact, organizations such as Imagine Canada and Charity Intelligence are leading efforts to address measurement challenges through the development of new tools and approaches. Imagine Canada has created surveys and other forums for stakeholders to evaluate a charity's disclosure of impact, and pushes for greater transparency from charities (Imagine Canada, 2014). Charity Intelligence uses metrics such as program cost coverage, fundraising cost ratio and administrative cost ratio etc. to rank charities in terms of what they do with their donation dollars (Charity Intelligence, 2015) (other metrics that Charity Intelligence uses can be found on their website). Both organizations look at charitable activities and donation dollars when investigating a charity's societal impact that, while positive, does not capture the full picture. An activity that is considered neither a charitable or non-charitable activity, that can have a powerful societal impact and is generally understudied, is the role that investments play in delivering on a charity's societal impact. Investments can have as basic of an impact on advancing societal purpose as investing in treasury bills that provide money to the general public, or as significant of an impact as direct investments in a limited partnership that advance a shared impact. Additionally, investments can be counterproductive to their purpose, such as large investments within the tobacco industry when the charity's purpose is to advance public health. Therefore, it is imperative to understand the current norms and regulations for investment standards within the charitable sector, and how engaging in more socially responsible investments can play a positive role. Socially responsible investing will be first defined broadly then it will be contextualized to what it means in this particular study.

As defined by the Forum for Sustainable and Responsible Investment, "sustainable, responsible and impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact" (USSIF, 2015). Hamilton et. al (1993) state that the definition of "socially responsible" varies greatly and so socially responsible investors tend to use some combination of positive and negative investment criteria. In a survey of over 5,000 investors, Berry & Junkus (2012) found that investors would prefer a more holistic approach to the term SRI, as opposed to using the exclusionary format that most SRI funds currently embrace. Therefore, instead of just excluding the negative firms, also reward the firms that demonstrate overall positive behavior. Given that there is a broad spectrum of what SRI means and how it is deployed as an investment practice, this report will define socially responsible investing in the context of a charity's investments in Canada.

Within the context of charities, socially responsible investing (SRI) is excluding companies that are misaligned with a charity's mission and values, rewarding firms that contribute a positive impact to society, and disclosing these investment policies comprehensively to the public. Companies that create positive impacts within the same charitable field could be a considerably better investment strategy as a result of mission-alignment and common impacts. "Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return" (GIIN, 2015). This definition for SRI was chosen to demonstrate that not only are the typical inclusion and exclusion principles important but full disclosure and alternative investment methods should be deployed. An investment policy statement, which will be described below, is one piece of information that should be communicated to all stakeholders, including the general public. Additionally, alternative investments such as impact investing, private equity, limited partnerships etc. can be integrated to provide greater positive impact and further a charity's purpose. The 2015 Federal Budget set out a new rule for foundations to invest in limited partnerships. Previously, regulations prevented charities, particularly foundations, from investing in limited partnerships, including those with social benefits. These regulations have now been amended and foundations should utilize this new rule to their benefit (Imagine Canada, 2015).

The financial expert Charles Ellis spoke to investing and charitable activities. "It's a personal opinion but I'm quite distressed when programs and investment activities are not integrated…Donors don't care much about internal accounting processes, but they care a great deal about whether you're doing a 'good job.' I like to see if an organization can articulate a forward-looking serious-minded approach to investing as a measure of their ability and viability" (MacDonald, 2015). There are banks, such as National Financial Bank, that are offering services to charities to transition their funds to SRI funds that are more applicable to their mission and approach. This demonstrates that there is an uptake from investment professionals to offer their services to charities to help them invest. A recent speech by Philanthropic Foundations Canada identified the following commonly stated concerns of charities when considering SRI implementation:

- Can't do it for legal reasons
- Can't do it for investment policy reasons
- Too small and risk-averse
- SRI market isn't sophisticated enough (PFC, 2014)

This paper will demonstrate that there are charities that successfully invest within SRI criterions. Furthermore, it will be demonstrated that only positive benefits can come from this integration and that there are no other financial limitations to not do so.

Objective of Study

The objective of the study is to analyze the current investment strategies of the top Canadian charities by investment income. This analysis will be done to understand the types of criteria and level of disclosure that charities use in their investment approach. Furthermore, this analysis will identify if voluntary responsible investing criteria are utilized, furthering an understanding about the characteristics of these charities and the language used within their responsible investment policy statements. The word voluntary is used because there are minimal restrictions and guidelines for investments, and no regulations and guidelines on disclosure. This objective will be met by analyzing: i) the characteristics of the organizations within these rankings and financial aspect of these charities within the most recent fiscal year and throughout the previous ten years and ii)) the language that these organizations use to convey their investment strategies and ranking the organizations based on the level of disclosure and investment style.

Data Selection Process

CRA Listings Used to Form Population

The data used to form the population for this study was collected through information requests to the Canada Revenue Agency's Charities Directorate which has an extensive database that includes "a charity's contact information and information return" (Canada Revenue Agency, 2015). This data was chosen because i) the CRA is responsible for registration and enforcement of charities in Canada, and ii) the CRA is the main federal agency that administers tax laws (Income Tax Act) for the Government of Canada.

The information requests were made to the CRA for Form T3010 (Registered Charity Information Return) and Form TF725 (Registered Charity Basic Information Sheet) for the 2004-2013 fiscal years. Organizations that are registered under the Income Tax Act (ITA) are required to complete the forms annually, 6 months after their fiscal year end. A copy of the charity's financial statements, including notes to the financial statements and Form T1235, Directors/Trustees, are submitted to the CRA and are publicly available by an information request (Canadian Revenue Agency, 2015). Given the mandatory and standardized nature of account filings, the T3010's will be used instead of the audited financial statements. It would be erroneous to try to figure out which accounting methodology charities use: IFRS or a Canadian Accounting Standard (Deferred or restricted fund method). The T3010's standardize the way the information is complied.

The requests for information were submitted at two points in the research. An initial information request was submitted in September 2014 for the most recent taxation year of 2013. Once the data was received it was cleaned and screened, a process which will be described below, to develop the research sample. The second request was submitted in March 2015 for a ten-year time series of charities within the research sample.

Data Exclusions

The first request for information returned results for every charitable organization in Canada for the 2013 fiscal year. To make this dataset useful, a sample was developed through the data exclusion steps summarized in Table 1, and described in detail through the remainder of this section.

Table 1. Data Exclusions

Data Exclusions (Screens)	Description
1. Small charities	Removed if invest income reported on line 4580 of Form T3010 not over $1 million
2. No website	Removed if a website was not reported on line YYYY of From TF725
3. Non active companies and missing data	Removed if not active for the entire period, or did not report investment income, assets or liabilities, for at least 2 years during the 10 year time period
4. French language website	Removed if website, financials, or investment policy statements

	were available only in French
5. Inoperable website	Removed if the website was not operational
6. Duplicate entry	Removed if the charity was listed more than once in the dataset

As the primary research objective was the analysis of investment strategies within the charitable sector, a charity was omitted if it did not have a significant amount of investment income. The objective was to receive information on the investment actions of charities of sufficient size to be market leaders of responsible investment strategies. Charities with less revenue from investments, which means less capital for investments, perhaps would not have the internal capabilities to deploy a comprehensive investment approach. The largest charities, which have millions of dollars of capital, have an external or internal management team to focus on these capital investment approaches, and should exemplify market leaderships on best practices. In 2013 there were over 85,000 registered charities and 571 charities with total interest and investment income (received or earned) over $1 million. This is line 4580 of Form T3010 (see Figure 1). Any charity that did not have interest and investment income over $1 million were screened out of the analysis.

Figure 1. CRA Form T3010, Line 4580: Investment Income

Form T3010, Line 4580	"Enter the total interest and other investment income the charity received or earned during the fiscal period (for example, interest from bank accounts, mortgages, bonds, and loans; and dividends from shares). Include all investment income whether or not the charity received the income from a non-arm's length person or organization. Do **not** include capital gains or losses. Report all foreign investment income in Canadian dollars. Convert the amount at the exchange rate in effect on the day the charity received the income or the rate of exchange in effect at the end of the fiscal period (accrual basis only)" (Canadian Revenue Agency, 2015,1)

The second screen created was to eliminate charities that did not submit website information to the CRA in Form TF725. As the CRA does not require charities to disclose investment strategies, the most effective way charities could voluntarily communicate their investment strategies to the public would be uploading their investment policy statements to their website, mailing out information to their applicable stakeholders, or disclosing their investing strategies directly on their websites. To reach out to each charity to see if they had other communication methods with their stakeholders is too far reaching for this study. Understanding the time and capacity for this study, any charity that did not disclose their website information to the CRA was omitted, leaving 303 charities for the analysis.

The intention of the second screen was to generate a sample that contained information needed for the qualitative study while still being representative of charities with investment income over $1 million. The CRA requests the program areas and field codes, commonly known as CAN codes, which is the primary field code related to the charity's activities. Given that field codes, such as health care and religion, are similar to sector categories, the word sector will be used going forward for simplicity. See Appendix A for the full list and descriptions of the CAN codes. Comparisons on both CAN code breakdowns were used to ensure that there were no over or under representation of different charitable sectors. As displayed in Figure 2 social services, education and research, and health were the largest three sectors comprising 29%, 26%, and 21%, respectively. 8 out of 10 CAN code categories were represented in this sample, international aid and miscellaneous were not represented. It is worthwhile to note that the sample does not accurately reflect the sector breakdown of the overall charities in Canada. Of the registered charities in Canada approximately 48% are religious organizations, 17% are welfare, and 17% are benefits to the community (Charities File, 2015). This is extremely different when comparing to Figure 2, the charities with investment income over $1 million. Therefore, it is clear that a few charities hold the majority of investments.

Figure 2. Sectorial Analysis: With Investment Income over $1 million

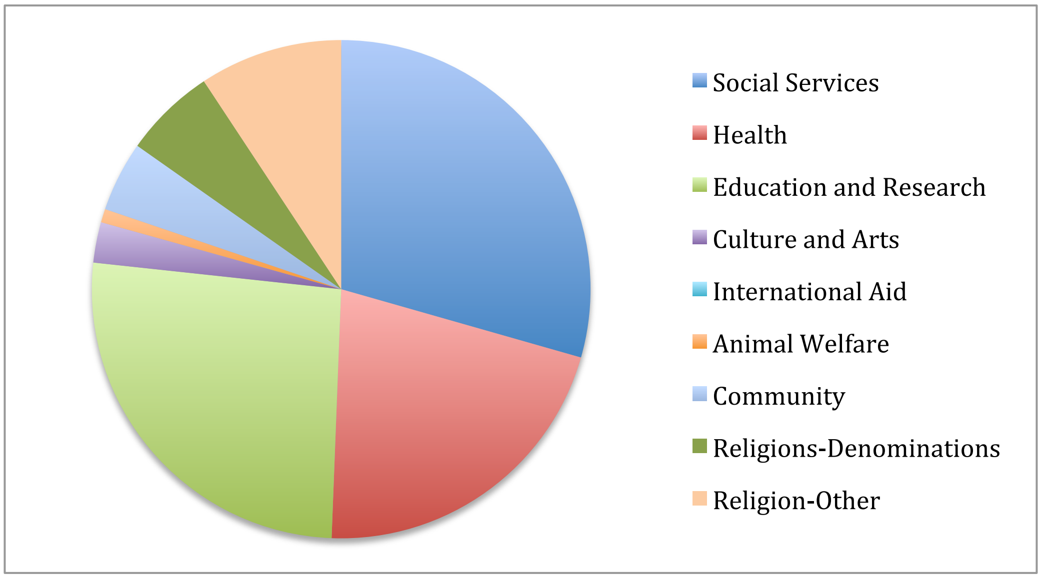
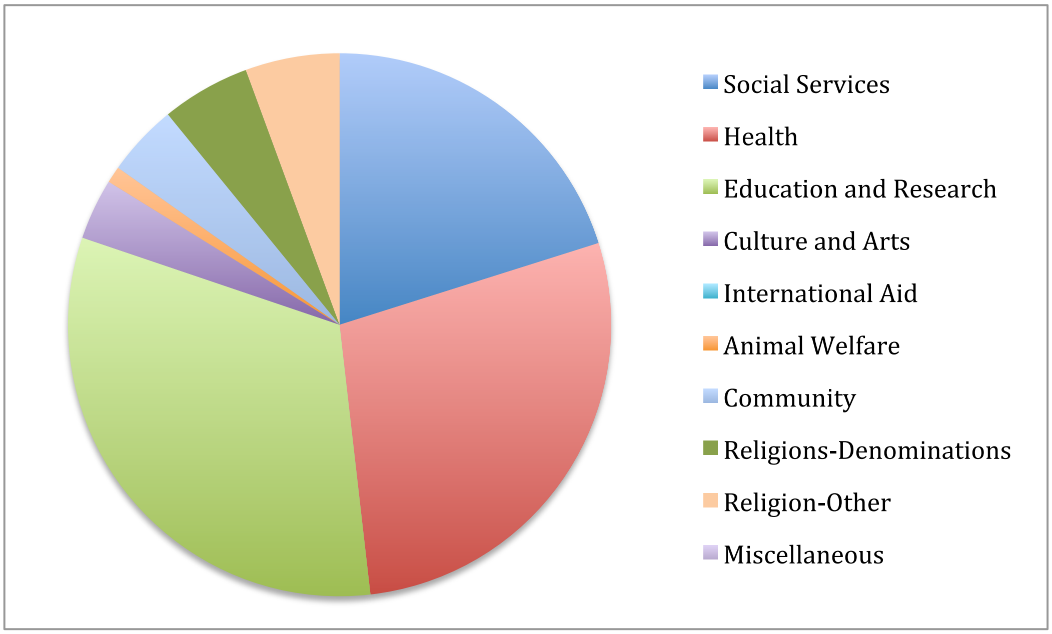


Figure 3 displays the CAN code breakdown for the charities after screen 2 was imposed, removing charities without a website. Education and research, health, and social services were the largest three sectors comprising 32%, 28% and 20%, respectively, which is similar to screen 1 results. Given that Figure 3 has a similar breakdown as Figure 2, the screen 2 subset can be used as a representative sample.

