

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

INVESTMENT POLICY

APPROVED JANUARY 22nd, 2009

Purpose of the Investment Policy

- 1.1 The Coast Conservation Endowment Fund Foundation ("Foundation") was created as a not-for-profit society and is a registered Canadian charity (with US 501c3 equivalency) responsible for managing a permanent endowment fund of approximately \$60 million. The income generated from this fund will provide ongoing funding streams to First Nations on the BC central and northern coast and Haida Gwaii to support conservation science, resource planning, capacity development and related conservation management activities. The successful management of the Foundation's assets ("Fund") will have a direct effect on the ability of the Foundation to deliver its mandate.
- 1.2 This document constitutes the Statement of Investment Policy ("Policy"), which sets out the policies to be followed in the management of the Fund.
- 1.3 In particular, the Fund will be invested in accordance with the terms of the "Conservation and Incentives Investments Agreement" dated May 7, 2007 (the Funding Agreement").

Socially Responsible Investment

- 1.4 The investment of the Fund will recognize not only the traditional goals of maximizing return and minimizing risk, but also the need to mitigate environmental destruction, address issues of social and economic justice, and promote healthy communities and societies.
- 1.5 The Fund will be managed in a socially responsible manner and will, at a minimum, impose positive and negative screens for environmental, social and aboriginal issues.
- 1.6 When investing in securities, consideration must be given to whether the underlying entity is committed to operating in an economically and environmentally sustainable manner while recognizing the interests of its stakeholders (which include investors, customers, employees, business partners, local communities, the environment and society at large).
- 1.7 In no event shall the Fund be invested in the following industries:
 - (a) those that produce military weapons or weapons-related products;
 - (b) those that produce tobacco products;
 - (c) those that produce nuclear power;
 - (d) those that involve gambling or gambling-related products or services
 - (e) those directly extracting from the Alberta Oil SandsThe Board may establish additional screens that may incorporate either positive or negative elements.

Responsibilities for the Investment of the Fund

- 1.8 The Board has created an Investment, Finance and Audit Committee ("Committee") which operates under Terms of Reference to have responsibility for overseeing the investment management of the Fund.
- 1.9 The Committee is responsible for making recommendations to the Board on any changes that may be required to this Policy.
- 1.10 The Committee is responsible for developing, reviewing and monitoring detailed guidelines and constraints for the management of the Fund investments, to be contained in Investment Guidelines ("Guidelines").

Investment Objectives

- 1.11 The investment objective of the Fund is to generate investment earnings each year, at least equal to the annual rate of increase in the Consumer Price Index plus 3.0%, before

investment management and administration expenses. It is understood that the achievement of this objective depends in large part on the performance of the financial markets, and not on any decisions that might be made by the Board, the Committee or an investment manager.

- 1.12 Risk is defined as the possibility that capital might be lost. Accordingly, the risk objective is to reduce the chance that there may be a loss of capital in any year. It is understood that the risk objective might not be achieved over the short term in order to achieve the investment objective over the long term.

Investment Principles

- 1.13 The assets of the Fund will be invested in the capital markets, and invested only in investments that a prudent investor would make.
- 1.14 The selection of investments in the Fund will be made in the context of the total portfolio, with a reasonable expectation of a fair return or appreciation.
- 1.15 The investment objectives can best be achieved by investing in a mix of diverse asset classes with varied investment characteristics.
- 1.16 The risk of price fluctuations within the asset classes and the uncertainty of future economic and investment conditions dictate prudent diversification by economic sector, industry, geographic markets and market capitalization.
- 1.17 Active investment management by professional investment managers through opportunistic security selection is expected to add value.
- 1.18 Investment managers will be hired that have specialized expertise in their asset class and in socially responsible investing.
- 1.19 Risk will be controlled; accordingly guidelines and constraints will be established and compliance with the guidelines and constraints will be monitored.
- 1.20 A sufficient portion of the Fund will be marketable and liquid to meet the need to fund expenses and award disbursements.

