Evangelical Lutheran Foundation of Eastern Canada

ELFEC
responsible investing • gift planning

Investment Policy Statement

Revised by Board of Directors: May 11, 2017

Contents

1. INTRODUCTION

As a charitable foundation serving the Eastern Synod of the ELCIC, its congregations and institutions, and other faith-based organizations, the Evangelical Lutheran Foundation of Eastern Canada ("ELFEC") has been called to exercise stewardship over the resources entrusted to it for the sake of God's mission carried out by people of faith. This investment policy is not merely an entrepreneurial vehicle that seeks to maximize return on investment; it also seeks to strengthen mission and ministry.

1.1 NATURE AND PURPOSE OF FUNDS INVESTED

All of ELFEC's invested assets have been donated or entrusted to ELFEC by individuals and charitable organizations. All funds invested have a long-term purpose.

(a) Funds Donated by Eastern Synod

A large percentage of the assets managed by ELFEC were donated by the Eastern Synod. ELFEC's transfer agreement with the Synod recognizes a number of named funds and provides details about each. Each of these funds has a purpose for which investment income may be used. In some cases the purpose was specified by the donor who originally contributed the money to the Synod; ELFEC treats these as externally restricted funds. All other funds have a purpose specified by the Eastern Synod, a purpose that may be changed by mutual agreement between the Synod and ELFEC.

These funds can be further divided into other categories as follows:

- Endowment funds, where the donor has directed that the principal donation be preserved in perpetuity and only the investment income disbursed;
- Non-endowed funds, where both principal and income may be disbursed.

Income from many of the funds plays a large role in supporting the ministries of the Synod from year to year. This fact has a strong bearing on the investment objectives described below.

(b) Funds From Other Partners

ELFEC holds and invests funds whose source is other investment partners, either individuals or charitable organizations. These funds are currently of three types, although other types of funds may be established from time to time:

i. Endowment funds, where the donor has directed that the principal donation be preserved in perpetuity and only the investment income disbursed. Title to these assets rests with ELFEC;

ii. Near-endowment funds, where the donor has allowed encroachment on the capital for spending on the purposes of the fund. Title to these assets rests with ELFEC;

iii. Managed funds, where the partner retains ownership of the assets while ELFEC manages them. The partner retains the option of withdrawing principal from these funds. Each managed fund agreement specifies how investment income is to be applied.

Some organizational partners rely on investment income to supplement donations and help to cover annual operating expenses. For these organizations, secure capital and predictable income are most important. Others are more interested in the long-term growth of capital because they do not have as great a need for investment income to contribute to operating revenue.

2. ROLE OF POLICY STATEMENT

This Investment Policy Statement ("IPS") identifies the key factors to consider for designing ELFEC's investment strategy and provides a set of written policies for the management of the investment assets. The IPS helps ELFEC's Board of

Directors ("Board") achieve their desired objectives and manage the portfolio's investment risk. Adherence to the policies outlined in the IPS will help ensure that ELFEC can systematically implement its long term investment strategy and avoid reacting to short-term market fluctuations.

In order to be faithful to our calling as stewards, we acknowledge that this investment policy must uphold biblical and ethical standards of justice. Recognizing that no government, corporation or investment is totally "ethically pure," investment decisions will be made in an ethically responsible manner, taking into account the Responsible Investment (RI) considerations below as supported by the foundational document in Appendix A.

2.1 Responsible Investment

(a) Definition

For ELFEC, Responsible Investment (RI) means the integration of environmental, social and governance (ESG) considerations into investment management processes and ownership practices.

(b) RI Background

RI has been part of ELFEC's Investment Policy for many years; in fact, it was part of the policy ELFEC inherited when the Eastern Synod of the ELCIC donated its portfolio of investment assets to ELFEC at the end of 2007.

In 2012 the ELFEC board began a deliberate process to review and refine its RI policy. The board drew on documents from a number of sources: consultants; organizations dedicated to promoting RI; and other asset-owning organizations which practice RI. In 2013 it consulted its stakeholders by means of an online survey which asked participants to rate the importance of a large number of environmental and social issues. All of that input has had an influence in shaping this document.

2.2 RI Beliefs

ELFEC's commitment to RI is grounded in the following beliefs:

(a) As a faith-based organization in the Lutheran tradition, ELFEC has a moral obligation to act as a good steward. The imperative of stewardship applies not just to the assets entrusted to ELFEC's care, but to all of creation. This means using ELFEC's asset ownership to advance God's mission in the world.

(b) The world is an imperfect place. Investors rarely are given the opportunity to invest in a company that is perfectly responsible. Our choices will usually involve matters of degree rather than pure black or white.

(c) We have a duty to act in the best long-term interests of our donors. In this fiduciary role, we believe that environmental, social, and corporate governance issues can affect the performance of investment portfolios. Companies with sound practices on ESG issues will tend to perform better financially in the long run, as they reduce risks in those areas.

(d) We also believe that incorporating ESG issues into the investment process will promote, on a wider societal scale, better alignment of our investment process with broader responsible investment objectives. Recognizing that investment constraints may decrease returns and/or increase risk over time, we will filter our investment decisions in a manner that considers ESG factors without compromising our overriding fiduciary duty to our members. Overall investment merit will be based on traditional investment metrics as well as ESG factors.

(e) We believe financial return comes largely from the performance of markets as a whole. Good market performance is only possible when the economy is healthy, the rule of law is respected, the natural environment is protected and the social framework is strong.

(f) The maintenance of ELFEC's good reputation among its stakeholders depends, in part, on its ability to demonstrate that it is a Responsible Investor.

2.3 The Principles for Responsible Investment

ELFEC endorses the United Nation-backed Principles for Responsible Investment (PRI), an international initiative through which many institutional investors of varying size and mandate have committed to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

2.4 Responsible Investment Guidelines and Procedures

As a faith-based organization, we are committed to investing the financial assets entrusted to us in a manner that is socially responsible and consistent with the principles of good stewardship outlined in Appendix A. Given the broad universe of ESG issues, an effective strategy used by RI investors is to focus on issues pertinent to their mission. This targeted approach allows ELFEC to exert a greater impact on specific issues while providing relevance to our stakeholders. On the basis of its foundational document in Appendix A, and through consultation with its stakeholders, ELFEC has prioritized the following five fundamental issues:

(a) Respect human rights and dignity

Companies must respect the rights outlined in the Universal Declaration of Human Rights and other international covenants that protect the freedom, dignity and safety of workers, citizens and other stakeholders.