Figure 3. Sectorial Analysis: With Investment Income over $1 million and a website



The second request for information was a ten-year time series (2004-2013) of the charities after the first two screens were applied (303 charities). If the charity was not active throughout the time period they were removed. Additionally if a charity for two years or more or did not have reported investment and interest income, assets, or liabilities, (line 4580, 4350, or 4200) they were removed. The thought was that if assets and liabilities of investment figures were missing it could be due to errors from the CRA, and so if data was only missing from one period, the charity was left in the analysis. This left 282 organizations to analyze.

Lastly, other organizations were screened out of the analysis due to inoperable websites, French-language websites or investment documents without English alternatives readable by the research team, multiple entries with the same website (ie. there is a parent and subsidiary issue), or a duplicated charity in the data provided by the CRA. This left a total of 262 charitable organizations.

The following sections will demonstrate the mixed method approach that was taken for the analysis. It has been separated between qualitative and quantitative. The research question and hypothesis, methodology, and results are separated due to the sequential format in which the analysis was completed. Going forward the top Canadian charities by investment income will be defined as the 262 Canadian charities selected by investment income over one million, with an operational English website, and available financial information.

Quantitative Analysis

Research Question and Hypothesis

As will be discussed, responsible investing can provide organizations with both financial and environmental, social, and governance benefits that can accelerate the organization's growth and impact within society. It is critical to understand how charities with responsible investing strategies are structured financially, in comparison to other charities, to offer insight into how the structure might lead to ease of employment of these RI strategies. Additionally, by analyzing the financials, one can understand some of the financial advantages of adopting an RI structure. Therefore, an analysis will be conducted to compare the financial statements of the top Canadian charities by their assigned qualitative disclosure/type rankings (described in the qualitative methodology below). Only the structural characteristics of financials, will be discussed here. This is of great importance to demonstrate to other organizations that they have the capability to receive the positive benefits of extending their core purpose to be aligned with their investment strategies. Further studies will look at the qualitative characteristics, such as employee culture and benefits, of charities that could enable them to deploy responsible investment techniques.

Research Question: What are the financial statement differences/similarities between the top Canadian charities amongst their assigned disclosure/type rankings? Do these differences inhibit these charities in creating a more responsible investment approach?

Hypothesis: There are no fundamental differences amongst these charities that inhibit them from aligning their investing strategies to their mission and values, which would provide further positive capital, hence impact within their charitable field.

Methodology

Quantitative research is "explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics)" (Aliaga and Gunderson, 2000). The methodology chosen for the quantitative portion of the research is a statistical analysis. This will entail a detailed analysis of the 2013 financials and a time series analysis of the charities, to analyze their position and performance over time. The ranks that were assigned to each charity for the disclosure/type of investment strategy will be used to differentiate the performance and financial characteristics of these organizations. The qualitative research, explained in the next section, is designed in-part to generate these rankings of the disclosure/type of investment strategy. For the purposes of the quantitative analysis, the following rankings will be used:

- 0 - No disclosure of financial or investment information
- 1 - Disclosure of financial information
- 2 - Disclosure of financial information, plus an investment policy statement
- 3 - Disclosure of financial information, plus an investment statement which contains responsible investment language or a standalone responsible investment policy statement

To reiterate, this information has all been extracted out of the T3010's submitted to the CRA. Any missing data could be either a mistake by the CRA, for example, not entering the data correctly into the database, or an omission by the organization itself. Very important data items, such as total assets, will be assumed to be a data entry omission from the CRA since it is also assumed that all organizations within this analysis have had their T3010's reviewed and 'total assets' is a necessary component. As aforementioned, other publicly available financial information from the charities, such as their audited financial statements or annual reports, was not used because of the high time cost to compile, incompatible formats, and inconsistent disclosure. We realize that this can be seen as a limitation to the study because the audited financial statements are more rigorous in nature and can provide the most comprehensive information of the company's financial information since T3010's are only considered information returns. It is assumed that all of these charities, given their size, are all audited.

Qualitative Analysis

Research Question and Hypothesis

The directive from the CRA requiring charities to be constituted exclusively for charitable purposes ensures alignment of purpose and practice in order to retain status. The qualitative analysis in this report will seek to uncover if charities incorporate the philosophy of mission-aligned practice into their investment strategies through the use of responsible investing. As will be explained below, disclosure is a core tenet of responsible investing and is needed for an accurate comparison amongst charities. Disclosure of financial and investment statements will serve as a starting point for assessing the degree of adoption of responsible investing in top Canadian charities.

Research Question: Do top Canadian charities incorporate mission-aligned responsible investing principles, and if so, how?

Hypothesis: We anticipate limited adoption of mission-aligned responsible investing principles within top Canadian charities. For those that do, we expect to find that the SRI approaches vary in nature and implementation.

Methodology

With 262 charities to review, each with their own format and approach to information disclosure, axial coding was adopted to provide structure and replicability to the review of the text-based websites, financial statements, and investment policy statements which make up the qualitative portion of this report.

Before reviewing the 262 charities on their investment strategies, a preliminary review of a cross-section of 20 charity websites was conducted first in order to determine the form and quality of information that charities voluntarily disclose on their websites, and the keywords used (ex. "investment policy", "ESG"). From this preliminary review it was understood that there was little standardization to where investment policy statements were housed on a website, that there existed significant differences in the depth of disclosure, and that a significant time cost would be required to complete the full review. This information was useful in designing the best approach of what information to find and how to find it. The 262 charities were investigated using a google search that is explained in detail in Appendix B. Additionally, the preliminary review offered insights for how to create the coding categories, which are the disclosure and investment type rankings, also referred to as disclosure/type rankings. They are as follows:

- 0 - No disclosure of financial or investment information
- 1 - Disclosure of financial information. This includes financial statements and audited financial statements
- 2 - Disclosure of financial information, plus an investment policy statement
- 3 - Disclosure of financial information, plus an investment statement which contains responsible investment language or a standalone responsible investment policy statement

It was concluded that the audited financial statements did not provide enough information to receive a clear understanding of a charity's investment approach. Therefore, if no specific investment statement and document was found, such as the investment policy statement, they were ranked lower in terms of disclosure, hence responsibility. The following is the description of the approach taken to evaluating whether a document should be accepted as a financial statement or investment policy statement:

- **Financial Statements and Investment Policy Statements:**
    - Financial Statements: Audited financial statements were preferred, but less thorough financial summaries in year-end reports were accepted if a balance sheet was displayed which included investment-related finances
    - Investment Policy Statements: A distinct document was preferred which included instructions on governance and operational instructions on the investment of funds, but shorter documents or webpages were accepted if they resembled an investment policy statement by including positive or negative screens, or clearly articulating investment philosophies. An example is the *Sisters of the Holy Names of Jesus and Mary* which maintains a webpage entitled "Socially Responsible Investment Policy" and states "we believe that our invested funds should be consistent with our positions on social justice" before listing four broad screening criteria" (Sisters of the Holy Names of Jesus and Mary, 2013). In cases where the charity made reference to an internal investment policy statement on their website or in financial statements but did not publicly report it, it was recorded as unavailable. An example is the United Way of Calgary and Area which makes mention of an investment policy under the "Market risk" section of its financial statements that the "the [investment manager] is governed by an investment policy of the Board, which places certain parameters on investments" (United Way of Calgary and Area, 2013).
- **Identifying Investment Policy Statements as Responsible Investing:** Investment policy statements were reviewed to identify charities that incorporated responsible investing

strategies. The number of charities with investment policies was significantly smaller (67 charities) than the original sample (262 charities) which permitted the researchers to read each of the statements, as opposed to employing a search engine as was done for the previous step. This approach, while more time costly than a simple keyword search, was selected because of the necessary flexibility to accommodate a wide range of terminology and document structures used in investment policy statements. For example, the University of Lethbridge employs negative screening under the header "Non-Permitted categories" but does not use common ESG and responsible investing terminology which would have registered in a keyword search (University of Lethbridge, 2015).

Financial Results

The 2013 fiscal year is the most recent year and will be utilized to understand more about the characteristics of the charities within this sample. First, the characteristics that will be analyzed are: CAN code categories, designation status, and use of endowments for revenue. Next, a financial analysis focusing on revenues will be presented to understand any differences or similarities amongst the charities within their disclosure/type rankings and their sources of income. Lastly, the results from the time series analysis will be presented, understanding more about the trends and growth over the 2004-2013 period.

Characteristics of the Organizations

Sectors

Presented in Table 2, a sector breakdown was completed against the assigned rankings. As displayed, the education and research sector had the most organizations reporting some type of investment policy statement. As defined by the CAN code categories, the organizations included within this category are named: teaching institutions or institutions of learning, support of schools and education, (education) charitable corporations, (education) charitable trusts, and educational organizations not elsewhere classified.

Of all the charities categorized within this sector, 76% (65 organizations) are considered teaching institutions of learning. Canada-wide, there are a total of 97 universities and colleges within a membership organization for the voices of students (Universities Canada, 2015). This means that 65% of universities and college in Canada with a membership reported investment earnings of at least one million dollars in 2013. All 10 of the education and research charities that have some type of public responsible investing policy statement were a university or college. This is a demonstration of who offers the most disclosure within society and who can also set the example for other charities.

63% of health service organizations were health-supporting organizations, such as St. Joseph's Healthcare Foundation or QEII Health Science Centre Foundation. Only 15 of the 64 charities in the Health Service sector were hospitals and none of these hospitals issued any type of investment statement (rank 2 or 3). It was the associated health-supporting organizations that tended to release investment information.

