

# Foundation of Greater Montreal Responsible Investment Strategy



Foundation of Greater Montréal

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*The present document presents a summary of the responsible investment strategy integrated into the Foundation of Greater Montreal's overall Investment Policy. In the event of a discrepancy, the text of the integral Investment Policy constitutes the FGM's official position.*

# General Principles

1. The inclusion of a responsible investment approach is intended to complement the overall and traditional investment risk management strategy, aligning the organization's values and the positive impact it seeks to have within the Montreal community, while recognizing the importance of environmental, social and governance (ESG) factors.

2. The Foundation of Greater Montreal (FGM) recognizes that ESG issues can have a major impact on portfolio risk-return ratios. As such, the Foundation intends to manage these issues more actively in order to preserve the value of its investments over the long-term, thus reinforcing its ability to enhance its contributions to the community.

3. The identification, monitoring and integration of responsible investment criteria into the management of the FGM's portfolio will generate new investment opportunities that will contribute to the achievement of our objectives, while supporting the efforts being made to meet the most pressing global challenges.

4. Diversity, equity and inclusion are not only at the very heart of our mission, but we firmly believe that they also help give rise to better ideas and investment results over the long-term.

5. We also believe in active investment stewardship practices that are aligned with the UN Global Compact on Human Rights and the United Nations Declaration on the Rights of Indigenous Peoples around the world, with a particular accent on reconciliation and respecting the rights of Indigenous people in Canada.

6. We believe that our investment objectives and our mission are also better fulfilled if they are compatible with a net zero target by 2050, in accordance with the Paris Climate Accord.

# Integration of ESG Factors

We firmly believe that managing environmental, social and governance issues requires the integration of these ESG factors at all levels of the investment process, as well as active stewardship. As such, we will strive to remain up-to-date with and apply best practices.

We will encourage the integration of ESG factors across all asset classes, including public equities, fixed income and private market securities. We recognize that the degree of relevance, or materiality, varies, as does the current state of ESG integration based on the strategy and asset class. Thus, we will also encourage managers to adopt best practices in terms of ESG factor integration, as recommended by the Principles of Responsible Investment (PRI) initiative.

Provided that the investment objectives for risk and return are met, our goals for the integration of ESG factors are as follows:

- Integrate ESG criteria with the identification and selection of investments for the FGM's entire portfolio by 2024.
- Establish a portfolio of investments with high quality managers in terms of ESG ratings.





# Socially Responsible Investment

We recognize the potential opportunities associated with a transition to a low-carbon economy and the need to achieve the Sustainable Development Goals, while creating a more just and equitable world.

In order to maintain consistency with the projects at the heart of the FGM's preoccupations, we are committed to:

- evaluating managers on their monitoring and active stewardship practices with an eye to the companies in which we invest and any possible violations of the United Nations Global Compact on Human Rights and the UN Declaration on the Rights of Indigenous Peoples;
- promoting best practices among our managers and the companies in which we invest with respect to upholding human and indigenous rights, reconciliation, justice, equity, diversity and inclusion in all its forms;
- encouraging the FGM and its asset managers to harmoniously disclose information pertaining to the integration or non-integration of environmental, social and governance risks within the portfolio, thereby providing donors with a new degree of transparency in line with their expectations;
- excluding any economic activity in the selection of our asset managers that is contrary to the FGM's values — notably in the arms and adult content sectors — and remaining dedicated to reducing our investments within a reasonable timeframe in companies directly involved in the coal, gambling and tobacco sectors.



# Impact Investing

The impact investment market offers investors diverse and viable opportunities to advance social and environmental solutions through investments that also generate interesting financial returns. Impact investment represents a new asset class that is more akin to direct investment. Under certain conditions, such as in the case of regulatory requirements, this type of investment could support the FGM's mission in important areas like:

- supporting the emergence and development of local managers;
- economic development of the community; investments in community initiatives, such as affordable housing and indigenous or social entrepreneurship;
- development and implementation of solutions supporting the transition to a prosperous and resilient low-carbon emissions economy;
- supporting organizations with strong policies on justice, diversity, equity and inclusion, and whose products and services benefit certain population groups;
- investment opportunities in support of the United Nations Sustainable Development Goals.