(b) Respect labour rights

Companies must respect the rights outlined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, which includes the freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced, compulsory or child labour, and the elimination of discrimination in respect of employment and occupation.

(c) Enhance economic and social justice

Companies must deal fairly and openly with the governments and peoples of the countries in which they do business, recognizing the right of citizens and communities to participate in decisions that affect their welfare and avoiding practices that exploit people who are economically or socially disadvantaged.

(d) Operate in an environmentally sustainable manner

Companies must not act in ways that deprive future generations of a healthy, safe or abundant natural environment through their consumption of resources, generation of harmful byproducts or destruction of species or habitats.

(e) Support a global culture of peace

Companies must not engage in the manufacture or trade of weapons used in military conflicts or violence against civilians.

In addition, ELFEC avoids investing in companies whose products or services are not aligned with our beliefs and conflict with our aim to act as a good steward. Specifically, we avoid investing in companies that have substantial involvement in the gambling, pornography, or tobacco industries.

Appendix F, "Responsible Investment Screening Criteria" provides more detail on the screening criteria that are used to align our investments with our principles. It should be considered an essential part of this Investment Policy Statement. Our approach includes both positive screens, used to "screen in" companies with attributes that align with principles, and negative screens, used to screen out companies whose practices or products are contrary to those principles.

2.5 RI Management Approaches and Procedures

ELFEC's asset manager(s) will not acquire any securities on ELFEC's behalf that are caught by the negative screening criteria defined in Appendix F. If a company's business activities change such that it is captured by the negative screens, the Manager is expected to divest the holding within the shortest reasonable time.

With respect to the positive criteria, managers are expected to seek opportunities to adhere to them while still giving full consideration to traditional financial metrics and without compromising ELFEC's overriding fiduciary duty to our members.

Managers will regularly report to ELFEC on their compliance with negative screening criteria as well as on their efforts to adhere to the positive criteria.

2.6 Integrated Asset Selection

Integrated investment activities signify the incorporation of ESG issues into investment analysis and decision-making processes by ELFEC's asset manager(s). It enables them to develop a more complete portrait of a company and to systematically consider all risks and opportunities associated with such criteria. ELFEC expects its managers to take these elements into consideration from the standpoint of risk and on the same basis as traditional financial factors.

Use of ESG criteria may vary from one asset class to another. The equity markets are a priority for integration of ESG factors, although such factors are equally applicable to bond markets.

2.7 Research

ELFEC's asset manager(s) is expected to use objective research information from reputable sources in all RI decisions.

2.8 Proxy voting

ELFEC will vote proxies in favour of resolutions that encourage companies to improve their ESG disclosure and performance. The ability to offer proxy voting to ELFEC's specifications will be an element in ELFEC's selection of an asset manager(s). Reports on proxy voting will be included in the asset manager's quarterly reporting to ELFEC. If the manager is not able to support proxy voting, ELFEC will use an outside service such as that offered by SHARE.

2.9 Corporate engagement

ELFEC will engage companies represented in its portfolio on ESG issues through membership in SHARE.

2.10 Impact investing

Impact investing directs capital to investment opportunities that are likely to produce a positive social, environmental, and financial return. ELFEC will seek appropriate impact investments up to the limits specified elsewhere in this policy.

2.11 Reporting

ELFEC will include a section on Responsible Investment in its Annual Report. This report will be made available to members at the Annual General Meeting and to the general public by virtue of being posted as soon as possible thereafter on the ELFEC website.

2.12 Review

The Executive Director will report to the board any fact or circumstance that, in his/her opinion, may cause the Board to revise the RI policy. The Board will, at its earliest opportunity, review the policy in light of the information presented. The Board will ordinarily undertake a review of the RI policy every three years.

3. ROLES AND RESPONSIBILITIES

3.1 Board of Directors

ELFEC is governed by the Board of Directors, which is ultimately responsible for the investment of ELFEC's assets (the "Portfolio.") ELFEC's authority to manage investments comes from Section 16 (1) of the Canada Not-for-profit Corporations Act, which confers on corporations "the capacity and, subject to this Act, the rights, powers and privileges of a natural person." ELFEC's Board receives its power to administer the affairs of the corporation from Section 124 of the Act, which states that "the directors shall manage or supervise the management of the activities and affairs of a corporation."

The Board has a responsibility to:

(a) Carry out its activities in conformity with all applicable legislation, particularly the Income Tax Act (Canada) and the Ontario Trustee Act (R.S.O. 1990, Chapter T.23, hereinafter "the Trustee Act"). It is understood that where funds are donated with donor conditions that confer special investment powers, restrict the spending of principal or specify the purpose of a gift, the Board will honour those conditions;

(b) Act honestly, in good faith and in the best interest of ELFEC;

(c) Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(d) Approve the Investment Policy Statement (IPS);

(e) Maintain an understanding of legal and regulatory requirements and constraints applicable to the Portfolio;

(f) Review periodically, ELFEC's IPS and make amendments as appropriate;

(g) Select and engage the Custodian and one or more investment managers as its agent[s] and delegate to manager[s], day-to-day investment decisions, subject always to this IPS;

(h) Monitor the Investment Manager's and Portfolio performance and compliance with the IPS and any specialized instructions and mandates that have been given;

(i) Formulate specialized instructions and mandates for the Investment Manager. These instructions and mandates will be based on, and be consistent with, provisions in the IPS;

(j) Ensure adequate liquidity to cover operating expenses and grants;

(k) Resolve conflict of interest issues of Investment Manager as provided in Section 10.

3.2 Investment Manager(s)

The Investment Manager(s) will:

(a) Have full discretion in day-to-day investment management of the Portfolio (or some portion thereof) subject to the IPS and any amendments thereto, as well as any specialized instruction and mandates issued by ELFEC;

(b) Ensure that all transactions are completed on a "best execution" basis;

(c) Have the authority to vote all proxies and, in exercising this authority, act prudently and solely in the interest of ELFEC, which retains the right to instruct the Investment Manager how to exercise voting rights and to withdraw the authority at its discretion;

(d) Meet regularly with the Board and provide regular reports on the Portfolio to the Board;

(e) Communicate to the Board recommended changes to their mandate or the IPS;

(f) Provide advice and counsel with respect to the Portfolio;

(g) Exercise the care, skill and diligence that can reasonably be expected of a prudent person and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

Refer to Appendix C for additional responsibilities of Investment Manager.