Table 2: Number of Charities within Financial Rankings and Sectors

	0	1	2	3
Social Services	10	27	9	4
Health Services	12	52	5	5
Education & Research	7	41	27	10
Other	15	28	1	6

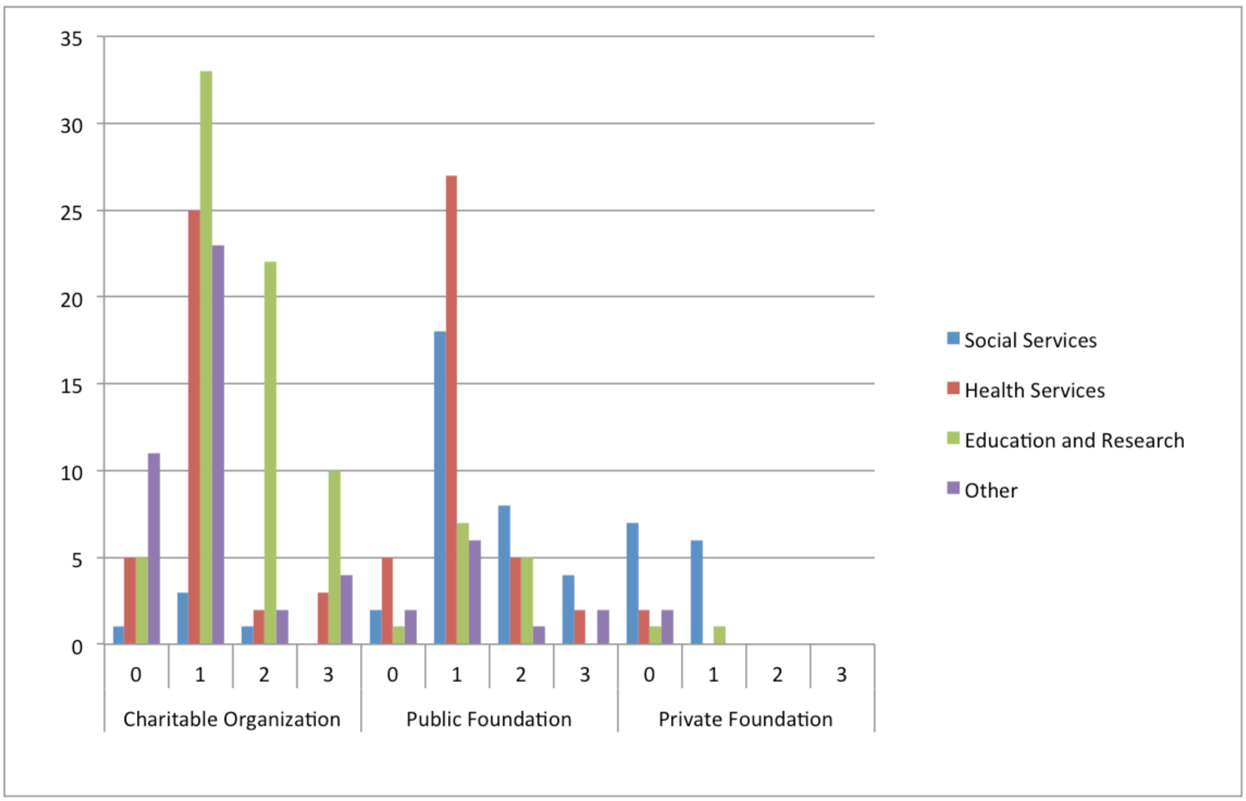
Designation Status

Charities can be designated as a charitable organization, public foundation, or a private foundation. A charitable organization dedicates more than 50% of its income to charitable activities that it directs and controls itself. These charities can spend up to 50% of its income on gifts to certain other organizations that meet the definition of qualified donee. A public foundation is a registered charity that spends at least 50% of its income on gifts to qualified donees that are at arm's length. A private foundation, cannot engage in charitable activities but can have charitable programs, and will be designated as such if half or more of its directors/trustees do not deal at arm's length with each other or has received more than half of its funding from a single source since it started (Foundation Search, 2015). The CRA defines arm's length as a relationship where persons act independently of each other or who are not related. Related persons are individuals who are related to each other by blood, marriage or common law partnerships, or adoption (CRA, 2015).

The Charities File (2015) states that of all charities within Canada approximately 90% are charitable organization and 10% are public or private foundations. In the sample, 57% of charities are charitable organizations, 35% are public foundations, and 8% private foundations. Therefore, there is a much higher amount of public and private foundations with large amounts of investment income in this sample relative to the entire charitable sector. This is not surprising because approximately 77% of registered charitable organizations are considered religion, welfare, and benefit to the community organizations (Charities File, 2015). They do not receive as many large donations as a university or health care organization and tend not to focus on grant making or the provision of money to qualified donees as a sole business purpose as would a foundation. This is a noteworthy differentiation because it is important to understand that the wealthiest charities are within 3 sectors in Canada and that these 3 sectors have very wealthy foundations to back them with donations to fuel their charitable purpose. For example, both universities and hospitals often have specific foundations associated with the organization to fund grants for research. For example, Foundation Western's intention is to provide capital for the University of Western to enrich the Western experience (Western, 2015) and KRG Children Charitable Foundation has donated over six million to registered charities such as: The Hospital for Sick Children, Variety Village, Camp Oochigeas, Autism Speaks, Giant Steps, etc. (KRG Children's Charitable Foundation, 2015).

Figure 4 below displays the number of charities within each disclosure/type ranking relative to their sector and designation. This graph was created to show not only how the charities are distributed amongst ranks and designations but also how the sectors fall within each designation. For organizations that reported some type of investment statement (rank 2 or 3), they were either a charitable organization or public foundation, and those that are considered a charitable organization were mostly in the education and research sector. Any organization that is a private foundation, regardless of sector, did not report any financial or investment information on their websites. This is not surprising since private foundations receive over half of their donations from arm's length individual, allowing the benefactor more direct access to, or influence over, an investment policy statement. Additionally, social services were predominantly foundations; 64% of charities were a public foundation and 26% charities had a private foundation designation. Health service organizations were almost evenly distributed amongst the charitable and public foundations, with only two charities being private foundations. Lastly, all university and charities were charitable organizations and their associated foundations, all public foundations.

Figure 4: Number of Charities within Financial Rankings and Designation Type



Endowments

Endowments are the provision of a fund that is intended to generate fixed revenue for the support of a charity (Carters, 2014). Endowments have to follow the current disbursement quota, which is applied to all assets that are not related to charitable activities or administration, generally meaning investments. This required disbursement is the equivalent of 3.5% of the average market value of the assets, annually. There are a few different stipulations and guidelines but this is the general rule, which was simplified and changed in 2010 making the creation of investments and the retention of revenues, such as donations and investment income, to charities easier. There is a minimum asset quota as well of $100,000 for charitable organizations and $25,000 for foundations, enabling only the larger charities to be affected. Also, if a charity spends greater than 3.5% they can carry forward the difference for the next five years (CRA, 2015). Scotiabank International Asset Management (2013) issued a report outlining these changes and implications for a charity's endowment management. The report speaks to how good governance requires showing that trustees have a prudent plan. A key policy document is an investment policy statement (IPS), which is a risk management tool that states goals, responsibilities, and limits of delegated authority from the board to the investment manager. A foundation's sole purpose can be that of a grant making body that relies on the interest income of the endowments to issue grants. This makes it extremely important for charities to rely on the investment returns to operate and fulfill their charitable purpose.

Grant making and community foundations are approximately a quarter of all foundation types and heavily utilize endowments funds. Their assets in 2012 represented over 40% of all foundations. Grant making foundations focus on distributing money to the specific causes in which they are interested in whereas community foundations focus more on geographic areas. "These foundations maintain active, on-going grant making programs supporting unrelated charities on a discretionary basis" (Imagine Canada, 2014). These foundations provide money to qualified donees annually, over a billion in 2012, making them an essential and significant funder for the charitable sector. Some funding areas receive much higher levels of support than others. Imagine Canada's 2014 report on Assets and Giving Trends demonstrates that education & research, social services, and health organizations received the most support as measured by total value of gifts received. Foundations are normally set up and designated within the same sector that they will be donating money to. For example, The Bethany Care Foundation is considered in the social service sector and its motto is, "a commitment to creating caring communities" (The Bethany Care Foundation, 2015). Therefore, the interest income earned from endowments tends to be given to charities operating within the social service or community sector. While there is insufficient information to arrive at a conclusion for the Bethany Care Foundation specifically, this does not mean that the interest earned is from companies operating within similar sectors or with visions that are not contradictory to the charity's mission.

Lastly, endowments lack transparency due to poor legal and accounting standards, which can lead to laissez faire management of the investments and more exposure to unwanted risk. This was demonstrated, in the 2008-2009 endowment downturn which will be discussed below. Endowments are only grounded in trust law, but are not legal terms and are not subject to the rule against perpetuities (Burrows, 2010). This goes back to the origins of endowments and how they, starting with universities in 1990's, were created for long term planning but the measure of success was based upon the preservation of capital in real, inflation-protected terms, therefore, steadily increasing returns. This meant total return calculations were one of the top measures of success. Now investment managers report on a total return basis but the provincial trustees are grounded in trust law, and since endowment is not a term used in the ITA, there is a clash of agreement with authorities (Burrows, 2010). This offers no clarity for charities, and within this non-regulated environment allows investment managers to invest in high-risk companies that are not aligned to the mission or values of a given charity. The T3010's offer no insight on if a charity owns an endowment which is a huge limitation within this study and would be extremely useful for understanding the sources for investment returns.

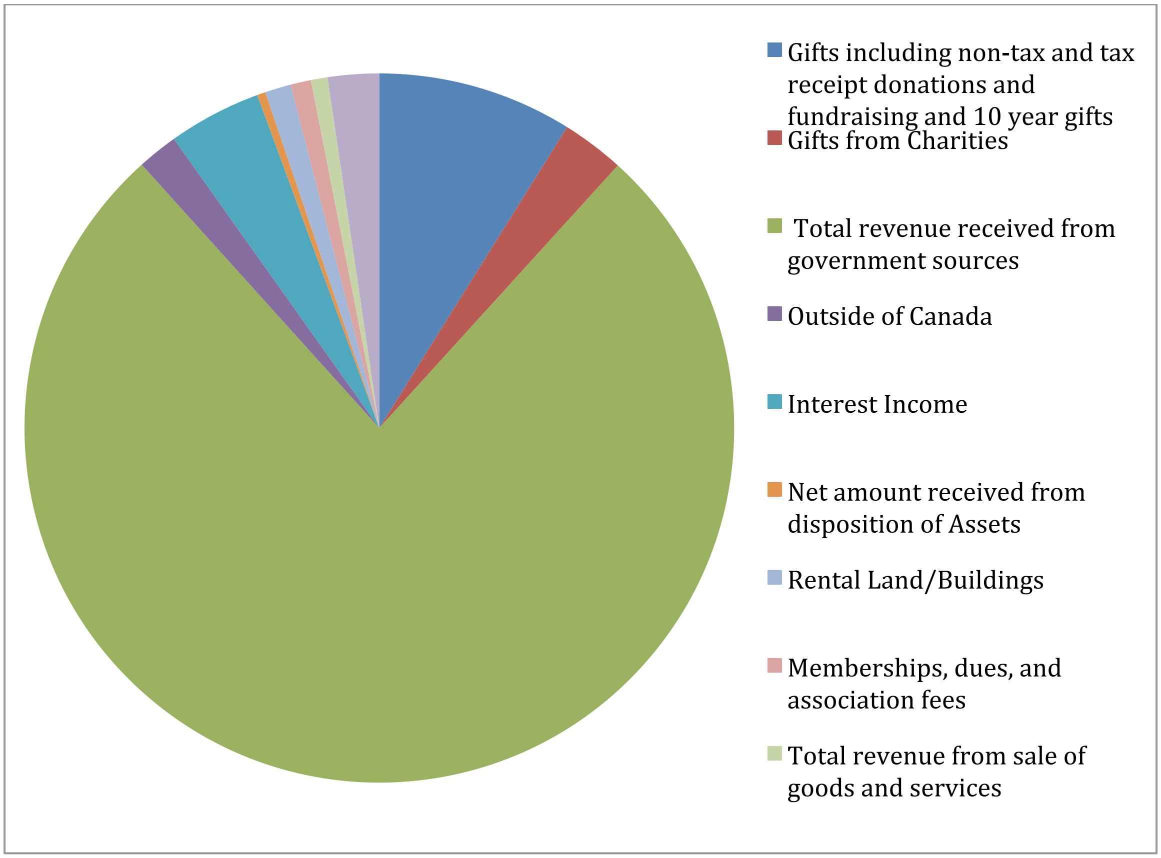
To summarize, over 80% (70 organizations) in the education and research sector are charitable organizations, with 65 organizations being either a university or college teaching institution. The remaining education and research charities are foundations that tend to support a specific university or college such as; The University of Winnipeg foundation, The Dalhousie Medical Research Foundation, Foundation Western, Huron University College Foundation, Brandon University Foundation, etc. Health care services are almost equally distributed amongst charitable organizations and public foundations, with only 2 charities being a private foundation. Both hospitals, for example North General York hospital, which are charitable organizations and research support initiatives, such as the Terry Fox foundation, are predominant the charity type in this sector. Social services organizations with over a million of investment income tend to be either a public or private foundation. Of the 50 charities within this sample, only 5 were considered a charitable organization. When integrating the disclosure/type rankings to the analysis, it is clear that no private foundation disclosed any investing statements on their website. Additionally, the sector that is by far reporting investing statements more than any other sector, as discussed above, is that of universities and colleges and their associated foundations. It is imperative that charities, especially foundations with the sole purpose of grant making, offer a more prudent investment approach. The definition of what an endowment means needs to be more clearly defined amongst all authorities so investment managers can have stricter guidelines to this prudent investment approach. The proceeding section will start to analyze some financial figures compiled in the T3010's, mainly sources for revenues, mainly comprised of donations.