The FGM recognizes that impact investing is an emerging sector and that the financial vehicles enabling such investments are presently scarce. As new opportunities allowing the FGM to consider this type of investment arise in the coming years, we will be redirecting a portion of our allocations toward these strategies.

The FGM also recognizes that the performance criteria for impact investing (i.e. social or environmental criteria) could be different from those of the Fund. Consequently, these criteria could have a less-than-optimal risk-return profile when only financial performance criteria are taken into account.

The FGM is committed to making its first impact investment by the end of 2023. Subsequent to this initial investment, and over a five-year horizon, the Foundation will evaluate the opportunity to invest additional sums in this segment up to 5% of its assets. This approach will allow it to assess its capacity to make and manage this type of investment, as well as to establish intermediate targets with respect to portfolio allocation and timing.

## Risks Related to Climate Change

The FGM acknowledges the scientific consensus on global warming and the material, physical and transitional risks associated with climate change. The Foundation also recognizes that these risks can impact its investments. In order to better manage these risks, we are committed to:

- periodically identifying and evaluating climate change-related risks within the portfolio so as to effectively manage the risk and improve returns based on long-term risk; this includes the implementation of a climate transition plan to achieve our net-zero carbon emissions goal by 2050 and our interim goal of reducing the portfolio's carbon emissions by 45% between now and 2030;
- evaluating and monitoring the strategies and practices of external managers with respect to the management of climate change risk and opportunities;
- encouraging managers to adopt best practices like those recommended by the Task Force on Climate-Related Financial Disclosure, and more specifically, encouraging the disclosure and transparency of climate plans and measures (such as carbon footprints);
- promoting the development of our own governance, supervision and periodic reports on our climate transition plans and our advancement towards reaching our net-zero carbon emissions goal.

# Voting Rights and Shareholder Engagement

We believe that the practice of active stewardship (principally through the monitoring of voting practices and the shareholder engagement activities of external managers) contributes to long-term risk-adjusted returns, while promoting positive change in corporate and market practices in general from an environmental, social and governance standpoint.

To the extent that our investments are comprised of fund units, the exercise of voting rights related to the securities held by the Fund is delegated to the Fund's portfolio managers, who will carry out this responsibility in compliance with the objectives of the Investment Policy.

In the process, we will be advising our managers of our convictions and policies in the area of responsible investment. At the same time, we could conduct periodic discussions with them in order to better understand how they are addressing issues of importance to the FGM.

We will be regularly monitoring the activities of managers, particularly how they are exercising their voting rights and exchanging with companies on ESG issues. However, portfolio managers will have to advise the Investment Committee and the external investment manager whenever a vote is taken on an exceptional issue.

The FGM may adopt a voting rights policy and communicate it to the managers and underlying managers. When they deem appropriate, the FGM and the Investment Committee will work in collaboration with other institutional investors and different networks to discuss ESG issues or to promote the evolution of best practices.

# Investment Strategy, Implementation and Accountability

The FGM has mandated the external investment manager (EIM) to implement the Fund's investment strategies, as well as a responsible investment approach, as defined in the present Policy.



In according this discretionary power, the FGM expects the EIM to:

- evaluate and report on how each underlying portfolio manager integrates the ESG factors into their investment process and how they aim to ensure that they make progress over time;
- assess the risk and opportunities related to ESG issues when selecting investment managers and building portfolios;
- gauge climate change risks and opportunities within the portfolio and integrate this knowledge when building portfolios or proposing investment scenarios;
- report on their approach to climate change in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosure on an annual basis; and
- report on their approach to active stewardship, including the exercise of voting rights and underlying managers' shareholder engagement activities on an annual basis.

The FGM places a high priority on transparency and on pertinent reporting. It also encourages the application of best practices in this area, such as the preparation of transparency reports based on the Principles of Responsible Investment or other disclosure measures. In that regard, it assesses how ESG and engagement factors are integrated into the manager's process, monitoring this at least on an annual basis.

The FGM will also report annually on the implementation of its responsible investment strategy.

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