3.3 Custodian(s)

Custody of Portfolio assets shall be delegated to a trust company or other financial institution similarly recognized as a depository for securities. The Custodian will:

(a) Provide safekeeping for Portfolio assets;

(b) Process security transactions as directed by the Investment Manager and/or ELFEC;

(c) Collect all interest, dividend and other proceeds from securities when due and payable;

(d) Inform the Investment Manager of pending corporate actions (e.g. name changes, mergers, odd lot offerings, redemptions) and process instructions related to such matters;

(e) Deposit funds and pay portfolio expenses including custodial fees from portfolio income as directed by ELFEC;

(f) Maintain records of all transactions;

(g) Provide monthly custodial reports to ELFEC;

(h) Provide the Investment Manager and other agents of ELFEC with information required to fulfill their duties, or as directed by ELFEC;

(i) Provide applicable information as may be requested by ELFEC's auditor.

4. INVESTMENT OBJECTIVES

4.1 Return on Investments

ELFEC's investment objective is to generate a long-term total investment return that protects the purchasing power of the capital component, meets ELFEC's operating expenditure and funding needs, while recovering the cost of managing and administering the Portfolio. The expected total return is derived from investment income and the appreciation of capital.

Investment Portfolios

ELFEC operates two investment portfolios with different objectives and risk profiles.

Income and Security Portfolio
This portfolio places emphasis on maximizing annual income with a moderate degree of risk. It is designed for situations where investment income is an important contributor to the annual operating budgets of participating organizations.

The investment return objectives for this Portfolio are ranked as follows:

(a) Preservation of capital;

(b) Generation of annual income to meet the granting objectives of ELFEC and the charitable activities of its partners;

(c) Appreciation in the capital value of its assets to offset the effects of inflation in consumer prices. Capital appreciation, while not a primary investment objective, is the means by which the Portfolio achieves a measure of protection against the effects of inflation.

Growth Portfolio
This is designed for situations with a lower priority on investment income and a higher priority on capital growth over the long term. This Portfolio has a higher inherent degree of investment risk than the Income and Security Portfolio. The Growth Portfolio's investment return objectives are ranked as follows:

(a) Preservation of capital;

(b) Appreciation in the capital value of its assets to offset the effects of inflation in consumer prices. Capital appreciation is the means by which the Portfolio achieves a measure of protection against the effects of inflation.

(c) Generation of annual income to meet the granting objectives of ELFEC and the charitable activities of its partners;

4.2 Risk Tolerance

The Portfolio should be structured and managed to provide for a maximum rate of return commensurate with the appropriate level of risk as determined in the IPS. The risk inherent in the Portfolio can also be viewed in terms of the likelihood that it will generate negative investment returns.

The level of Portfolio risk exposure will be managed by diversifying holdings, not only by asset class, but by issuer, by industry, by geography, and by term to maturity for fixed income investments.

5. Investment Constraints

5.1 Legal and Regulatory Status

ELFEC is subject to the provisions of the Trustee Act of Ontario, the Charities Accounting Act, the Charitable Gifts Act and the Income Tax Act of Canada.

Investments shall be selected subject to the requirements of the Trustee Act to establish a prudent investor standard, unless the terms of a trust or donor conditions vary the investment powers granted to ELFEC for the funds included in the trust or gift.

The mandatory criteria set out in the Trustee Act will be applied to the entire investment portfolio. Each investment is selected on the basis of its ability to contribute to the goals and strategies applied to the entire portfolio.

5.2 Taxation Status

ELFEC is registered with the Canada Revenue Agency ("CRA") as a charitable organization and as such is exempt from income tax, provided it meets requirements of the Income Tax Act of Canada and associated regulations of the CRA.

5.3 Investment Time Horizon

A portfolio's investment time horizon is an important factor in determining its investment strategy. The period over which a particular investment strategy can or will be maintained has a direct bearing on the likelihood that it will generate its targeted rate of return within that period and within acceptable risk parameters. For planning and portfolio structuring purposes, it is assumed that the investment time horizon of the Portfolio is long term (i.e. greater than ten years). It should be noted, however, that this IPS will be reviewed periodically.

Because the invested assets under management have a long-term perspective, investment decisions will focus on longer term trends in economic conditions, and will not usually pay close attention to changing short-term conditions in the general economy. Changing economic conditions are expected to influence asset allocation decisions by the Investment Manager, within the ranges set out in this policy.

5.4 Liquidity Requirements

Liquidity is important to permit regular granting, to cover operational expenses, to take advantage of market opportunities and to meet unexpected contingencies. Liquidity will be maintained by holding predominantly high-quality fixed-income securities and securities that are traded on major stock exchanges and by keeping a portion of the Portfolio in cash or short-term investments. The Executive

Director shall recommend, from time to time, the minimum portion of the Portfolio that must be held in short-term investments that can be quickly converted into cash. This amount will be communicated to the Investment Manager.

5.5 Unique Circumstances

Unique circumstances refer to an asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.

None of the securities in the portfolio currently has a special relationship or special value to the purposes of the trust or to one or more of the beneficiaries.

ELFEC's investment portfolio will be invested in a socially responsible manner as detailed in this IPS. There are no other unique circumstances that have a bearing on the investment process.

5.6 Accredited Rating Agencies

Where credit ratings are specified in this policy, the acceptable rating agencies are: Dominion Bond Rating Service (DBRS); Moody's Investors Service; and Standard and Poor's Ratings Services (S&P). These agencies provide a uniform system of rating both the credit quality of issuers and individual issues.

6. Asset Mix

(a) Income and Security Portfolio

Asset Class	Range	Target*
<u>Fixed Income</u>		
Cash Equivalents	1 – 7%	2%
Bonds	33 – 43%	38%
Fixed Income Alternatives	5 - 15%	10%
<u>Common Equities</u>		
Canadian	20 – 30%	25%
Global	20 – 30%	25%

(b) Growth Portfolio

Asset Class	Range	Target*
<u>Fixed Income</u>		
Cash Equivalents	0 – 7%	2%
Bonds	33 – 43%	38%
<u>Common Equities</u>		
Canadian	35 – 45%	40%
Global	15 – 25%	20%

*The target column is to be used for benchmarking purposes in the formula in section 8, below.

7. Investment Management Policies

7.1 Eligible Asset Classes - Definitions and Constraints

(a) Cash Equivalents

Cash equivalents will consist of deposits, short-term instruments with an original term-to-maturity of 12 months or less and fixed income investments with a remaining term to maturity of 12 months or less.

