



# **Investment Policy**

**June 2023**

## Mission & Commitment

MakeWay builds partnerships and solutions that help nature and communities thrive together.

We believe an integrated approach to capital is needed to advance our mission. This means using all the resources and tools available to us to further the work. In addition to grants and programmatic work we believe that careful and considered investment of our funds can further support our mission.

MakeWay is committed to a portfolio where every investment generates a combination of financial returns and positive impact. As such, MakeWay seeks to align its investments with its mission of nature and communities thriving together and will work to ensure investments are as closely aligned to our mission as possible and engaged to these ends.

We recognize that this is a work-in-progress and that there is much work to do. MakeWay is committed to an ongoing and active role in assessing the impact of our portfolio.

## Policy Statement

This investment policy statement applies to all investments managed by third party investment managers and investments made directly by MakeWay.

Investments related to Impact Donor Advised Funds (Impact DAFs) are exempt from this investment policy as each Impact DAF has its own Investment Policy Statement. Investment in Impact DAFs will not be included in any calculations related to overall asset mix and benchmarks.

## Investment Philosophy & Approach

MakeWay recognizes that all investments have impact, whether positive or negative, or both. As engaged and responsible stewards of financial capital, we believe that all our investments should generate net positive social and environmental returns. MakeWay is working to move our investments along the continuum towards higher net positive impact.

Because measurement of positive impact is complex and under-developed, MakeWay takes an active and critical approach to our own investment portfolio. We work to understand all the impacts of our investments, and consistently and respectfully scrutinize ours and others' impact measurement methods.

We are intentional about continually assessing our goals, constraints, risks, and opportunities to develop an investment portfolio that furthers MakeWay's mission.

We aim to ensure all our investments are generating net positive social and environmental returns through employing a blended approach that includes the following;

### 1. Negative Screens

MakeWay's portfolio screens out certain investments that we believe have a significant negative impact on communities and the environment. For example, our portfolio excludes investment in fossil fuels. Refer to *Appendix A – Authorized and Restricted Investments* for a listing of other restricted investments.

### 2. Environmental, Social and Governance Ratings

Investing in companies, organizations or funds with strong environment, social and governance practices. For investments managed by third party investment managers, we are careful to select managers that demonstrate strong ESG screening practices.

### 3. Shareholder Engagement

Using active ownership strategies, engage with investee companies to encourage social and environmental performance improvement and responsible corporate governance through engagement, including letter writing, meetings, proxy voting, and shareholder resolutions.

MakeWay will review the activities and outcomes of active ownership work undertaken by its investment managers to determine whether or not these are effective in furthering its mission.

MakeWay recognizes that there may be instances where shareholder engagement efforts are unsuccessful, and divestment is the preferred approach. These will be discussed with investment managers on a case-by-case basis and addressed accordingly.

### 4. Net Positive Impact

Investments in companies, organizations, and funds that intentionally generate measurable net positive impacts. Refer to *Appendix B – Screens for Net Positive Impact*.

## Time Horizons

Upon receipt, MakeWay funds are categorized into one of three time horizons:

#### Short-Term Time Horizon

These funds have short-term (one year) time horizons and are intended to be fully disbursed within one year.

#### Mid-Term Time Horizon

These funds have medium term time horizons and are intended to be fully disbursed over 2 – 9 years, generating income and preserving capital over this time.

#### Long-Term Time Horizon

These funds will generate income and preserve principal for 10 or more years.

## Asset Allocations

The asset mix held in the Benchmark Portfolio is the composite of the target asset mixes for each category of funds held by MakeWay, which are detailed in the table below.

Asset Class	Target Asset Mixes		
	Short-Term Time Horizon Funds	Mid-Term Time Horizon Funds	Long-Term Time Horizon Funds
Cash and cash equivalents	100%		
Short-term securities and bonds		70%	40%
Canadian and global equities		30%	60%

It is recognized that as the performance of the asset classes may differ, the actual asset allocation of a fund will vary from time to time from its Benchmark Portfolio.

Cash flow into a fund will normally be allocated to the asset classes in the proportions of the Benchmark Portfolio. If the actual asset allocation percentages of a fund vary by more than 5% from the asset allocation percentages of its Benchmark Portfolio, then the cash flow will be directed first to the asset classes for which the actual percentages are less than the Benchmark Portfolio percentages until the asset allocation percentages of the Benchmark Portfolio has been restored, and then to the asset classes in the proportions of the Benchmark Portfolio.

Cash flow out of a fund will normally be allocated from the asset classes in the proportions of the Benchmark Portfolio. If the actual asset allocation percentages of a fund vary by more than 5% from the asset allocation percentages of its Benchmark Portfolio, then cash flow will be directed first from the asset classes for which the actual percentages are greater than the Benchmark Portfolio percentages until the asset allocation percentages of the Benchmark Portfolio has been restored, and then from the asset classes in the proportions of the Benchmark Portfolio.