Financial Analysis for the Fiscal Year 2013

Donation Support and Revenues

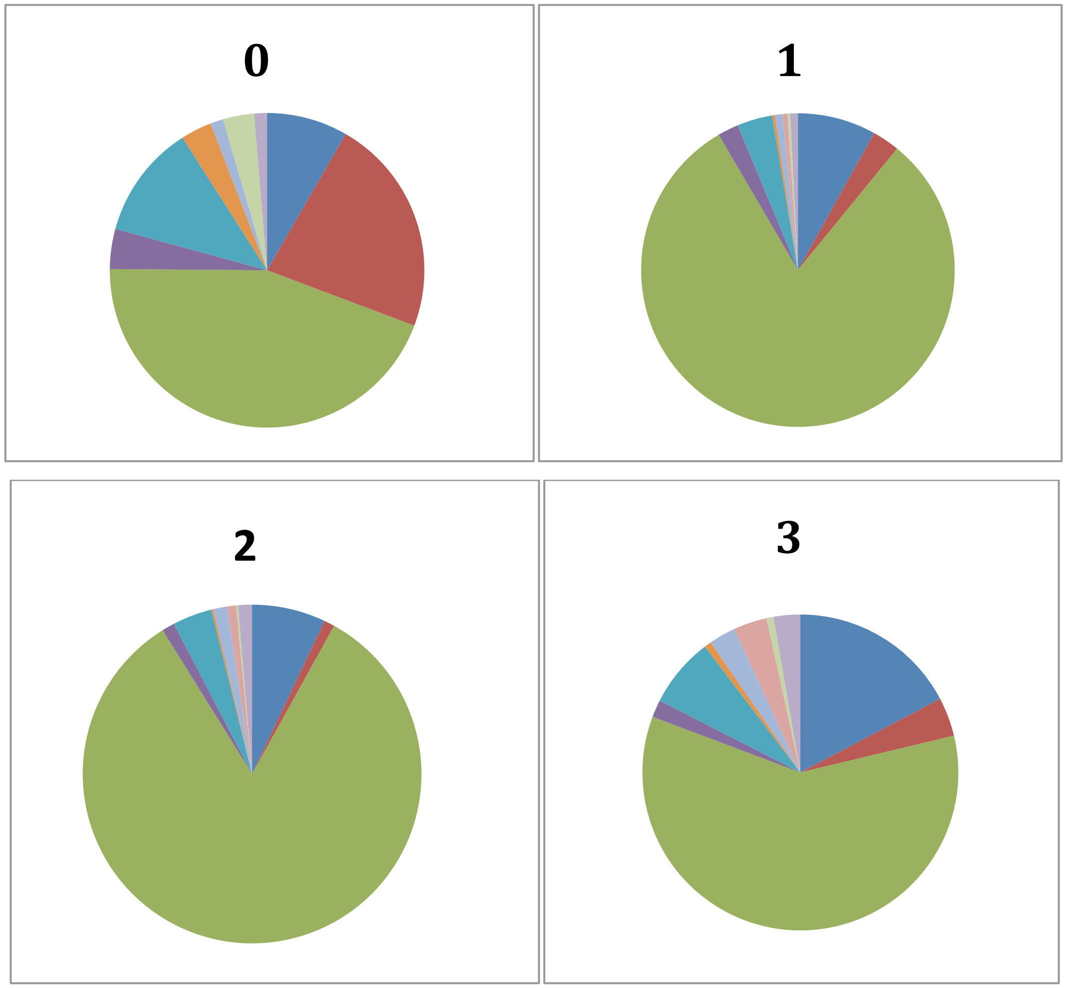
The revenue section within the T3010's is well reported and categorized, leaving minimal room for ambiguity in terms of understanding where the high level sources of revenue are from. The following are the different forms of revenue a charity can receive: gifts (including 10 year gifts, and tax and nontax receipts), donation from other registered charities, revenue from any level of government, revenue from outside of Canada, interest income, gains/losses from assets, rental fees of assets, revenue from fundraising, and membership dues and fees. The largest sources within this sample are revenue from the government, donations (from other registered charities, government, or gifts) and interest income. As demonstrated in Figure 5, 77% of revenue is sourced from governments, 12% from gifts and gifts from other charities, and 4% from interest income. This amounts to $32,904,829,286 of government funding, $5,040,495,999 from all gifts and other charities, and $1,822,580,329 of interest income for the top 262 charities by investment income. As was shown in the cutbacks of federal spending to certain charitable activities in 2012, these revenue sources can change drastically year to year and it is in a charity's best interest to be assured consistency for long-term planning (Kalbfleisch, 2012). Therefore, it is imperative to receive a long-term commitment of support from the government, annual fundraising initiatives, and an investment committee to demonstrate due diligence and a comprehensive IPS.

Figure 5: % of Revenue by Source



The revenue was also broken up into disclosure/type rankings to understand if charities with more disclosure or responsible investing strategies received differing revenues. As displayed within the graphics to the left (Figure 6), one can notice that the charities with rankings of 0 received a greater amount of money from other charities than any other ranking did (18% above average). Charities who generally receive funding from other charities with similar purposes have less disposable income annually or rely on other organizations such as associated trust foundations to provide them with revenue. This can be seen as a consistent source of income if one charity, such as a trust, is set up to provide donations to another charity, annually, such as Foundation Western of KRG Children's Charitable Foundation. The other large differential is that charities with rank 3 receive the largest in percentage from donors. This could be simply deduced to their funding strategies or perhaps how these charities are perceived in the public eye, as the most impactful and socially driven charities. The next section will analyze which metrics are available to assess donations, government funding, and investment income.

Figure 6: Revenues by Disclosure/Type Ranking



Metrics to Evaluate Sources of Revenue

The CRA has a well-established fundraising ratio that is used as a guideline and can be calculated from the T3010's form. Donors, the press, and members of the public can access this public information to scrutinize performance. This metric is important for two reasons. Firstly, it measures the efficiency of each charity in terms of how much money it takes to produce a given amount of donations that are needed to support the ongoing charitable activities that drive the mission of the charity. Secondly, when the public scrutinizes this guideline, it draws closer attention to how charities fundraise and the metrics used to hold charities accountable for their activities. Registered charities cannot fundraise simply for the opportunity to raise more funds; they can only raise funds that are necessary to fulfill their mandate (Carter, 2012). The ratio is:

$$\frac{\text{(All fundraising expenses)}}{\text{(All gifts with tax receipt + all non tax-receipted revenue from fundraising)}}$$

Within the sample, 92 charities reported no fundraising expenses, which means they received enough support from the government, investment income, and non-fundraised donor support to carry out their charitable activities or just did not report this figure. The 170 organizations that did report fundraising expenses had an average expense ratio of 38% for the fiscal 2013 year. All sectors, and both charitable organizations and public/private foundations, had fundraising efforts. This means that some charities were above the threshold 35% and the CRA would investigate if there were a high expense ratio over the past few years.

Government funding is tracked and regulated by the federal, provincial and municipal and regional governments. This information is released to the public and is also measured by the total amount the government spends. The charity sector as a whole receives 49% of its total revenue from the government (Charities File, 2015) so the organizations within the sample, as demonstrated in figure 5 above, on average received 28% more funding than the rest of the sector. The more diversified a charity is, the less reliant and affected they are to changes in one revenue stream. Imagine Canada (1995) concluded that hospitals, teaching institutions and libraries and museums are the least diversified and the most financially vulnerable.

Lastly, there are no metrics to track and hold accountability to investment practices through the ITA, only through legal measures, such as Trust law, as discussed above. When using the T3010 forms to track the types of investments a charity holds, it became very difficult. The forms do not distinguish between investment vehicles, such as mutual funds, GICs, bonds, mortgages etc. Therefore, you cannot understand how much a charity is investing within the public markets. One has to look at their audited financial statements for this, which is a labour intensive task given that each statement can display this information differently. One metric the can be utilized though to track if the charity is investing in high or low risk investments is the overall effective rate of return.

Displayed in Table 3 below are the metrics used to evaluate the charities' investments, categorized by the disclosure/type ranking. The average investment income earned is the average of the total interest and investment income received or earned within the 2013 fiscal period. This does not include capital gains or losses. Investment income increases alongside the disclosure and responsibility taken for investing. The effective rate of return of these investments were calculated to understand how much this revenue was as a percentage of total investment and whether these were higher or lower risk investments. Generally, if there is a lower interest rate, such as 1-3%, they are lower risk investments, meaning more consistent returns but less income (Investopedia, 2015). Unfortunately, it is extremely difficult to calculate this figure given how the revenue is categorized. Since investment income is amounts received or earned, the accounts receivable from non-arm's length and from all others can include figures such as interest earned and the current portion of a long-term investment on mortgages or loans, which should be considered in the total investment amount. Since this is difficult to determine and there is not a suitable proxy for this, it was removed from the analysis. Although, any interest accrued on say a stock or bond should be automatically incorporated into the investment and should never be considered in accounts receivable, interest from GICs (guaranteed investment certificate) could be in this category. Therefore, this is still considered a limitation within this calculation and lack of transparency within the T3010 for stakeholders. Furthermore, 31 charities' effective rates of return were removed because of returns that were over 100%, or missing cash or long-term investment balances. These problems alone demonstrate that the rate of return can be misleading. Total investment was calculated in two ways:

1) Cash, bank account, and short term investments (line 4100) + investments in non arm's length persons (line 4130) + long-term investments (line 4140)
2) Investments in non arm's length persons (line 4130) + long-term investments (line 4140)

Table 3. Investment Analysis

	Average Investment Income Received or Earned	Average Effective Rate of Return	Average Effective Rate of Return (without cash)	Total Investments/ Total Assets
0	$2,783,630.91	7.33%	9.36%	64.43%
1	$5,716,427.58	5.99%	7.88%	49.91%
2	$10,703,988.32	5.61%	8.82%	39.83%
3	$14,684,293.24	4.49%	5.54%	59.78%

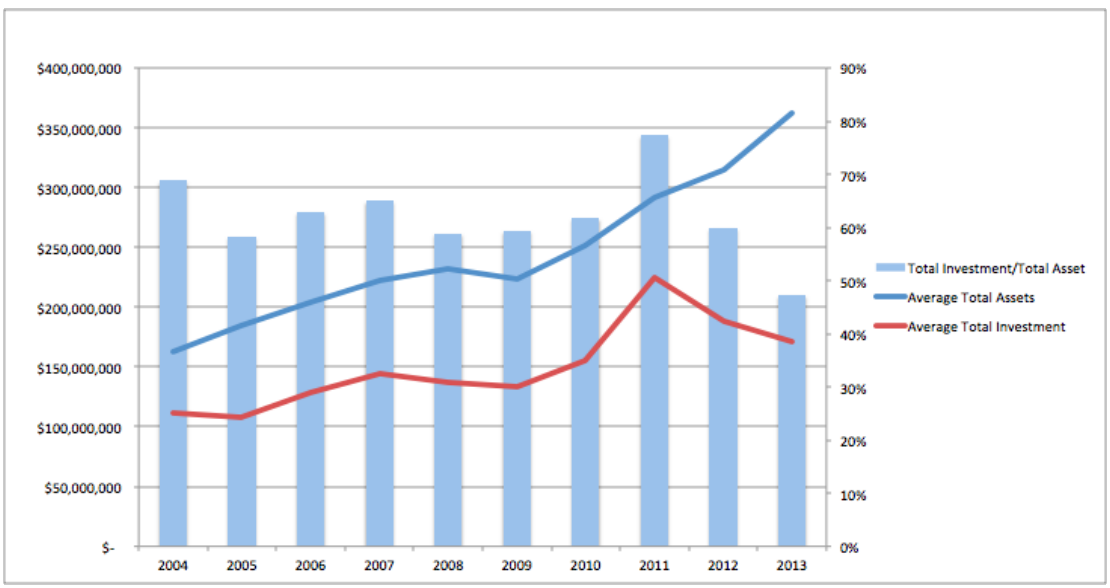
As displayed, the effective rate of return was actually lower in both cases for organizations with responsible investing statements than organizations with no financial disclosure. Therefore, more investment income did not equate to a higher return, just more capital being invested. A significance test was ran to see if these returns were significant (p=.05). The p-values between groups for the rate of interest (including cash) was .0852 and the p-value between groups for the rate of interest (without cash) was .0693. Both of these figures indicate that the differences amongst the returns in all groups is not significant and therefore, is an irrelevant differential amongst the charities. Additionally, given that all these charities have such a high amount of capital it should not be the general interest of the organization to invest in companies that solely yield the highest return. It should be of interest of the charities to invest in companies that are not against the missions and values because positive investments could in the same sector could offer greater societal returns, furthering driving the charitable purpose. The topic of investing for greater impact than just direct financial returns will be analyzed in greater detail in the following section.

