Defining Sustainable and Responsible Investing

SUSTAINALYTICS

Sustainable and responsible investing (SRI) **is an investment approach that incorporates environmental, social and governance (ESG) factors in the selection and management of investments.**

SRI has gained much momentum in global capital markets in recent decades. It is a rapidly evolving investment approach that is being adopted by a full range of investors, including hundreds of major investment managers as well as some of the largest pension funds in the world, who seek to align their investment management with their mission or values or to better manage investment risk and opportunity (or both).

What is E, S and G?

- ESG refers to the *environmental*, *social* and *governance* issues associated with business activities. In addition to having impacts that are of concern to some stakeholders, these ESG-related factors are increasingly recognized as relevant and material; they are a source of both risk and opportunities for companies and their investors.

- Under each theme, E, S, and G, investors have identified specific issues or topics that require attention. The table on the next slide lists examples of these issues along with the ways in which careful issue management can contribute to business success.

- How investors use ESG metrics and criteria often varies across different asset classes and will depend on the goals of the investor.

Defining Sustainable and Responsible Investing : What is ESG?

SUSTAINALYTICS

ESG Category	Issue	Potential impact on financial performance
Environment	• **Resource management and pollution prevention** • **Reduced emissions and climate impact** • Environmental reporting/disclosure	• **Avoid or minimize environmental liabilities** • **Lower costs/increase profitability through energy efficiency** • Reduce regulatory, litigation and reputational risk
Social	**Employees:** • Diversity • Health and safety • Labour-management relations • Labour rights • Working conditions, supply chain **Community Impact** • Community relations • **Indigenous peoples' rights** • Human rights • Responsible lending	**Employees** • Improved productivity and morale • Reduce turnover and absenteeism • Openness to new ideas and innovation • Reduce litigation and reputational risk **Community Impact** • Improve brand loyalty • **Protect and enhance license to operate** • Reduce reputational risk
Governance	• Executive compensation • Board accountability • Shareholder rights • Business Ethics • Avoidance of bribery and corruption	• Align interests of shareowners and management • Avoid negative financial surprises or "blow-ups" • Reduce reputational risk

Adapted from ESG Managers Portfolios. "What is ESG?". https://www.esgmanagers.com/Sustainable_Investing/What_is_ESG

Defining Sustainable and Responsible Investing : Diversification of Approaches

SUSTAINALYTICS

SRI Approaches

SRI Approaches	
Active Ownership/ Engagement	• Direct and collaborative corporate engagement • Explicit ESG considerations within proxy voting
Positive Best in Class/Screening	• Investing in the top ESG performing companies across sectors
Negative Exclusionary Screening	• Excluding poor ESG performers and/or companies that are involved in controversial business lines, e.g. tobacco, gambling
Norms-Based Screening	• Excluding companies that are in violation of basic societal norms, e.g. controversial weapons
ESG Integration	• Incorporating ESG information into the traditional investment process: identification of positive signals and adjusting price targets
Positive Thematic and Impact investing	• Investments focused on companies that are solving sustainable development challenges, e.g. clean technology, water

Nipissing 2013 Boundary Claim Trust
SRI Policy

- **Indigenous Rights**

We will avoid investing in companies involved in significant controversies over their relationship with or impact on indigenous communities.

(Within Sustainalytics' rating methodology, this criterion is met by companies that have a related controversy assessed at Category 3 or higher)

- **Environmental Stewardship**

We will avoid investing in companies that have had a major negative impact on the environment and/or are laggards within their industry with respect to their preparedness in addressing environmental impacts and risks.

Such impacts may include:

  - Major negative impacts of the company's operations as a result of emissions, spills, hazardous waste, or other forms of pollution; repeated and/or major non-compliance with environmental regulations; the degradation of ecosystems; or negative impacts on biodiversity;
  - Major negative impacts of the products or services manufactured and marketed by a company.

(Within Sustainalytics' rating methodology, this criterion is met by companies that have a Category 4 or 5 controversy related to their environmental performance *or* a Category 3 controversy combined with a low ranking (10% or lower) within their peer group based on their overall environmental score)

- **Involvement in Shale Oil and Gas Extraction**

We will avoid investing in companies directly involved in the extraction and production of shale oil or gas.

- **Screen on Companies Involved in Failed Impact Benefits Agreements**

Should a proponent engage in discussions with Nipissing First Nation on an Impact Benefit Agreement or Participation Agreement and a community vote is held to the negative, the Trustees will, upon receipt of a Council Resolution, forthwith instruct the fund manager sell any securities in the portfolio issued by the proponents.