Cash equivalents, excluding deposits issued by Canadian chartered banks, must have a minimum credit rating of R1 (mid) or equivalent.

The following short-term instruments are permitted: Treasury bills issued by the Government of Canada or its provinces, deposit accounts in, or term deposits/ deposit notes/bankers acceptances issued by domestic Canadian banks with a long-term debt rating of A+ or better, and commercial paper issued in Canada by Canadian corporations. Asset-backed commercial paper is not permitted.

(b) Fixed Income

The objective of the Bond portfolio is to maintain a well-diversified portfolio of relatively high overall quality through investment in a majority weighting of good credits rather than a mix of very high and very low credits. Bonds rated the equivalent of BBB (low) and above are considered to be of investment grade.

Investments in the following fixed income investments are permitted:

> Bonds; debentures; notes; coupons and residuals; N.H.A. mortgage-backed securities; guaranteed investment certificates; supranational debt securities; Maple bonds; Commercial Mortgage-Backed Securities (CMBS).

Such instruments must meet one of the following parameters:

- Issued by the Government of Canada or one of its agencies and guaranteed by the Government of Canada;

- Issued by a Canadian provincial government or one of its agencies and guaranteed by the provincial government;
- Issued by a Canadian municipality or regional government;
- Issued by a Canadian corporation or in the case of Maple bonds, a foreign corporation.*

  ** Maple bonds must be issued by a high quality foreign issuer in the Canadian market with principal and interest denominated in Canadian dollars, and be assigned a minimum AA credit rating equivalent. Maple bonds should not comprise more than 10% in aggregate of the fixed income asset class.*

- All municipal bonds will carry a minimum credit rating equivalent of A.
- Commercial Mortgage-Backed Securities (CMBS) will carry a minimum credit rating equivalent of AAA.
- Supranational debt must be issued in Canada by an international government institution (for example, a consortium of high quality industrialized nations, such as the G-8 nations), with principal and interest denominated in Canadian dollars, and it must carry a AAA rating or equivalent.

Through the use of credit ratings and thorough analysis, the Fixed Income portfolio shall maintain a high degree of safety. Unless explicitly authorized by the Board, all bonds shall have a minimum credit rating equivalent of "BBB(low)" upon purchase.

Should a bond's rating fall below BBB(low), the security will be sold as soon as possible at the manager's discretion.

Investments are also permitted in fixed income alternatives, i.e. instruments that have some of the characteristics of bonds but may not be rated by a recognized rating agency. These include, but are not limited to:

Mortgage funds
Real estate
Impact investments (see definition on p. 11)

Such instruments must meet the following criteria:

(c) Common Equities

The objective of the Common Equity portfolio is to provide the opportunity to generate investment income through dividends, while at the same time providing modest capital appreciation to offset the impact of inflation. Common Equity investments will primarily be focused on high quality, dividend-paying corporations with strong balance sheets and solid earning power operating in stable industries. The portfolio may include pooled funds where necessary to achieve investment objectives.

The following common equity investments are permitted:

- Shares issued by Canadian corporations, including Real Estate Investment Trusts (REITs) that are listed on the Toronto Stock Exchange.
- Shares issued by US corporations, included in the S&P 500 or NASDAQ Composite Index.
- Shares issued by major International corporations.
- Non-leveraged Exchange-Traded Funds (ETFs) listed on major US or Canadian exchanges and sponsored by a major ETF provider (e.g. iShares, Vanguard).
- Pooled funds offered by a recognized asset manager.

** While we prefer not to hold non-voting common shares as responsible investors, we recognize they may be needed for portfolio diversification purposes. Non-voting common shares held in the portfolio must be reported to the Board.*

7.2 Issuer Credit Limits

Unless explicitly authorized by the Board, limits on total investments (at market value) in any one issuer are as follows:

(a) Cash and equivalents

No more than $500,000 may be invested in deposits with, or short-term debt issued by, any one issuer. An exception is made for holding of securities issued or guaranteed by the Government of Canada or its provinces, where no overriding limit is set. However, diversification by provincial issuer is still an important consideration.

(b) Fixed Income and alternatives

Bonds: No more than 7% of the Fixed Income portfolio may be invested in debt issued by any one bond issuer. An exception is made for holdings of securities issued or guaranteed by the Government of Canada or its provinces, where no overriding limit is set. However, diversification by provincial issuer is still an important consideration.

(c) Common Equities

No more than 7% (at market value) of the Common Equity portfolio may be invested in shares of any one issuer and its affiliates and no more than 5% in any one REIT. No more than 10% of the Common Equity portfolio may be invested in REITs combined.

(d) Overall Issuer Limits

No more than 10% of the total investment portfolio may be invested in any securities issued by one issuer. An exception is made for holdings of securities issued or guaranteed by the Government of Canada or its provinces, where no overriding limit is set. However, diversification by provincial issuer is still an important consideration.

(e) Concentration in Associated Entities

The aggregate exposure to entities with an associated relationship shall not exceed 10 percent of the total investment portfolio. Two or more entities are deemed to be "associated" if one company, directly or indirectly, exerts a controlling interest in the other(s) by way of ownership greater than 20% of outstanding voting shares or two or more companies are effectively controlled by a third company by way of ownership greater than 20% of outstanding voting shares. Participants in a joint venture are deemed to be associated with the joint venture vehicle.

7.3 Additional Constraints, Inclusions and Exclusions

(a) Unless explicitly authorized by the Board, no securities may be purchased on margin.

(b) The lending of securities will not be permitted.

(c) Unless explicitly authorized by the Board, currency hedging is not permitted.

(d) Derivatives are not permitted. For purposes of this document, derivatives are defined as exchanged-traded instruments where the notional value of the contract exceeds the value of the initial investment and over-the-counter forward, option or swap contracts.

(e) Total returns in the portfolio shall be measured relative to the degree of risk assumed, using appropriate risk-adjusted return calculations for Common Equities and risk assessment criteria for Bonds. (Refer also to Section 8 – Performance Standards.)

8. Performance Standards

8.1 Investment Returns

The investment performance of each portfolio will be measured against the performance of a Benchmark Index calculated using appropriate market indices combined in the same proportion as the Portfolio's target asset mix:

		Portfolio Targets	
Asset Class	**Benchmark Index***	**Income and Security**	**Growth**
Cash & Equivalents	FTSE TMX Canada 91-day Treasury Bill Index	2%	2%

Asset Class	Benchmark Index*	Portfolio Targets	
		Income and Security	Growth
Bonds	FTSE TMX Canada Short Term Bond Index	38%	38%
Fixed Income Alternatives		10%	
Canadian Equities	S&P/TSX Composite Index	25%	40%
Global Equities	MSCI World Index (CAD)	25%	20%

*The Benchmark Index indicates the return a passive investor would earn by employing the target asset allocations.