Lastly, by calculating the disbursement quota for the fiscal period it will provide insights into how much of a charity's revenue is mandated to be spent on charitable activities or redistributed to other charities and how much can be reinvested or used for non-charitable purposes. The CRA provides guidance in how to calculate disbursement quotas (CRA, 2015). In 2013, 121 charities did not report disbursement quota amounts (line 5900 or 5910). Given that owning any property (including investment assets) that were not used for charitable activities or administration includes: bonds, stocks, mutual funds, GIC, or cash in bank accounts it is reasonable to assume they these values were just omitted from their T3010. It is a problem of the CRA to not enforce charities to submit values for these lines and it is irresponsible of the charities to not openly disclose these figures to the CRA and hence, the public. Of the remaining charities, 131 had enough revenue from sources other than their investment income to cover the disbursement quota, and 13 charities had to use their investment income to cover the disbursement quota. This means that of the charities who disclosed disbursement figures 90% of charities did not have to use their investment income and could seemingly fully reinvest their earnings or use it for another non charitable purpose.

Time Series Analysis 2004-2013

A few statistics were completed to contextualize the history of the investing environment of the top charities by investment income over the past ten years. It is important to look at the growth of investments and total assets over the 10-year history to understand how much investments played a role within the growth of the charity. Additionally, it is important to understand how consistent this revenue was as a reliable source for funding their charitable purpose. In Figure 7, the average total assets almost steadily grew throughout the 10-year period minus the 2008-2009 global financial crisis. The average total investment fluctuated more with the highest amount of investments made in 2011. This simply displays how much investments played a role within the total ownership of the charity throughout the 2004-2013 period. Investments ranged from 47-77% of the total assets. Therefore, investment played a significant role in growing the charitable business.

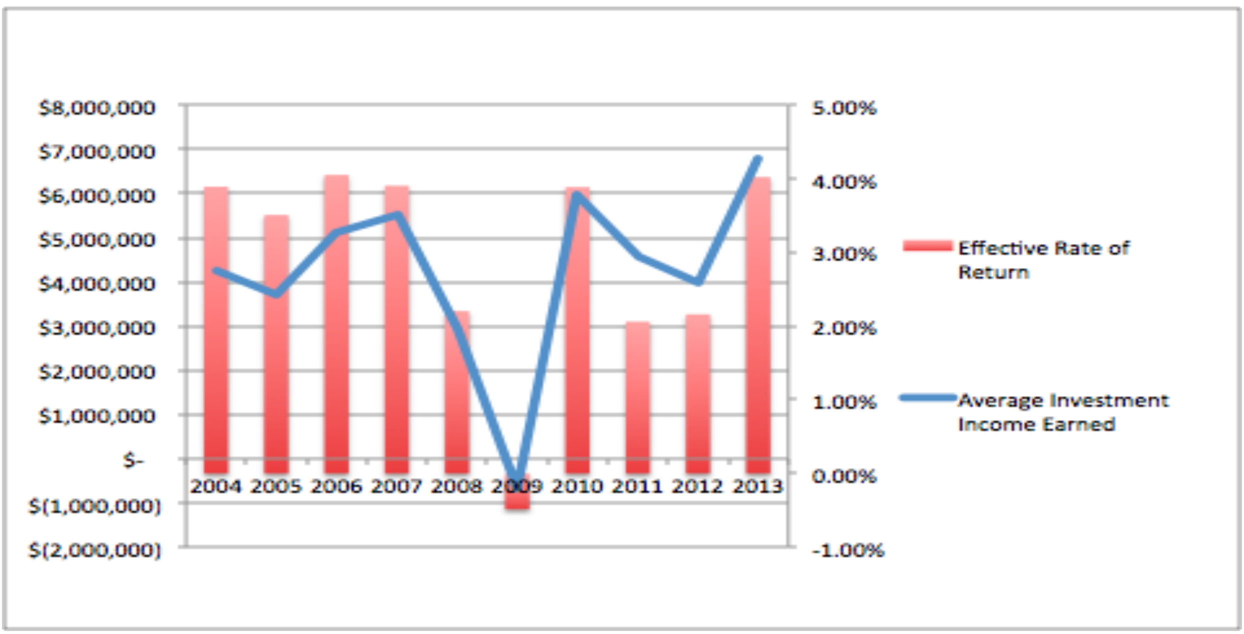
Figure 7: Average Total Investments and Assets



Additionally, the profitability of the investments, such as the total interest income received or earned and the effective rate of interest, is also worthwhile to look at through the time period to get a better understanding of how steady this revenue source has been for charities over the past years. The effective rate of return for the 10-year period was calculated as the average income interest of all the charities divided by the average investments (as displayed in figure 8). This is different than the calculation for the fiscal 2013 period. The rate of return fluctuated between 2-4% over the 10-

year period other than in 2009. This loss in 2009 demonstrates that it is very important to have a cohesive investment strategy that can articulate the perceived risks for the charity. Not only does a charity depend upon the investment income earned to fund charitable activities but also donors will not be willing to offer donations during economic downturns (CBC News, 2008). This overall negative return was due to in part of the endowment crisis, where the average endowment lost 18% in 2008, and most endowments suspended payouts in 2009 to preserve capital. "This may indicate a problem with the whole concept. Perpetual in aspiration, endowments promise charities a steady – and steadily increasing – annual income over the long-term. During a time of great need in the charitable sector, they proved wanting" (Burrow, 2010). It might be impossible to avoid a global economic downturn but it might be possible to avoid irresponsible investments. The current divestment campaign is a great example that showcases stakeholders of charities that do not want to invest in fossil fuels companies because it is not part of their values and also are considered financially draining investment in a lower carbon society (350.org).

Figure 8. Effective Rate of Return and Average Investment Earned (2004-2013)



To summarize, there were differences and similarities amongst the charities that did report some type of responsible investing statement to those that did not. These differences were: charitable field type (or what was commonly called sector) and designation status. Education and research charities were the leaders in offering a responsible investment approach with most social service foundations also offering an IPS with some type of responsible investing element. Unfortunately, given the limitations of the T3010's, there was no way to know if a charity owned and operated an endowment, or where they invested their capital. What was interesting was that although the revenue sources did differ amongst disclosure/ranking types, all charities each still had a significant portion of their assets invested, as demonstrated by the investment/assets ratio and the by way of how the sample set was chosen. Therefore, the investments need a metric, similar to the fundraising ratio, to track a charity's performance; the metric needs to encompass the amount of time and money spent performing these efforts, and the type of investments. This should not be left up to the investment professional. Additionally, as demonstrated there were no statistical differences amongst the rate of return. For the charities that did release the disbursement quota figure, 90% of charities could seemingly reinvest all their money. This helps the retention of investment assets and the average rate of investment earned to increase throughout the years even without additional donor grants. In the time series analysis, it was difficult to conclude if the investment income was steadily decreasing due to the passage of a new disbursement quota in 2010. What can be concluded though was that investments were always a significant portion of assets and that the assets steadily grew over the ten-year period. These charities are major players within the charitable sector and will be so.

Patterns in Responsible Investment Statements

The 25 charities which were found to have an investment policy statement with responsible investment language or a dedicated responsible investment policy statement (herein referred to as an RI Charity), when analyzed in greater detail, showed varying differences and similarities in investment philosophies, legal and framework considerations, types of screens employed, proxy voting processes, and evaluation of ESG performance and external investment managers. This section of the report will compare the language used by charities in their responsible investment policy statements against their own missions. In this way, the strength of the charities' investment strategies will be assessed with the goal of identifying emerging trends and lessons from other charities.

Three charities—The United Church of Canada, British Columbia Conference of the United Church of Canada, and The United Church of Canada Foundation—pool their funds together and share a common responsible investment policy statement. For brevity, these organizations are collectively referred to as the United Church of Canada for the remainder of this report unless otherwise stated. This brings the charities referenced in this section to 23.

Investment Philosophy

For the purposes of this research, definitional statements of purpose or ethic, which drive a responsible investment policy statement, have been termed an "investment philosophy." The investment philosophy is similar in purpose to a mission statement because it "is not a strategic objective, but rather the basis on which the strategic objectives and strategic plan are developed" (MaRS, 2013). As will be shown, there exists a correlation between the presence of a clearly articulated investment philosophy, and the level of relative strength of a given investment policy statement and its mission alignment.

Each of the 23 RI Charities approached responsible investing with unique value sets and organizational cultures, that lead to varying investment philosophies, as shown in Appendix C. For the Community Foundation of Ottawa, "social and environmental impacts will be paramount when considering the eligibility of investments" (Community Foundation of Ottawa, 2013). St. Joseph's Health Care Foundation takes a softer approach, stating "it is the preference of St. Joseph's Healthcare Foundation that investments are limited to companies or governments (for government-backed securities) that generally follow ethical guidelines and recognize our relationship with the Sisters of St. Joseph" (St. Joseph's Healthcare Foundation, 2015). Whereas the Community Foundation of Ottawa's communicates a clear intent through the use of the word "paramount" to apply social and environmental screens in the selection of investments, the St. Joseph Healthcare Foundation opts instead to use the less forceful terms of "preference" and "generally." Ten of the 23 RI Charities make no explicit reference to the reasons why responsible investing practices were chosen and the connection to organizational culture, therefore, they were considered to have no investment philosophy.

The investment philosophies show a trend (69% of RI Charities with a stated investment philosophy) of communicating a desire to invest with consideration given to environmental, social, and governance (ESG) factors. Simon Fraser University states this ESG-desire simply as a commitment "to responsible investment pursued through the framework of environmental, social, and corporate governance considerations" (Simon Fraser University, 2014). More commonly, charities justify consideration of ESG factors through economic performance. The Community Foundation of Ottawa, Dalhousie University, McMaster University, Queen's University at Kingston, St. Jerome's University, Tides Canada Foundation, and the United Church of Canada all make direct reference to the economic benefits of incorporating ESG considerations into investment practices. Dalhousie University describes its understanding of ESG's values as a "[belief] that over the long term, companies that exhibit responsible corporate behaviour with respect to environmental, social and governance (ESG) factors will have a positive impact on long-term financial performance. Dalhousie University's statement on ESG factors highlights that a common thread across many of the RI Charities is a recognition of the long-term risks associated with not addressing ESG concerns. The Community Foundation of Ottawa considers ESG factors to "generally have a positive influence on long term financial performance" (Community Foundation of Ottawa, 2013) while McMaster University notes that ESG "issues can affect the performance of companies in which the fund invests" (McMaster University, 2015). Risk mitigation through ESG adoption is also communicated in the investment philosophies of Queen's University at Kingston, St. Jerome's University, Tides Canada Foundation, and the United Church of Canada.

Whereas consideration of ESG factors often means negative screening (as demonstrated through the investment philosophies in Appendix C) that limits investments in companies that can expose a charity's investments to ESG-associated risks, four charities also focus on the potential benefits that can be created through intentional investments. The Hamilton Community Foundation neatly captures its investment philosophy as a belief that "it can do more with its endowment by leveraging its assets in new ways to have maximum social, environmental and community impact" (Hamilton Community Foundation, 2013). The Tides Canada Foundation "further seeks to align its investments with its mission to foster a healthy environment and just society and as such will ensure investments are aligned and engaged to these ends" (Tides Canada Foundation, 2012). The Community Foundation of Ottawa, which has dedicated a portion of its endowment for impact investing, believes it "can generate a blended value return that can significantly multiply the impact [it has] on [its] community, while at the same time generating financial returns with an acceptable risk profile" (Community Foundation of Ottawa, 2013). Finally, the Community Foundation of Ottawa sums up its interest in impact investing by writing that "Rather than choosing either a financial return, or a social benefit, we are seeking investments that do both" (Community Foundation of Ottawa, 2013).

The Incorporated Synod of The Diocese of Toronto and St. Jerome's University are unique in appealing to Christian religious values in defining their investment philosophies. The Incorporated Synod of The Diocese of Toronto states that "the first chapter of Genesis tells us that God created all things, including people, who are to be the managers, caretakers and stewards of all that God created, recognizing that all comes as a gift from God" (Incorporated Synod of the Diocese of Toronto, 2013). St. Jerome's University is less specific, communicating a desire to "fully uphold Catholic values and consider them to be relevant and important to all that we do, including the management of our investments" (St. Jerome's University, 2013). The inclusion of religious values in a responsible investment policy statement is not consistently adopted by charities with a religious focus. The United Church of Canada's (2014) investment philosophy focuses on the economic benefits of considering ESG factors, while the Congregation of The Sisters of The Holy Names of Jesus And Mary says only that "we believe that our invested funds should be consistent with our positions on social justice" (Sisters of the Holy Names of Jesus and Mary, 2013).