Permitted Categories of Investments

- 1.21 The Fund may be invested in equities, bonds and short-term securities. Equities include Canadian and non-Canadian equities. The Guidelines prepared by the Committee will describe the detailed guidelines and constraints for investing in these asset classes.
- 1.22 Upon the recommendation of the Committee, the Board may allow other categories of investment by amending this Policy if such investments, on the recommendation of the Committee, may help achieve the investment objectives.
- 1.23 Until the Board approves a new category of investment and the Committee amends the Guidelines for that category of investment, any investment not specifically permitted by this Policy shall be prohibited.

Asset Mix

- 1.24 The asset mix shall always be maintained within the following ranges.

Asset Class	Asset Mix		
	Minimum	Benchmark	Maximum
Equities	45%	60%	75%
Fixed Income and Short-Term Investments	25%	40%	55%

1.25 The Committee has the discretion to vary the asset mix within the ranges set out in Section 1.22.

Custodian

1.26 The Board may select a custodian to hold the assets of the Fund.

Investment Managers

1.27 The Board, on the recommendation of the Committee, will retain external independent professional portfolio managers to provide it with investment advice. No more than \$40 million in aggregate, for the Foundation and the Society will be managed by a single investment manager.

1.28 The selection of an investment manager will be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.

1.29 The Board will only retain investment managers which have proven financial track records and proven capability of implementing social, environmental and aboriginal screens.

1.30 An Investment Manager, in performing duties, shall:

(a) exercise the care, diligence and skill of a prudent investment counsellor and shall at all times act on a basis that is fair and reasonable;

(b) adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute and to the internal conduct guidelines established by the Investment Manager; and

(c) manage its portion of the Fund in accordance with the terms of its Investment Management Agreement with the Foundation and the specific guidelines set out herein.

1.31 The Board will set performance targets for each Investment Manager.

1.32 The Committee will monitor the performance of the investment managers and recommend to the Board any changes as the Committee deems in the best interest of the Foundation.

Guidelines and Constraints

1.33 All investments shall conform to the Constitution, the Funding Agreement, the Bylaws, this Statement and any applicable law and regulations.

1.34 The Committee will develop documented guidelines and constraints for each category of investment and for the Fund overall, consistent with this Policy (the "Guidelines").

1.35 Investment managers shall not invest in any assets that are not in an approved category of investment.

1.36 No entity, including the Board, the Committee, the Investment Managers, or any member of such entity may lend, pledge or otherwise encumber any of the Fund's assets except for acceptable grants committed in accordance with the Funding Agreement.

Communication by the Investment Managers

- 1.37 Each investment manager will prepare and deliver a report to the Committee on the management of its part of the Fund as soon as practicable at the end of each calendar quarter, including such content as described in the Guidelines.
- 1.38 Each investment manager will meet with the Committee or with the Fund's staff at least twice a year to review the results the investment manager has achieved and to discuss its economic outlook and investment strategy.
- 1.39 Investment managers shall inform the CEO of the Fund promptly of any changes in the investment manager's firm, including any changes in ownership, senior investment personnel or investment management style.

Monitoring and Review of Investment Performance

- 1.40 Each quarter, the Committee will review the reports prepared by the investment managers and any evaluations conducted of the performance of the investment managers, and shall assess their performance.
- 1.41 An investment manager's continued suitability may be examined at any time should the Committee lose confidence in the investment manager's ability to succeed.
- 1.42 Concerns about the performance of an investment manager shall be noted in the minutes of the Committee's meeting, and shall include the conclusions of the Committee as to the next steps that will be taken in connection with the retention of such investment manager.

Review and Amendment of the Policy

- 1.43 The Committee will review the Policy at least once each year, and recommend to the Board any changes the Committee feels are necessary.
- 1.44 The Committee will review the Policy as soon as practicable when any legislative changes may affect the investment of the Fund, and recommend to the Board any revisions they feel are necessary.

Communication by the Committee

- 1.45 The Chair of the Committee will meet at least quarterly with the Board to report on the activities of the Committee, the investment management and performance of the Fund, and any recommendations by the Committee on changes to the Policy.

Conflict of Interest

- 1.46 The Board shall establish procedures for resolving actual or perceived conflicts of interest in the management of the Fund.

Voting Rights

- 1.47 The Committee shall develop procedures for the exercising of voting rights acquired through the Fund's investments.