## Financial Return Target

MakeWay’s financial return targets are appropriate risk adjusted returns relative to the benchmarks that recognize the risk tolerance, time horizons and impact goals for the funds. Return targets may change over time and will be reviewed by the Investment Committee from time to time as needed.

Limited to 10% of the overall portfolio, MakeWay will consider investments that offer below market rate financial returns and/or a higher risk profile than might otherwise be considered, provided they are impact-focused, deliver catalytic capital or drive positive change to the impact investing sector in Canada.

## Financial Benchmarks

In relation to financial risk and returns, benchmarks used for investments managed by third party investment managers will be composite of appropriate benchmarks weighted by their target asset allocation mix. The benchmarks will be adjusted, as appropriate, to reflect the nature of the securities in the overall asset mix and as more appropriate sources become available.

The following outline sample benchmarks to be used;

Asset Class	Benchmark
Cash and Cash Equivalents	FTSE TMX 91 Day T-Bill
Fixed Income	FTSE Canada Universe Bond Index
Global Equities	MSCI World CAD
Canadian Equities	S&P / TSX Composite

## Roles and Responsibilities

### Board

The Board is responsible for the overall management of MakeWay’s investments. In fulfilling its responsibilities, the Board may delegate certain duties and responsibilities to committees of the Board and to the President and CEO and the Chief Financial Officer. The Board shall supervise management and establish and adhere to a written investment policy. The Board and its delegates shall exercise prudence in its investment decisions.

### Investment Committee

The Investment Committee is a sub-committee of the Board of Directors. The Investment Committee is responsible for interpreting and applying the investment policy, approving direct investments, monitoring investment performance and for monitoring compliance of the investment managers.

The Committee shall:

- Review MakeWay's investing strategy
- Review MakeWay's assets and status of its investment accounts
- Determine asset allocations, diversification, risk assumption, and expected returns for each investment account
- Specify financial and sustainability objectives or restrictions
- Interpret and apply the sustainable investment guidelines
- Establish performance targets for investments
- Review and approve direct investments
- Provide oversight over MakeWay's direct investments
- Monitor performance and compliance with this investment policy for direct investments and managed investments through progress reports and meetings with portfolio managers
- Annually review and update this investment policy as appropriate

The Committee is authorized to engage the services of one or more investment managers who possess the necessary specialized research resources and skills to meet the investment objectives of MakeWay. The selection of an investment manager will be made in a prudent manner, applying fair and reasonable identification, evaluation, and selection standards.

The Committee is responsible for allocating funds to the investment managers for their management, and for monitoring the performance of the investment managers, and assessing their continuing suitability.

The Committee will consider the performance of each investment manager at least twice each year.

An investment manager's continued suitability may be reviewed at any time should the Investment Committee lose confidence in the investment manager's ability to succeed.

Factors that might lead to a review include one or more of the following:

- Failure to adhere to this policy
- Performance substantially below the performance target
- Changes in the investment manager's investment approach and decision-making processes
- Fundamental changes within the investment manager's firm, including changes in ownership, personnel or a substantial growth or reduction in assets under management
- Evidence of malfeasance by the investment manager

Concerns about the performance of an investment manager shall be noted in the minutes of the Committee's meeting and shall include the conclusions of the Investment Committee as to the next steps that may be taken in connection with the retention of such investment manager.

### **Chief Financial Officer**

At the end of each calendar quarter, the CFO will examine the asset allocation of the investment pool. If any of the percentages allocated to an asset class exceeds or falls short of the percentage allocated to that asset class in the Benchmark Portfolio by more than 5%, the CFO will request the investment manager re-balance the investment pool so that the asset allocation percentages fall within 5% of those of the Benchmark Portfolio and notify the Committee at their next meeting.

## Investment Managers

Investment managers appointed by the Board shall perform the duties required of them pursuant to written agreements entered into from time to time. For each account with each investment manager there shall be an agreement in place as to the investment products to be used and the target asset allocation.

An investment manager, in performing their duties, shall:

- Exercise the care, diligence and skill of a prudent investment manager and shall at all times act on a basis that is fair and reasonable
- Be duly registered with the appropriate securities regulators
- Adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute, and to the internal conduct guidelines established by the investment manager
- Manage the MakeWay portfolio in accordance with the terms of its investment management agreement with MakeWay, and the specific guidelines set out herein

Investment managers shall provide regular performance reports as follows:

- Monthly written statements itemizing portfolios and transactions
- Quarterly performance reports which include:
  - Actions taken during the period and rationale
  - Commentary on the current economic outlook
  - Commentary or recommendations on implementation of the sustainable investment guidelines
  - The income year-to-date by category
  - Information on current yields
  - A comparison of returns to performance targets (showing results for the latest quarter, year-to-date, and since inception)
- Annual performance reports which include:
  - Reporting on financial and sustainable investment results
  - Proxy voting results, and actions
  - Information on any challenges related to managing the sustainable investment guidelines