Policy and Standard Context

A common feature of investment policy statements is the recognition of the legal context. Investment policy statements often included language on the legal context when listing the internal governance process and requirements for an investment committee and investment manager. Although only 23 charities were analyzed, throughout the entire analysis many charities did recognize legal policies.

As listed in Table 4, five of the RI Charities identified the Income Tax Act as a governing piece of legislation, while a further five RI Charities include a more general call for investment practices to be in accordance to the applicable laws. Two RI Charities list the Trustee Act of Ontario. Several other pieces of legislation are identified as impacting individual charities including incorporating acts such as the Edmonton Community Foundation Act.

Only in two cases, charities appealed to external standards and associations best practices in order to communicate an investment approach or as part of the evaluation of investment managers. The Community Foundation of Ottawa and Simon Fraser University both state a commitment to the United Nations Principles of Responsible Investing (UNPRI). While it is beyond the scope of this research, the policy and standards listed are worth exploring in future research to understand the impact they can have on the adoption of responsible investing practices, and the possibility of adaptation to enable a shift towards responsible investing. Mandatory policies, such as the ITA, and legal frameworks, such as trust laws, are useful to investigate when looking at the implementation of more rigorous standards for investing policy and a responsible investing approach.

Table 4: Policy and Standard Context

Charity	Policy and Standard Context
Simon Fraser University	Policy: University Act (BC) External standards: United Nations Principles for Responsible Investing
Incorporated Synod Of The Diocese Of Toronto	Policy: Income Tax Act (CDN), Trustee Act (ON)
Bow Valley College	Regulations: Post-secondary Learning Act (AB)
Canadian Cancer Society	Policy: Trustee Act (ON), any other applicable law
The Community Foundation Of Ottawa	External standards: United Nations Principles for Responsible Investing
The Edmonton Community Foundation	Policy: Edmonton Community Foundation Act (AB), Trustees Act (AB), Income Tax Act (CDN), any other applicable law Internal policies: Edmonton Community Foundation policy by-laws
The Royal Alexandra Hospital Foundation	Policy: Hospital Foundations of the Regional Hospital Act (AB), Regional Health Authorities Regulation (AB), all applicable laws
St. Jerome's University	Policy: Trustee Act (ON), Income Tax Act (CDN), Charitable Gifts Act (ON), Charities Accounting Act (ON), Accumulations Act (ON), Canada Corporations Act (CDN)
St. Joseph's Healthcare Foundation, Hamilton	External standards: CFA Institute's Code of Ethics and Standard of Professional Conduct.
The United Church Of Canada	Policy: any applicable law Internal policies: Corporate Social Responsibility Guidelines (1989) External standards: UN Universal Declaration of Human Rights, The UN Declaration on the Rights of Indigenous Peoples, The International Labour Organization's Fundamental Principles and Rights at Work, The International Labour Organization's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, The UN Global Compact, The Global Reporting Initiative Guidelines, The Voluntary Principles on Security and Human Rights, OECD Guidelines for Multinational Enterprises, and the UN Human Rights Council's Guiding Principles on Business and Human Rights, Carbon Disclosure Project
The University Of Western Ontario	Policy: Not designed to satisfy any specific legislation, but to demonstrate prudent management of the Fund
The Winnipeg Foundation	Policy: Income Tax Act (CDN), Securities Act (MB), Winnipeg Foundation Act (MB), all other applicable laws

Summary of Screens Used

The most common feature across responsible investing policy statements is the use of negative screens to limit investment in harmful or unattractive investments. These screens are listed in Table 5 with the associated number of charities who disclose they employ each screen. A more detailed table with a list of the charities that offered disclosure on these negative screening criteria can be found in Appendix D. The screens can broadly be classified into three archetypes:

- **ESG General Screens:** The most common screen applied by RI Charities (11 charities in total) is a general ESG performance screen, which states that the intent is to invest in-line with ESG practices. An example is Simon Frasier University which states that as a UNPRI signatory it supports the incorporation of ESG into investment decisions. It is unclear if such a general desire for ESG integration is actually impactful in changing the investment practices of the charity.
- **Sin Screens:** The next most common type of screen is applied against traditional sin items such as tobacco (7 charities), weapons (4 charities), gambling (2 charities), and pornographic materials (1 charity). These screens were commonly applied by religious charities such as the United Church of Canada. Tobacco was most likely to be screened out by a charity with no other responsible investing activities. The Heart and Stroke foundation of Canada, University of Lethbridge, and Bow Valley College all screen out tobacco investments without any other responsible investing language or considerations contained within their respective investment policy statements. These three charities do not include a discussion on investment philosophy or responsible investing objectives in their investment policy statements which raises questions in terms of why only this screen was selected among the many that would appear to fit their mandate. A quick search of the Heart and Stroke Foundation of Canada website finds a listing of causes of heart disease including—in addition to tobacco—obesity, inactivity, excessive alcohol consumption (Heart and Stroke Foundation, 2012).
- **Targeted Screens:** More varied in application, targeted screens cover issue areas as diverse as abortion and damage to ecosystem, to tax evasion and indigenous rights. Targeted screens can have close mission alignment, such as St. Jerome's University's decision to avoid investment related to stem cell research due to religious objections, or the Canadian Cancer Society avoiding investments in areas of the economy that it believes could be related to the production carcinogens. At the same point, targeted screens are used to advance less clearly mission-aligned concepts of social justice as seen in the Incorporated Synod of the Diocese of Toronto's screening out of companies with unethical marketing practices. Olds College takes a unique, albeit it loosely defined, approach in screening out investments in "entities which could damage the role or standing of Olds College within the community or which could be construed to be at odds with the institution's Mission Statement" (Olds College, 2013). Olds College is the only charity that was found to specifically seek alignment of mission with investment strategy but it is unclear how the College would apply this screen.

Table 5: Use of Screens

Screen	Count
ESG Performance (General definition)	11
Tobacco	7
Weapons	4
Environment (major pollution, damage to ecosystem, environmental justice)	4
Economic Development / Consumer Rights (safety, anti-competition, privacy)	3
Labour (equity, health & safety, child labour, anti-union)	3
Local social condition (human rights, repressive communities, indigenous communities)	3
Gambling	2
Pornographic materials	1
Blended value of products	1
Governance (fraud, bribery, tax evasion, executive compensation, shareholder rights)	1
Marketing practices	1
May cause cancer	1
Mission Alignment	1
Right to life (Abortion, Stem cell research)	1

Not all charities articulated set screens. Queen's University in Kingston instead opted for an approach that enables "Special Action" in relation to "a specific investment or series of investments" (Queen's University in Kingston, 2015). While this approach likely offers benefits in responding to pressures from students and other stakeholders to respond to an ESG concern, it appears to lack strategic intention which could enable the University to realize the full benefits of integrating responsible investing practices.

A significant barrier in assessing the screens used by charities is the lack of information on implementation and portfolio composition. The issues of lack of disclosure and transparency identified among the sample of 262 charities persist even amongst the top 23 charities.

Impact Investing

Impact investing is defined by Community Foundations of Canada and Philanthropic Foundations Canada as "an investment, rather than a grant, most often in the form of an interest-bearing loan, but also by purchase of shares in an enterprise made to a qualified donee, funded with money from a foundation's endowment funds, and for the primary purpose, not of income generation, but of furthering the foundation's charitable purposes" (Community Foundations of Canada and Philanthropic Foundations Canada, 2010). The United Church of Canada notes that, at its simplest, "impact investing is a variant of positive screening" (The United Church of Canada, 2014).

Five RI Charities were found to have an impact investing strategy (See Appendix E). Key components of the impact investing strategies include:

- **Governance:** Whereas most operational investment responsibilities are assigned to an external investment manager, impact investments were instead controlled directly by a charity's Board of Directors, Chief Financial Officer, or Investment Committee. Impact investments were offered on a case-by-case basis. As impact investing matures and charities become more comfortable with the associated risk, there may be a shift towards a more standardized approach to increase efficiency and lower the demand on senior leaders.
- **Impact:** The charities define their goals as supporting mission priorities (United Church, Edmonton Community Foundation, Hamilton Community Foundation), social and environmental benefits (Community Foundation of Ottawa), and positive impacts within the community (Winnipeg Community Foundation).
- **Eligibility:** The Community Foundation of Ottawa was the most specific in terms of the type of organization in which would be attractive for an impact investment. Specifically, the Foundation seeks "stable community organizations with a proven record of success and credible plans for execution in a low risk profile" for varied investments including patient capital, loans and loan guarantees, equity investments, and mortgages (Community Foundations of Canada, 2015).
- **Required Return:** The community foundations of Ottawa and Winnipeg both identify that returns may not equal market rates for impact investments, but that below-market returns are acceptable in exchange for social or environmental benefits. The Community Foundation of Ottawa has a longer-term goal to "achieve an average nominal rate of return, after fees and expenses, that is at least equal to the return on a five year Canada bond" (Community Foundation of Ottawa, 2012).

Interestingly, 4/5 of the charities with an impact investing strategy are community foundations. While no clear evidence could be found to explain this statistic, it is possible to hypothesize that the unique donor engagement structure, local focus, and public nature of a community foundation makes it more likely to adopt an impact investing strategy. Impact investing may continue to make inroads within community foundations as the Community Foundations of Canada has begun "providing leadership on building a more favorable regulatory environment for impact investing and working with partners to create more accessible pathways into impact investing for community foundations" (Community Foundations of Canada, 2015).

Proxy

Shareholders are asked on occasion to vote on administrative (ex. approve financial statements), and governance or foundational concerns (ex. corporate mergers). The voting rights for a share owned by a charity are commonly assigned to an external investment manager who casts a vote on behalf of the charity. As listed in Appendix F, the investment manager is most often instructed to exercise proxy-voting rights "solely in the best interest of the fund." An example is the University of Western Ontario which instructs investment managers to "vote in favour of any proposal which, in their opinion, will accrue and enhance the investment value of the relevant security, and against any proposals which will unduly increase the risk level or reduce the investment value of the relevant security to the detriment of the Fund" (University of Western Ontario, 2014). It seems doubtful that this instruction could meaningfully allow the incorporation of ESG concerns.

Although less common, alternative approaches are employed by RI Charities including the Community Foundation of Ottawa which requires investment managers to "to vote all proxies in the best interests of the Community Foundation, as a signatory of the UNPRI" (Community Foundation of Ottawa, 2013). While still requiring the investment manager to act in a way that benefits the Foundation, inclusion of UNPRI extends the mandate to incorporate ESG concerns into proxy voting. The United Church of Canada goes further by communicating a desire to exercise proxy voting rights in a manner to influence the business practices of investees, engage in direct discussion with the management of investees to address ESG concerns, and to file shareholder proposals if necessary. Tides Canada Foundation shares a similar approach of active engagement, maintaining divestment as a final resort if engagement is unable to achieve corrective action.

The United Church of Canada, University of British Columbia (partial disclosure), Queen's University at Kingston, McMaster University, and Dalhousie University have committed to publicly disclosing proxy voting histories. With the exception of the United Church of Canada, all charities that have committed to disclosure are universities. This is likely due to active engagement of students and a need by the universities to demonstrate action to their students. The impact of student pressure can be seen in the University of British Columbia's approach that includes a special petition process for responding to stakeholder concerns. In situations where divestment is desired, the University of British Columbia requires demonstrated support from 2 of the constituencies of student, faculty, staff, and alumni. For students to demonstrate support, they must hold a referendum which receives a vote of 50% +1 and a quorum of 20%+ of the eligible votes.

Evaluation of ESG Performance and External Investment Managers

It is quite common for charities to include evaluation criteria in investment policy statements in order to assess the performance of external investment managers and take corrective action if necessary. An example can be seen in the investment policy statement of the Royal Alexandra Hospital Foundation which states that "if the [investment manager] fails to achieve the benchmark return for six consecutive quarters they shall be notified in writing that they are being placed under review" (Royal Alexandra Hospital Foundation , 2013). If corrective active is not taken, the investment manager may be replaced. These measures are put in place to ensure that investment managers act in accordance with the mandate provided by the charity.