8.2 Performance Assessment

(a) Overall investment manager performance will be measured net of investment management fees and is expected to exceed the investment performance of the Benchmark Index over rolling four-year and seven-year periods;

(b) To assess the value added through the asset mix, the following measure shall be used:

Asset Mix Value Added = Performance of Portfolio – Performance of Benchmark (using target asset mix and Benchmark Index in section 8.1).

(c) The performance of each individual asset class will also be evaluated and is expected to:

- Exceed the investment performance of the corresponding individual benchmark (e.g. S&P/TSX Composite Index for Canadian Equities) over rolling four-year and seven-year periods;
- If pooled funds are used for certain asset classes such as international equities, for example, the fund should rank in the top 50% of comparable funds on a rolling four-year and seven-year basis.

(d) The performance of the Canadian Equity portfolio will also be measured against the Jantzi Social Index as an additional relative performance indicator.

(e) The Investment Manager will also be evaluated for compliance with the IPS and any specific instructions issued by ELFEC and the quality of its performance reporting and client service.

8.3 Risk Assessment

(a) Cash and Equivalents

The Cash and Equivalents portfolio is expected to produce a rate of return competitive with the FTSE TMX Canada 91-day T-Bill Index.

(b) Bonds

For the Bond portfolio, a risk assessment relative to the FTSE TMX Canada Short Term Bond Index shall be made. (For more details of the risk assessment analysis for the Bond portfolio, refer to Appendix E).

The Bond portfolio is expected to produce a rate of return competitive with the FTSE TMX Canada Universe Index with acceptable and appropriate levels of risk. Risk is assessed primarily by determining the weighted average credit quality of the portfolio and by the portfolio duration. The lower the average portfolio credit quality and the longer the duration, the greater the risk to invested capital.

(c) Common Equities

In order to factor risk into the assessment of Investment Manager performance, the risk-adjusted return relative to the corresponding benchmark shall be measured for each sector of the Common Equity portfolios (Canadian, U.S. and International). The latter two corresponding benchmark indices should be expressed in Canadian dollar terms.

For Common Equities, risk-adjusted returns will be measured using the Treynor measure. For more details of the risk-adjusted return calculation for common stocks, refer to Appendix D.

The risk-adjusted return of the Common Equity portfolio is expected to produce a rate of return competitive with the risk-adjusted return of the S&P/TSX Composite Index for Canadian equities, the S&P 500 (CAD) for U.S. equities, and the MSCI World Index (CAD) for global equities.

8.4 Performance Measurement Periods and Reporting

Performance shall be measured annually and on a rolling 4-year and 7-year basis, in conjunction with ELFEC's fiscal year-end of December 31st. Performance will be reported and reviewed quarterly.

The Investment Manager shall submit reports with sufficient detail to measure performance as outlined above.

9. Reasons for Terminating an Investment Manager

The contract with the Investment Manager may be terminated by the Board with thirty days notice when one or more of the following circumstances exist:

(a) Failure to meet the performance expectations set out herein;

(b) The Investment Manager's decisions materially violate the investment criteria set out herein;

(c) Change in Investment Manager's management style, process or discipline is evident;

(d) An adverse change in the Investment Manager's key investment personnel or risk profile;

(e) There is a concern with respect to the Investment Manager's ethics;

(f) Failure to report accurately and promptly as required by the Board or to meet other conditions set by the Board, at its discretion.

10. Conflict of Interest

No individual with a fiduciary responsibility will knowingly permit their interest to conflict with their duties or powers relating to the investment of the Portfolio's assets or to any other matter related to the Portfolio. Any actual or perceived conflict of interest must be reported to ELFEC. The disclosure will be made when the affected individual first becomes aware or ought to have become aware of the conflict or potential conflict. ELFEC will be the sole arbiter in determining whether the conflict of interest exists and, if it determines that a conflict does exist, will take all necessary and appropriate measures to remedy the situation. Every disclosure of a conflict of interest will be recorded in the minutes of the relevant meeting of the Board.

The failure of a person to comply with the requirement of this Section will not of itself invalidate any decision, contact or other matter.

11. Review and Amendment

(a) This policy may be amended at any time by resolution of the ELFEC Board.

(b) This policy shall be reviewed periodically by the Board.

12. Adoption of Investment Policy Statement

The Board of Directors of the Evangelical Lutheran Foundation of Eastern Canada approved this revised Investment Policy Statement on April 28, 2016.

(Signature)	(Date)

Susan Heard, Board Chair

APPENDIX A

Faithful Stewardship for the Public Good

Who are the faithful and wise managers whom the master will put in charge of his household servants, to give them their food at the proper time? 43 Happy are the servants whom the master finds fulfilling their responsibilities when he comes. 44 I assure you that the master will put them in charge of all his possessions…. Much will be demanded from everyone who has been given much, and from the one who has been entrusted with much, even more will be asked. (Luke 12:41-48)

As a community of disciples faithful to Jesus Christ, Christians understand the nature of "divine economy" (the oikonomia tou theou) based upon "abundance" as different from a "market economy" based upon "scarcity."[1] The word "economy" finds it roots in the Greek work "oikos" (household) and "nomos" (law), the law of the administration for the household. For Christians as for other people of faith, the "household" can refer to the microeconomic world of a specific family household or to the macroeconomic view that encompasses the whole of God's creation. The arena of divine economics includes all that is necessary to sustain the entirety of God's household. Christians are entrusted with the gifts of creation - commonly referred to as wealth - to provide for the needs of our own families, the needs of others, and the preservation of creation. God's economics is attentive to nurturing and strengthening the web of relationships that give life.

Being "faithful and wise managers" is what the Christian tradition has described as being good "stewards." Stewardship is informed by and founded on Christian understandings of justice. "Just stewardship" involves the "creating, sustaining, and re-creating households" that serve the needs of all life.[2] As such, stewards do not own or possess these gifts but rather understand that they are entrusted to faithful people to use in the care of neighbour, community and creation. Stewardship is "a way of being Christian" in the world.[3] Exercising

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[1] Douglas M. Meeks, God the Economist, The Doctrine of God and Political Economy (Fortress Press, Minneapolis, 1989) p. 4.
[2] Meeks, p. 4.
[3] Douglas John Hall, The Steward, A Symbol Come of Age (William B. Erdmans, Grand Rapids Michigan, 1990) p. 232.

stewardship over our resources in the service of life's flourishing is a central responsibility for the community of Jesus Christ, the Church.

