

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;¹
- 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;

¹ Note that the relevant period for the assessment of such controversies is generally considered to be the last three years.

- Are directly implicated in major controversies over labour rights and/or working conditions in their supply chain. Examples may 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)² 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;

² 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.

- 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.

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.