Seven of the RI Charities included ESG-related evaluations of their investments and the evaluation of the investment manager performance in relation to their ESG criterions, as shown in Appendix G. Simon Fraser University evaluates investment fund managers on their effectiveness at integrating ESG into "research, analysis, and decision making" (Simon Fraser University, 2014). Similarly, the United Church of Canada evaluates the performance of investment managers in terms of ESG integration, but has also included ESG integration as a criterion in the selection process. Dalhousie University adds an additional layer to its evaluation by encouraging "its external investment managers to develop and enhance their ESG assessment capabilities" (Dalhousie University, 2013). Similar to supply chain sustainability efforts to impact upstream behaviours through purchasing, Dalhousie has identified the possibility to further the capabilities of its external investment managers, an act which also offers benefits to the University. For Simon Fraser University and Dalhousie University, ESG-related evaluation was one component of overall evaluation, feeding into the decision-making process of the investment committee alongside financial performance metrics.

Little insight was provided into how an evaluation of ESG performance would be conducted, and the relative weighting it would receive to financial metrics. For RI Charities with detailed responsible investment policy statements, including specific objectives and desired impact, evaluation would likely be an easier matter than for those with less specific statements that broadly speak to a desire to integrate ESG factors or align investments with their mission. As investment managers are asked to not only invest the resources of charities, but also to exercise proxy voting rights, evaluation metrics should be carefully considered to incentivize the desired results.

Conclusion

Discussion

As found within the quantitative portion of the report, the major differences between the top 25 charities that disclosed a responsible investing approach were in the actual characteristics (field type and designation status), not their financial structure or relative performance. Comparing the strategies of the 25 RI Charities, and it was concluded that each charity had its own unique approach. Some charities offered a much more comprehensive RI strategy that addressed all six topics (investment philosophies, screens, impact investing, and proxy, evaluation of ESG and investment managers) whereas other charities might only have disclosed one topic. United Church, The Community Foundation of Ottawa, and Tides Foundation all had strong investment policy statements.

Since no financial hurdles were found to inhibit one charity from implementing RI strategies versus another, it would be useful for leading charities to further disclose and communicate their approaches and best practices to support wider adoption. It will bring awareness and opportunity for charities that might not otherwise know exists. For example, the Community Foundation of Ottawa is a community outreach and welfare public foundation. Through case studies and direct mentorship, other charities operating within the same field type and designation code and can benefit from understanding how leading charities deploy RI strategies, while mitigating risk and creating a greater impact.

As donor and government funding varies from year-to-year, it is understandable that charities that meet their disbursement quotas and have extra cash would reinvest this money in order to build investment funds for recurring revenue. The impact of the economic downturn in 2008-2009 on the investment funds of charities highlights the need for proper fund management and a diversification of strategies to obtain lower risk; even endowments are not guaranteed income during times of economic distress. Incorporation of ESG metrics can further the assessment and diversification of these investments. While this economic event was an extraordinary situation, direct impact investments—that do not rely on the public market—could continue advancing the charitable purpose of a charity while earning a return even during a recession. The charities that we found to be leading impact investing in Canada are Community Foundations (generally identified as 'social service organizations' in CAN codes) that represent 4 out of the 5 charities within the 25 RI Charities that employed an impact investing strategy. The impact investing strategies that were found are generally nested at the board-level, with investments made to stable and trusted organizations on a case-by-case basis. This hands-on approach by the boards of charities offering impact investing could be due to the emerging nature of impact investing, and with time this process may become standardized.

Proxy voting was an area of significant divergence in approaches among charities. On one end of the spectrum, and the most common approach, was for a charity to grant proxy voting privileges to an investment manager with the instruction to vote solely in the best interest of the fund. On the other end of the spectrum, leading charities defined themselves as active owners and sought to influence the behaviours of the firms in which they invest. Tides Canada Foundation and the United Church both identified a layered approach beginning with direct conversations with an investee in order to address an ESG concern, and progressing to shareholder agreements and, in the case of Tides Canada Foundation, divestment if ESG concerns cannot be resolved. While some charities did commit to disclose proxy voting histories, no language was included on the evaluation of the effectiveness of active ownership or how this connected to the furthering of their charitable purpose.

Evaluations of investment performance and investment managers were found to be nearly universal across charities with responsible investing language, but inclusion of ESG factors were less commonly (7/23) integrated into the evaluation process. Where ESG factors were incorporated into the evaluation of investment performance and investment managers, no charities included explicit performance criteria similar to that for financial performance. It is questionable whether, without specific metrics and benchmarks, investment managers would be able and interested in maximizing adherence to ESG goals if those goals clashed with financial performance criteria.

Opportunities for Further Research

While conducting this research study, the authors identified several important areas for further study, including:

- *The societal impact of positive and negative screening.* How can a charity understand and measure the positive or negative impact of either using or not using a screen? In other words, for an organization such as the Canadian Cancer Society which opposed smoking, how can one measure the associated negative impact that investing in a tobacco company and how can one measure the positive impact of divesting from a tobacco company?
- *Understand the path that led RI Charities to become leaders*. How did top RI Charities become leaders? When did they adopt RI strategies and was this adoption initiated internally or a response to stakeholder pressures? What lessons do existing RI Charities have that can be shared with prospective RI charities to help them in their transition to a more responsible investment approach.

- *Impact Investing Metrics*. The new regulation which permits foundations to enter into limited partnerships offers a new avenue for impact investing. It is essential to have proper metrics and accountability in place prior to pursuing partnerships or other forms of impact investing. Hence, it would be interesting to look at different metrics, such as a social return on investment (SROI), that could be useful and applicable when tracking the impact of these investments.
- *Analyzing and comparing different laws and regulations.* One problem that was apparent was the lack of consistency and detail in the laws and regulations that surround charities and their investment policies. Further investigation of these laws and policies is needed to understand their impact on SRI.
- *Realizing Value through Stakeholder Engagement:* Universities, community foundation, and cause-based organizations made up the bulk of the RI Charities. All of these organization types are beneficiary-facing and may face greater stakeholder pressures than their peers. How do stakeholders perceive SRI practices and incorporate these into their decision process of whether to support a given charity? How can charities incorporate stakeholders into the development of their investment philosophies and screens in order to maximize the value derived from creating a responsible investment policy statement? Are direct impact investments perceived in a different or more favourable light in the eyes of stakeholders than more passive forms of SRI?
- *Institutional and Network Approaches for Dissemination of SRI:* The United Church is unique among RI Charities in pooling the assets of 3 distinct foundations under one common responsible investment strategy. Community Foundations operate similarly for private funds. Can large established charities or foundations operationally support smaller foundations to encourage adoption of SRI practices? What are the most impactful ways that RI Charities can support the dissemination of SRI practices?
- *Impact of Current Evaluation Practices:* Evaluation of investment managers and investment performance is widespread across responsible investment policy statements, but the integration of ESG criteria into the evaluation is less common. Where ESG criteria are included in the evaluation of investments, what metrics and benchmarks are used, and how are these criteria weighted in relation to financial metrics? Do ESG evaluations incentivize action by investment managers?

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Appendix

Appendix A: Charitable Organizations CAN Codes

Social services		
Care providers	Organizations Providing Care Other than Treatment	1
Welfare and outreach	(Welfare) Charitable Corporations	3
	(Welfare) Charitable Trusts	5
	Welfare Organizations (not elsewhere classified)	9
Health		
Hospitals	Hospitals	10
Health organizations - specific focus	Services Other Than Hospitals	11
Supporting health organizations (incl. Hospital foundations)	(Health) Charitable Corporations	13
	(Health) Charitable Trusts	15
Health organizations - not elsewhere classified	(Health) Organizations, (not elsewhere classified)	19
Education and research		
Education institutions	Teaching Institutions or Institutions of Learning	20
Supporting education	Support of Schools and Education	21
	(Education) Charitable Corporations	23
	(Education) Charitable Trusts	25
Education organizations not elsewhere classified	Education Organizations, (not elsewhere classified)	29
Culture, arts		
Cultural activities and promotion of the arts	Cultutal activities and promotion of the arts	22
	Registered National Arts Service Organization	81
Libraries and museums	Libraries, Museums and Other Repositories	50
Preservation of natural and historic sites	Preservation of Sites, Beauty and Historical	52
International aid		
International aid organizations	Disaster Funds	2
Animal welfare		
Protection of animals	Protection of Animals	54
Community		
Community corporations and trusts	(Community) Charitable Corporations	53
	(Community) Charitable Trusts (Other than Service Clubs and Fraternal Societies projects)	55
Community organizations not elsewhere classified	Community Organizations, (not elsewhere classified)	59
Service clubs and fraternal societies	Service Clubs and Fraternal Societies' Charitable Corporations	63

	Service Clubs and Fraternal Societies' Projects	65
Religion – denominations		
Anglican	Anglican Parishes	30
Baha' is	Baha' is Religious Groups	33
Baptist	Baptist Congregations	31
Buddhist	Buddhist Religious Groups	35
Hindu	Hindu Religious Groups	48
Islam	Islamic Religious Groups	60
Jehovah's Witness	Jehovah's Witnesses Congregations	61
Jewish	Synagogues	42
Lutheran	Lutheran Congregations	32
Mennonite	Mennonite Congregations	34
Pentecostal	Pentecostal Assemblies of Canada only	36
Presbyterian	Presbyterian Congregations	37
Roman Catholic	Roman Catholic Parishes and Chapels	38
Salvation Army	Salvation Army Temples	40
Seventh Day Adventist	Seventh Day Adventist Congregations	41
Sikh	Sikh Religious Groups	62
United	United Church Congregations	44
Other Denominations;	Other Denominations' Congregations or Parishes, (not elsewhere classified)	39
Religion – other		
Religious charitable organizations	(Religion) Charitable Organizations	43
	(Religion) Charitable Trusts	45
Convents and monasteries	Convents and Monasteries	46
Missionary	Missionary Organizations and Propagation of Gospel	47
Religious organizations not elsewhere classified	Religious organizations, (not elsewhere classified)	49
Miscellaneous		
Military units	Military units	51
Recreation	Recreation, Playgrounds and Vacation Camps	56
Temperance associations	Temperance associations	57
Employees' Charity Trusts	Employees' Charity Trusts	75
Amateur athletics	Corporation Funding Registered Canadian Amateur Athletic Association	83
	Trust Funding Registered Canadian Amateur Athletic Association	85
Other charitable organizations	Miscellaneous Charitable Organizations, (not elsewhere classified)	99

Appendix B: Website Review Search Process

This appendix details the approach used to review the websites of the 262 charities within the research sample. The objective of this review was to classify the charities by assigning a number score of:

- 0 - No disclosure of financial or investment information
- 1 - Disclosure of financial information
- 2 - Disclosure of financial information, plus an investment policy statement
- 3 - Disclosure of financial information, plus an investment statement which contains responsible investment language or a standalone responsible investment policy statement

The following approach was taken to search the websites of the 262 charities for financial information and policy statements:

- Google Site Search: Each website was conducted using Google's site search ability. A Google site search is broken down into 2 components: (1) the search term placed in brackets to locate an identical phrase, and (2) the command "site:" followed by the domain and top-level domain only (adding http://www. or "/" following the top-level domain can exclude results). An example of a site search for an investment policy is:
  "investment policy" site:sfu.ca
- The search terms used to locate the financial information were:
  - Audited financials
  - Financial statements
  - Financials
- The search terms used to locate the investment policy statement were:
  - Investment policy statement
  - Investment policy
  - Investment statement
  - Responsible investing
- In situations where no result was found through the searches, the website was explored by the researcher to attempt to locate the documents on donation, about, publication, and related pages. This manual review of websites that did not return a search result was capped at 5 minutes per website.
- When financial information or investment policy statements were found, the URLs were stored for later review.