Canadian churches have a history of exercising stewardship through the active management of their investments according to the practices and principles of justice. Historically churches have referred to this as Corporate Social Responsibility (CSR), emphasizing that the focus is on the impact corporations can have on the well-being of individual and community stakeholders. More recently this arena has been referred to as Responsible Investment (RI). Responsible Investing involves "integrating environmental and social criteria with the traditional financial analysis … to make investment decisions."[4] There are many approaches and strategies that fall within this broad area of activity.

Among the other broader dimensions of social responsibility are Corporate Social Accountability and responsible Corporate Governance. Corporate Social Accountability involves securing a responsible overall business environment for corporations to conduct their affairs. Responsible Corporate Governance involves insuring the best practices of good corporate governance through the laws and regulations that respects the rights of shareholders and stakeholders to participate in the process of corporate decision-making.

The Evangelical Lutheran Foundation of Eastern Canada (ELFEC) is a Lutheran faith-based organization committed to offering a means for individuals, churches, and organizations to exercise stewardship through Responsible Investment (RI). Our approach to RI will include ethical deliberation and the development of investment criteria. Among the very broad categories considered are the following:

- Respect for Human Dignity and Human Rights
- Enhances Economic and Social Justice
- Preserves the Integrity of Creation
- Supports a Global Culture of Peace.

ELFEC's deliberations are informed by the research and analysis done by RI organizations as well as the social teaching of the Evangelical Lutheran Church in Canada and other ecumenical organizations. Exercising corporate social

[4] Michael Jantzi in comments to gathering at Waterloo Lutheran Seminary. (Eastern Synod Lutheran Article by Jeff Harris)

responsibility is never an ethically perfect endeavor. Christians are particularly aware of the reality of human failing and the brokenness of Creation itself. RI requires understanding and recognition that while our best efforts seek justice for people, communities and creation, they also risk the unintended consequences that accompany all human action, as well as the seeds of future injustice. ELFEC agrees with William Diehl, the former President of Bethlehem Steel and one of the early pioneers of the CSR movement, "As Lutherans we confess to the sinfulness of humankind, and we are eternally grateful that our salvation is already assured by the grace of God. In gratitude for this gift, and recognizing the impossibility of ever attaining complete purity in God's sight, we do our best to act responsibly in an imperfect society." ELFEC is committed to helping its partners and supporters to act responsibly in fulfilling their call to faithful stewardship.

ELFEC is committed to participating responsibly in socially responsible investment through a range of potential strategies. Among those we consider ethically appropriate are:

- Screening investments with agreed upon exclusionary and inclusionary ethical filters;
- Integrating environmental, social and governance factors into its portfolio analysis and management;
- Supporting shareholder corporate engagement at meetings to influence corporate behaviour;
- Supporting shareholder resolutions and proxy voting at corporate meetings;
- Considering impact investing in certain circumstance for social and environmental objectives.[5]

The Evangelical Lutheran Foundation of Eastern Canada is committed to working together with people of faith and good will in supporting business, workers, governments and others in encouraging the world God envisions and seeks. A partnership with ELFEC is one means by which individual Christians, congregations and other organizations can be "wise and faithful managers,"

[5] See Canadian Socially Responsible Investment Review 2010, Social Investment Organization, May 2011, Appendix A "The Concept of SRI", p.30.

exercising faithful stewardship over the resources that have been entrusted to them to serve the needs of all.

APPENDIX B

Corporate Purposes

The purposes* of the Evangelical Lutheran Foundation of Eastern Canada (ELFEC) are:

(a) To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to charitable organizations that are also registered charities under the Income Tax Act (Canada);

(b) To operate exclusively as a charity to support and further the life, work and mission of the Eastern Synod of the Evangelical Lutheran Church in Canada, its congregations and affiliated institutions, and other faith-based organizations with similar purposes, which are qualified donees within the meaning of section 248(1) of the Income Tax Act.

* The *purposes of the corporation are set out in ELFEC's Articles of Continuance under the Canada Not-for-profit Corporations Act. The Certificate of Continuance was granted by Corporations Canada on April 10, 2013.*

APPENDIX C

Investment Manager(s): Additional Roles and Responsibilities

ELFEC will engage an Investment Manager subject to the following conditions in addition to those set forth in Section 3.2:

1. The Investment Manager will make investment decisions subject to this entire IPS;

2. The Investment Manager will apply the Social and Ethical Considerations listed in Appendix A to the portfolio in the following manner:

   (a) When acquiring a new investment, the Investment Manager will provide a report from an independent source (e.g. Ethicscan, SHARE, etc.) on the company's compliance with ELFEC's Socially Responsible Investment (SRI) criteria to the Board through the Executive Director.

   (b) The Investment Manager will assist ELFEC to be an active shareholder by notifying the Executive Director of all shareholder actions relating to holdings in the portfolio, and voting share proxies on particular resolutions when asked to by the Board.

   (c) The Investment Manager will assist the Executive Director in the planning and implementing of educational activities that support an understanding of SRI among the directors, members and investment partners.

3. The term of appointment will not exceed a period of five years, with the possibility of renewal of the appointment after review.

4. The Investment Manager will discuss key investment strategies with the Board at its regular meetings.

5. The Investment Manager will report to the Executive Director all investment activity in detail on a monthly basis.

6. The Investment Manager will immediately report to the Board any developments that might, in the manager's opinion, cause the Board to revise any aspect of the IPS.

7. The Investment Manager will meet with the Board a minimum of two times per year;

8. This IPS will form part of the written contract between the parties;

9. The Investment Manager will vote all shares in accordance with the Board's direction.

10. The Investment Manager will provide a copy of their Insurance Policy (Errors and Omissions) on an annual basis;

11. The Investment Manager will submit to the Board, for each investment portfolio defined in section 4.1 above, a quarterly report that includes:

    (a) a summary of all transactions for that period with an overview of the portfolio strategy;

    (b) an asset listing report of all securities held;

    (c) information on portfolio performance relative to the agreed-upon benchmarks and, if a pooled fund is used for certain asset classes, relative to comparable funds;

    (d) rate of return information for the consolidated investment portfolio;

    (e) a summary of the quality of the portfolio;

    (f) a list of any holdings in the Fixed Income portfolio rated below BBB(low) or P-2(low);

    (g) a list of all holdings in the portfolio with non-voting shares;

    (h) verification that all investments and activity are in compliance with the IPS and documentation of any instance of non-compliance.