All pertinent changes within the investment management firm shall be reported as they occur. Included among those changes, but not limited to, are the following:

- Significant changes in personnel
- Changes in firm ownership
- Major changes in areas of responsibility
- Changes in investment philosophy or major strategies

## Appendix A – Authorized and Restricted Investments

### Types of Investments

The following are authorized investments, subject to the Restrictions below:

- Money market funds investing in government-backed securities
- Direct obligations of the Canadian or Provincial governments, their agencies, and instruments
- Commercial paper rated A or better by the Dominion Bond Rating Service (DBRS) and Canadian Bond Rating Service (CBRS)
- Bankers' acceptances of the major Schedule One banks
- Equities (Canadian, U.S. or International, including unit trusts)
- Private equity securities, including debt or shares in companies that are not publicly traded on a recognized stock exchange
- ESG pooled or mutual funds, that invest in individual securities that are authorized investments
- Impact investment securities approved by the Investment Committee
- Canadian, Global and Emerging Market Fixed Income securities with minimum DBRS (or equivalent) credit rating of BBB (low)

### Restrictions

**Except by approval in advance by the Investment Committee, investment managers will not:**

- Invest more than 5% of the market value of the fixed income portfolio managed by them in the fixed income securities of any one issuer, with the exception of obligations of the Canadian or provincial governments or their agencies, or Bankers Acceptances of the major Schedule One banks
- Invest more than 5% of the market value of the equity portfolio managed by them in the equities of any one issuer
- Invest in the equity securities of any company that has a record of less than 3 years continuous operation including the operation of any predecessor
- Invest in equity securities unless such securities are publicly traded and listed on a recognized stock exchange, or unless such securities are issued by a major Canadian or foreign corporation are highly marketable in the Canadian over-the-counter market
- Invest for the purpose of exercising control of management
- Invest in letter stock
- Invest in commodities or commodity contract
- Purchase securities on margin
- Mortgage, pledge or hypothecate securities
- Borrow on behalf of the investments
- Make loans or purchase private placements
- Participate in "puts", "calls" or "straddles"
- Invest in warrants to purchase stocks

- Purchase “derivative” securities other than publicly traded, mortgage-backed securities. However, to the extent that mutual funds or pooled funds are used by MakeWay, the mutual funds or pooled funds owned may buy or sell derivatives for the purposes of managing portfolio risk
- Purchase securities for which the manager cannot price and account for under generally accepted accounting principles
- Purchase positions in partnerships or limited liability companies, other than those which are publicly traded
- Lend out securities, except within a mutual fund or pooled fund
- Invest more than 5% of a fund in total in private equity securities. Within this limit, a further cap of 2.5% on individual investments where investment losses are to be charged to specific donor advised funds, and where the investment is not charged to donor advised funds, the cap is 1% of investments

We recognize that Impact Investments usually take the form of one of these investment approaches and grant the Investment Committee the authority to approve such investments on a case-by-case basis.

### **Negative Screens**

MakeWay will not invest in companies that meet any of the following criteria:

- Direct Involvement:
  - Military Weapons: Where the company is involved in the manufacture of military weapons and/or weapons systems.
  - Gambling: Where the company is involved in the operation of casinos, racetracks, online, and other forms of gambling.
  - Tobacco: Where the company is involved in the growth, handling, manufacture, or sale of tobacco products.
  - Repressive Regimes: Where the company has operations in repressive regimes.
  - Fossil fuels: Where the company has operations in the fossil fuel industry.
  - Environmental toxins: Where the company is involved in the production of substances that are toxic to the environment as per [List of toxic substances managed under Canadian Environmental Protection Act](#)
- Related Involvement:
  - Military Weapons: Where the company derives more than 10% of its annual revenues from weapons-related services or secondary components of weapons and/or weapons-systems.
  - Gambling: Where the company derives more than 10% of its annual revenues from gambling-related services or components.
  - Tobacco: Where the company derives more than 10% of its annual revenues from the supply of services, equipment, or supplies to organizations involved in the production and sale of tobacco products.
  - Repressive Regimes: Where the company derives more than 10% of its annual revenues from operations in repressive regimes.
  - Environmental toxins: Where the company derives more than 10% of its annual revenues from the production of substances that are toxic to the environment as per [List of toxic substances managed under Canadian Environmental Protection Act](#)

## **Appendix B – Screens for Net Positive Impact**

MakeWay seeks to invest in companies, organizations, and funds that intentionally generate measurable net positive impact in alignment with MakeWay’s mission. This includes companies, organizations, and funds that support:

- A healthy environment, climate, and biodiversity
- Indigenous rights and authority
- Sustainable use of natural resources
- The value of diversity, equity, and inclusion