Appendix C: Investment Philosophy

Charity	Investment Philosophy
Simon Fraser University	"The University is committed to responsible investment pursued through the framework of environmental, social, and corporate governance considerations."
Incorporated Synod Of The Diocese Of Toronto	"The first chapter of Genesis tells us that God created all things, including people, who are to be the managers, caretakers and stewards of all that God created, recognizing that all comes as a gift from God. As stewards we are responsible to tend these funds in a wise and just manner to the best of our ability."
The Community Foundation Of Ottawa	"As long-term investors, the CFO believes that responsible corporate behaviour with respect to environmental, social and governance (ESG) factors can generally have a positive influence on long term financial performance, and that investment analysis should incorporate ESG factors, to the extent possible, in the analysis of risk and return. Market Investments are made at market rates of return, but also have a desirable social or environmental impact on a global scale (not just Ottawa) that is aligned with CFO's overall mission." "By setting aside a portion of its endowment for Impact Investing, we believe we can generate a blended value return that can significantly multiply the impact we have on our community, while at the same time generating financial returns with an acceptable risk profile. Rather than choosing either a financial return, or a social benefit, we are seeking investments that do both."
Dalhousie University	"Dalhousie University believes that over the long term, companies that exhibit responsible corporate behavior with respect to environmental, social and governance (ESG) factors will have a positive impact on long-term financial performance. The assessment of ESG factors along with the assessment of the business, management and financial metrics will enhance the identification of good investment opportunities and to help mitigate risk to the [endowment]."
Hamilton Community Foundation	"The Foundation believes it can do more with its endowment by leveraging its assets in new ways to have maximum social, environmental and community impact."
McMaster University	"The University recognizes that, environmental, social and corporate governance (ESG) issues can affect the performance of companies in which the Fund invests and consideration should be given to how managers analyze and integrate ESG factors into their investment process when selecting Fund Managers."
Queen's University At Kingston	"The Investment Committee believes that awareness and the effective management of environmental, social, and governance related risks to business activities can improve the long-term financial performance of the companies concerned. From time to time, the University may be asked to address an issue dealing with the environmental, social, or governance related issues associated with a specific investment or investments in the Queen's Investment Funds"
St. Jerome's University	"We fully uphold Catholic values and consider them to be relevant and important to all that we do, including the management of our

	investments." "We recognize that our investee companies have impacts on their stakeholders and society in general. In line with our mission and values, we believe that it is important to integrate the consideration of these impacts into investment decision-making and, in a manner consistent with our fiduciary obligations, to avoid investing in companies whose practices are contrary to our values." "We believe that the environmental, social and governance (ESG) aspects of corporate performance can be material to their financial performance, especially in the long term."
Congregation Of The Sisters Of The Holy Names Of Jesus And Mary	"We believe that our invested funds should be consistent with our positions on social justice."
St. Joseph's Healthcare Foundation, Hamilton	"It is the preference of St. Joseph's Healthcare Foundation that investments are limited to companies or governments (for government-backed securities) that generally follow ethical guidelines and recognize our relationship with the Sisters of St. Joseph."
Tides Canada Foundation	"Tides Canada believes that a balanced consideration of the environmental, social, and governance (ESG) performance of securities can generate enhanced long term investment performance and is a prudent investment approach. Tides Canada further seeks to align its investments with its mission to foster a healthy environment and just society and as such will ensure investments are aligned and engaged to these ends."
University Of British Columbia	"UBC's responsible investment policy should be considered in the broad context of its Vision to ". . . create an exceptional learning environment that fosters global citizenship, advances a civil and sustainable society, and supports outstanding research to serve the people of British Columbia, Canada and the world." As an expression of the University community, this vision embraces social responsibility; it guides and tests the University's actions in all spheres of activity, including learning and practice."
The United Church Of Canada	"Responsible Investment ("RI") is based on the understanding that environmental, social and corporate governance ("ESG") factors can have a material impact on the operations of companies and on investment markets, and analysis of ESG factors can therefore improve investment outcomes from a risk/return perspective." "The financial success of the portfolio in the long term depends on a healthy society and a healthy environment."

Appendix D: Screening Criteria

Screen	Count	Organizations
Blended value of products	1	INCORPORATED SYNOD OF THE DIOCESE OF TORONTO
Economic Development / Consumer Rights (safety, anti-competition, privacy)	3	INCORPORATED SYNOD OF THE DIOCESE OF TORONTO
		CONGREGATION OF THE SISTERS OF THE HOLY NAMES OF JESUS AND M
		TIDES CANADA FOUNDATION
Environment (major pollution, damage to ecosystem, environmental justice)	4	INCORPORATED SYNOD OF THE DIOCESE OF TORONTO
		ST. JEROME'S UNIVERSITY
		CONGREGATION OF THE SISTERS OF THE HOLY NAMES OF JESUS AND M
		TIDES CANADA FOUNDATION
ESG Performance (General definition)	11	THE COMMUNITY FOUNDATION OF OTTAWA LA FONDATION COMMUNAUTAIRE D'OTTAWA
		DALHOUSIE UNIVERSITY
		UNIVERSITY OF BRITISH COLUMBIA
		THE EDMONTON COMMUNITY FOUNDATION PRIV ACT
		SIMON FRASER UNIVERSITY
		HAMILTON COMMUNITY FOUNDATION
		MCMASTER UNIVERSITY
		QUEEN'S UNIVERSITY AT KINGSTON
		ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON
		THE UNIVERSITY OF WESTERN ONTARIO
		THE WINNIPEG FOUNDATION
Gambling	4	BRITISH COLUMBIA CONFERENCE THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA FOUNDATION / FONDATION DE L'EGLISE UNIE DU CANADA
		TIDES CANADA FOUNDATION
Governance (fraud, bribery, tax evasion, executive compensation, shareholder rights)	1	ST. JEROME'S UNIVERSITY
Labour (equity, health & safety, child labour, anti-union)	3	INCORPORATED SYNOD OF THE DIOCESE OF TORONTO
		CONGREGATION OF THE SISTERS OF THE HOLY NAMES OF JESUS AND M
		ST. JEROME'S UNIVERSITY
Local social condition (human rights, repressive communities, idigenous communities)	3	INCORPORATED SYNOD OF THE DIOCESE OF TORONTO
		ST. JEROME'S UNIVERSITY

		TIDES CANADA FOUNDATION
Marketing practices	1	INCORPORATED SYNOD OF THE DIOCESE OF TORONTO
May cause cancer	1	CANADIAN CANCER SOCIETY / SOCIÉTÉ CANADIENNE DU CANCER
Mission Alignment	1	OLDS COLLEGE
Pornographic materials	3	BRITISH COLUMBIA CONFERENCE THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA FOUNDATION / FONDATION DE L'EGLISE UNIE DU CANADA
Right to life (Abortion, Stem cell research)	1	ST. JEROME'S UNIVERSITY
Tobacco	9	BRITISH COLUMBIA CONFERENCE THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA FOUNDATION
		BOW VALLEY COLLEGE
		CANADIAN CANCER SOCIETY
		THE ROYAL ALEXANDRA HOSPITAL FOUNDATION
		HEART AND STROKE FOUNDATION OF CANADA
		THE UNIVERSITY OF LETHBRIDGE
		TIDES CANADA FOUNDATION
Weapons	6	BRITISH COLUMBIA CONFERENCE THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA
		THE UNITED CHURCH OF CANADA FOUNDATION
		THE CANADIAN RED CROSS SOCIETY
		CONGREGATION OF THE SISTERS OF THE HOLY NAMES OF JESUS AND M
		TIDES CANADA FOUNDATION

Appendix E: Impact Investing

Charity	Impact Investing Focus
United Church Of Canada	"The Investment Committee will be open to such investment opportunities when they support the mission priorities of the United Church."
The Community Foundation Of Ottawa	"Direct Investments seek market rates of return wherever possible, but would also accept some below-market returns in investments with clearly attractive social or environmental benefits. They would have an Ottawa focus. The Foundation's investment objective for its direct investments is to achieve an average nominal rate of return, after fees and expenses, that is at least equal to the return on a five year Canada bond." "Direct Investments can be made directly by CFO on a case by case basis, or by investing in pooled funds with a focused impact investing strategy. They will be made in stable community organizations with a proven record of success and credible plans for execution in a low risk profile. They can include but are not limited to: patient capital, interim financing, letters of credit, loans, loan guarantees, equity investments, mortgages." "Direct Investments may not include permanent operating lines of credit, loans to individuals, or investments and loans to non-qualified donees at below-market rates."
The Edmonton Community Foundation	"Investments in mission related investments require board approval."
The Winnipeg Foundation	"With specific approval of the Foundation's Board, assets in the Fund may be invested in specific projects which are deemed to have a positive impact on community well-being. In making such decisions, the Board understands that financial returns may not be equal to returns from other investments overseen by the Investment Committee."
The Hamilton Community Foundation	"HCF established a $5.0 million Hamilton Community Investment Fund, (HCIF) with the objective to mobilize our assets within our community to create impact that support and align with mission locally. In addition, HCF's board approved the establishment of an Impact Investment Portfolio, seeded by The Young Fund. This portfolio at approximately $33.0 million will include publicly traded securities whose selection considers environmental, social and governance (ESG) factors in the investment decisions, as well as, direct investments in companies and funds with both a social and financial return. Upon completion of the Impact Investment Portfolio and full investment of the HCIF a total of approximately $37 million or 30% of HCF assets will be invested under the umbrella of Impact Investing."

Appendix F: Proxy Voting

Legal Name	Summary of Text
Incorporated Synod Of The Diocese Of Toronto	Investment Manager: • Exercise proxy voting rights solely in best interest of the fund • Maintain voting record Investment Committee: • Reserves right to exercise voting rights when it deems appropriate
Bow Valley College	Investment Manager: • Exercise proxy voting rights solely in best interest of the fund
The Community Foundation Of Ottawa	Investment Manager: • Exercise proxy voting rights in the best interest of the Community Foundation and as a signatory of UNPRI
Dalhousie University	Investment Manager: • Exercise proxy voting rights solely in best interest of the fund • Maintain voting record Investment Committee: • Reserves right to exercise voting rights when it deems appropriate • Disclose ESG issues that arose in portfolio and how proxy voting positively or negatively impacted the fund
The Edmonton Community Foundation	Investment Manager: • Exercise proxy voting rights in best interest of the fund • Disclose proxy voting policies to Foundation Investment Committee • Reserves right to exercise voting rights when it deems appropriate
Hamilton Community Foundation	Investment Manager: • Disclose proxy voting policies to Foundation • Maintain proxy voting records and report to Foundation Investment Committee • Reserves right to exercise voting rights when it deems appropriate
McMaster University	Investment managers: • Exercise proxy voting rights to fulfill objectives of the investment policy statement and for long-term benefit of the fund • Disclose proxy voting policies to the University • Provide annual report with voting history
Queen's University At Kingston	Investment managers: • Exercise proxy voting rights in line with a mandate provided by the University • Nonroutine voting should enhance shareholder value while supporting University's Responsible Investment commitments • Provide annual report with voting history

The Royal Alexandra Hospital Foundation	Investment managers: • Exercise proxy voting rights to fulfill objectives of the Foundation • Maintain record of voting history • To consult Investment Committee on votes of special significance Investment Committee: • Reserves right to exercise voting rights when it deems appropriate
Tides Canada Foundation	Active ownership strategy • Use writing, meetings, proxy voting and resolutions to encourage improved ESG performance in investees • When aforementioned engagement is unsuccessful in correcting ESG challenges, divestment will be considered
University Of British Columbia	Investment managers: • Consider ESG issues of shareholder proposals on a case-by-case basis Investment Committee: • Encourage investment managers to use proxy votes to encourage increased transparency of ESG policies in investees • Will disclose proxy voting for Canadian equity investments only due to resource demands of meaningful proxy vote summaries • May express ESG concerns to investment manager and encourage direct engagement with investee • On a selective basis may engage on ESG issues through third parties where collective engagement will be effective
The United Church Of Canada	Investment Manager: • Exercise voting rights in best interest of the United Church of Canada • Integrate ESG into investment management through voting Investment Committee • Develop plan to influence responsible practices of companies in which it invests through dialogue • Reserves right to exercise voting rights when it deems appropriate • May participate in annual meetings and community with other shareholders should engagement with a company's management not resolve ESG concern • Disclose voting history on United Church of Canada website
The University Of Western Ontario	Investment Manager: • Exercise voting rights in favour of proposals which will enhance investment value, and against proposals which will reduce investment value Investment Committee: • May exercise voting rights

The Winnipeg Foundation	Investment Manager: • Exercise voting rights on behalf of the Foundation • Maintain a proxy voting record Investment Committee • May exercise proxy voting rights if it deems appropriate

Appendix G: ESG Evaluations

Legal Name	ESG Evaluations
SIMON FRASER UNIVERSITY	Investment manager selection: incorporation of ESG
BOW VALLEY COLLEGE	Investment manager performance: adhere to the Association of Investment Management and Research (AIMR) Code of Ethics and Standards or Professional Conduct
DALHOUSIE UNIVERSITY	Investment manager selection: ESG integration, develop and enhance capabilities Investment manager performance: ESG integration
ST. JEROME'S UNIVERSITY	Invest manager performance: encourage consideration of ESG, encourage research and resources for ESG integration
UNIVERSITY OF BRITISH COLUMBIA	Investment manager selection: ESG integration, current managers must integrate ESG into portfolio management within 3 years
THE UNITED CHURCH OF CANADA	Investment manager selection: ESG integration Investment manager performance: ESG integration
MCMASTER UNIVERSITY	Investment manager selection: ESG integration