APPENDIX D

Risk-adjusted Calculation: Equities

Definition:

Beta (β) is a numerical expression of risk that measures how a stock performs relative to the exchange as a whole. A stock that moves in the same direction and by about the same percentage as the exchange has a Beta of one (1). A stock that changes value by an amount substantially more than the exchange has a β whose absolute value is more than 1. The higher the absolute value of β the more volatile the stock and the greater the risk of capital loss.

The Portfolio Beta is calculated using the weighted average of the β for each stock in the portfolio. Betas for individual stocks will be obtained from available sources for use in calculating risk-adjusted returns for the respective components of common share portfolio. If a β is unavailable, a best estimate β will be used.

Treynor Measure

The Treynor measure was selected as a risk-adjusted performance measurement tool since it is useful for measuring returns for a diversified portfolio of equities. The β of the portfolio is a measure of the portfolio's non-diversifiable, systematic risk.

The following percentages of risk-adjusted returns for ELFEC and the TSX/S&P Index can be interpreted as follows. If an investor was fully invested in risk-free T-Bills (β = 0) at the start of the year and elected at that time to invest the entire equity portfolio in the TSX/S&P Index the β, or risk of the portfolio, would rise from 0 to 1.0. If the β for the ELFEC portfolio is 0.77 then the following Treynor calculation indicates the risk-adjusted increased return over the risk-free rate.

Treynor formula: $\frac{Rp - Rf}{\beta p}$

Where Rp = periodic portfolio return
Rf = periodic risk-free return (91-day T-Bills)
βp = Beta of the portfolio

Data	ELFEC	TSX/S&P
Rp	6.5%	7.0%
Rf	1.00%	1.00%
βp	0.77	1.0

Risk-adjusted return per Treynor measure	**(5.50/0.77)% = 7.1%**	**(6.00/1.00)% = 6%**

The portfolio outperformed the index on a risk-adjusted basis by (7.1% - 6%) = 1.1%

Notes re: Beta Calculation

1. The source of the Beta values shall be agreed upon with the Investment Manager and be provided by a recognized financial data provider.

2. Recognizing that Beta values are defined relative to a specific stock index, separate Beta calculations shall be performed for each class of Canadian, U.S., and International equities.

APPENDIX E

Risk Assessment: Bonds

Definition:

For bond investments risk is largely dependent on the effect of potential changes in interest rates on the value of a bond and the quality of the issuer. Bond duration is an expression of the interest rate risk in that it measures the sensitivity of a bond's value to interest rate changes. Bond values vary inversely to the direction of change in the interest rate. A bond with a duration of 3 years would expect its value to decline by 3% for every 1% increase in the interest rate. Conversely the bond would expect to attract an increase of 3% for every 1% decrease in the interest rate.

Bond duration is determined to be the weighted average of the present values of the payments generated by the bond where the weight applied to each payment is the number of interest periods through which it is discounted. In general, the longer and more back-loaded the stream of payments the higher the duration.

The credit quality of the bond portfolio is an assessment of the likelihood that the issuer of a bond within the portfolio will default. A portfolio with a credit rating of AA should carry less risk of default than one with credit rating A. However, because of the nature of averages, two portfolios with the same average credit rating can actually be exposed to different levels of default risk. A portfolio with a high percentage of AAA bonds and some B rated bonds could have an average rating of AA. A second portfolio with all AA rated bonds would also have an average rating of AA. Yet the first portfolio, because of its exposure to B rated bonds, has much more risk even though the portfolio has the same rating as the second portfolio.

To help with risk and performance assessment, a weighted average portfolio credit rating will be calculated but in addition a report detailing a distribution of credit quality by rating category (AAA/AA/A/BBB) across the portfolio is required. Also, a report showing the breakdown between corporate and government issuers in the portfolio will be prepared and compared to the corresponding summary breakdown for the FTSE TMX Canada Universe Bond Index.

Given that the Foundation's sensitivity to the negative effects of capital depreciation, an appropriate balance should be maintained between longer duration (normally higher returns) and shorter duration (normally lower returns) bonds in order to meet the investment objectives for the bond portfolio. Duration and credit quality should be consistent with the two main investment objectives of 1) preserving capital and 2) generating a maximum amount of annual income with low risk.

Also, a bond maturity schedule will be prepared for comparative purposes with a breakdown into short term (1 to 5 years), mid-term (5 to 10 years) and long-term (>10 years) maturity classes with durations for each component compared to the corresponding duration of the relevant short/mid/long term component of the FTSE TMX Canada Universe Bond Index. The duration and return for the FTSE TMX Canada Universe Bond Index will also be compared to the total bond portfolio duration and return to assess overall risk and performance.

APPENDIX F

Responsible Investment Screening Criteria

ELFEC's Investment Policy Statement articulates a set of principles that we aim to integrate into the management of our investments. On the basis of these principles we have defined a series of specific, practical screening criteria that are to be applied by the foundation's investment managers. Our approach includes both *positive screens*, used to "screen in" companies with attributes that align with principles, and *negative screens*, used to screen out companies whose practices or products are contrary to those principles.

While we aim for strict implementation of the negative screens, the positive screens are aspirational. Managers are expected to seek opportunities to adhere to them while still giving full consideration to traditional financial metrics and without compromising ELFEC's overriding fiduciary duty to our members.

1. Respect Human Rights and Dignity

Companies must respect the rights outlined in the Universal Declaration of Human Rights and other international covenants that protect the freedom, dignity and safety of workers, citizens and other stakeholders.

Positive Criteria

We will seek opportunities to invest in companies that:

- Explicitly recognize the rights of all peoples and communities within their sphere of influence and have implemented human rights policies and programs, preferably in line with the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights;
- Actively promote a work environment that ensures freedom from harassment and discrimination and encourages diversity and equal opportunity.

Negative Criteria

We will avoid investing in companies that:

- Have been directly involved or complicit in the violation of human rights through, for example, direct collaboration with repressive regimes or complicity in human rights violations in conflict zones; [6]
- Have failed to respect the rights of indigenous people affected by their operations.

2. Respect Labour Rights

Companies must respect the rights outlined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work which includes the freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced, compulsory or child labour and the elimination of discrimination in respect of employment and occupation.

Positive Criteria

- Recognize the rights of their employees and contractors as evidenced by the implementation of formal policies on labour rights and working conditions, preferably that conform to international conventions such as the International Labour Organization's Declaration on Fundamental Principles and Rights at Work;
- Implement health and safety policies and management systems that minimize their employees' exposure to health and safety risk.

Negative Criteria

We will avoid investing in companies that:

- Have been involved in major controversies over their employees' rights and/or working conditions. Examples may include a notably poor health and safety record compared to industry counterparts, a failure to respect the right to freedom of association and collective bargaining, or evidence of the use of child or forced labour;
- Are directly implicated in major controversies over labour rights and/or working conditions in their supply chain. Examples may

[6] Note that the relevant period for the assessment of such controversies is generally considered to be the last three years.

include major health and safety concerns, a failure to respect the right to freedom of association and/or collective bargaining, or evidence of the use of child or forced labour.

3. Enhance Economic and Social Justice

Companies must deal fairly and openly with the governments and peoples of the countries in which they do business, recognizing the right of citizens to participate in decisions that affect their welfare and avoiding practices that exploit people who are economically or socially disadvantaged.

Positive Criteria

We will seek opportunities to invest in companies that:

- Have policies and programs in place to ensure no involvement in bribery and corruption;
- Actively consult and engage with the communities affected by their operations, especially indigenous communities. A high level of engagement is expected of companies involved in resource extraction;
- Recognize indigenous peoples' right to free, prior and informed consent (FPIC)[7] regarding development that affects their interests and well-being. Such recognition should be embedded in policies and programs to engage with affected indigenous communities.

Negative Criteria

We will avoid investing in companies that:

- Have a record of involvement in corruption or bribery or other major controversies over business ethics;
- Have faced major controversies over the impact of their operations on local communities, including local indigenous people, or over their failure to consult adequately with such communities.

[7] Free, Prior and informed consent (FPIC) has been recognized by a number of international organizations as a standard to be applied in protecting and promoting Indigenous People's rights in the developmental process.

4. Operate in an Environmentally Sustainable Manner

Companies must not act in ways that deprive future generations of a healthy, safe or abundant natural environment through their consumption of resources, generation of harmful byproducts or destruction of species or habitats.

Positive Criteria

We will seek opportunities to invest in companies that:

- Have strong policies and management systems in place to monitor and mitigate the negative environmental impacts of their operations and ensure compliance with all applicable environmental regulations;
- Have programs and measures in place to ensure an effective response to incidents at their operations that cause environmental degradation;
- Have proactively taken steps to reduce their environmental footprint, especially with respect to carbon emissions. Such steps may include:
    - Participation in the Carbon Disclosure Project;
    - Investment in technologies to reduce greenhouse gases (GHG's) or other emissions;
    - The purchase of renewable energy.
- Develop and market products and services that directly contribute to the development of a sustainable economy. Such products and services may include the generation of renewable energy or technologies to reduce emissions and/or enable more efficient use of energy or natural resources.

Negative Criteria

We will avoid investing in companies that:

- Have faced major controversies over the negative impact of their operations. These may relate to, for example, emissions, spills, hazardous waste, or other forms of pollution; non-compliance with environmental regulations; the degradation of ecosystems; or negative impacts on biodiversity.
- Market products that have generated major controversy due to their environmental impacts or potential impacts.

5. Support a Global Culture of Peace

Companies must not engage in the manufacture or trade of weapons used in military conflicts or violence against civilians.

Negative Criteria

We will avoid investing in companies that:

- Engage in the manufacture of weapons and/or weapon systems used in military conflicts. This includes the manufacture of:
    - weapons, such as bombs, missiles, missile launchers, grenades, mines, handguns, rifles, ammunitions, nuclear warheads;
    - weapons systems, such as jet fighters, attack helicopters, battleships, tanks, and other assault vehicles;
    - major, highly specialized components of weapons or weapons-systems, such as guidance systems for missiles.
- Derive 10 percent or more of its revenues from the manufacture of secondary components of weapons and/or weapons systems. This may include:
    - equipment, components or support systems designed or customized for military applications, such as landing gear for jet fighters or specialized communications systems for naval ships. This category does not include dual-use products that are in no way specialized or adapted for military applications.
- Derive 10 percent or more of its revenues from the provision of weapons-related services. This includes but is not limited to:

    - support services such as weapons or weapons-system maintenance;
    - weapons training/simulation systems and services.
- Engage in the manufacture of assault weapons intended for the civilian market.
- Derive 10 percent or more of annual revenues from the distribution and/or retail sale of assault weapons intended for the civilian market.

6. Avoid Objectionable Products

ELFEC seeks opportunities to invest in companies that develop and market products and services that are safe, useful and promote a sustainable economy. We also avoid investing in companies whose products or services are not aligned with our beliefs and conflict with our aim to act as a good steward.

Specifically, we avoid investing in companies that have substantial involvement in the gambling, pornography, or tobacco industries. The screening criteria used to exclude such companies are as follows:

Gambling

- The company owns and/or operates a gambling establishment. This includes:
    - The ownership and/or operation of casinos, racetracks, online gambling, lotteries, or other betting establishments.
- The company derives 10 percent or more of revenues from gambling-related products or services. This may include:
    - The manufacture of specialized equipment used exclusively for gambling, such as slot machines, roulette wheels and lottery terminals;
    - The provision of specialized supporting products/services to gambling operations, such as technology support.

Pornography

- The company is involved in the production of adult entertainment and/or owns/operates adult entertainment establishments. This includes:
    - The production of adult entertainment media such as movies and television programs, magazines and adult websites;
    - The ownership and operation of strip clubs, topless bars and other similar types of adult entertainment establishments.
- The company derives 10 percent or more of its revenues from the distribution of adult entertainment materials. This includes:
    - The generation of revenue from the rental, sale or distribution of adult materials;
    - The distribution of pay-per-view adult channels and/or movie channels with adult content through the internet, cellular telephones, satellite and broadcast television.

Tobacco

- The company is involved in the manufacture of tobacco products. This includes:
    - Manufacture of cigarettes, cigars, tobacco for pipes and snuff, and smokeless tobacco products.
- The company derives 10 percent or more of its revenues from the supply of tobacco-related products. This includes:
    - Products that facilitate tobacco smoking, such as pipes and rolling papers;
    - The supply of specialized materials, such as acetate tow or specialized packaging materials, or raw materials that are produced primarily for use in tobacco products.
- The company derives 10 percent or more of its revenues from the distribution and/or retail sale of tobacco products.