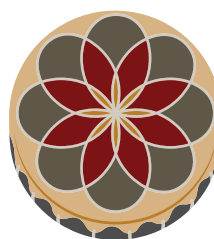


Investing for Today, Tomorrow, and Future Generations:

A GUIDE FOR
INDIGENOUS
INVESTORS



RRII

Reconciliation &
Responsible Investment
Initiative

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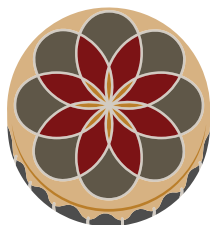
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NATO A



This publication was produced as part of the **Reconciliation and Responsible Investment Initiative (RRII)** – a partnership between the National Aboriginal Trust Officers Association (NATO A) and the Shareholder Association for Research and Education (SHARE). NATO A is a charitable organization committed to providing Indigenous peoples with the resources and information that will help them efficiently create, manage, and operate trusts

as a means to ensure the seven generations yet unborn can benefit from the goals and dreams of the present generation. SHARE is a national nonprofit organization dedicated to mobilizing investor leadership for a sustainable, inclusive, and productive economy. Together, we are mobilizing institutional investors as allies with Indigenous peoples in contributing to reconciliation and in building a vibrant Indigenous economy.



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INTRODUCTION

Simultaneously providing both for immediate and longer-term needs is not a new concept for Indigenous peoples. For many generations, Indigenous peoples followed age-old traditions of hunting, fishing, and trapping food for the survival of their families and community. Indigenous leaders knew their people needed to eat that day and for weeks and months to come, so once the food was brought back to the village, some was eaten immediately, and the rest was preserved for future occasions.

In recent generations, Indigenous communities have settled specific claims, negotiated impact benefit agreements, and successfully established and managed profit-generating business ventures. These activities have led to the creation of trusts as a method of managing financial assets for the benefit of current and future generations.

Investing is a way for communities to grow their wealth and build healthy, resilient, and prosperous communities. Ensuring that Indigenous financial assets are invested and stewarded in ways that align with community interests and values is challenging, but there are steps that Indigenous investors can take to strengthen the alignment of their investments with these broader goals.

The purpose of this guide is to help Indigenous investors¹ identify steps that they can take to ensure that the assets entrusted to their care are invested in ways that support their communities today, tomorrow, and for future generations. We hope that this guide provides ideas on how you might better align your trust's investments with your community's values and long-term vision.

1 This guide uses the term "Indigenous investors" to refer to Indigenous communities, organizations, and institutions who possess financial resources that may be invested in capital markets for the benefit of Indigenous people. For the purposes of this guide, we focus on Indigenous *institutional* investors rather than individual investors.



TERMINOLOGY

This guide uses many different terms. The following list provides our working definitions of these concepts.

Fiduciary duty: The duty of trustees and others in positions of power to act prudently and in the interest of beneficiaries.

Impact investing: Investments made that prioritize positive social and/or environmental outcomes through an impact-first lens, with varying expected financial returns ranging from complete loss of capital to market rate returns.

Indigenous investor: Indigenous communities, organizations, and institutions who possess financial resources that may be invested in capital markets for the benefit of Indigenous people. For the purposes of this guide, we focus on Indigenous *institutional* investors rather than individual investors.

Institutional investor: An entity that pools and manages money on *behalf of a group of people* (such as its beneficiaries, members, or clients), not individual retail investors managing their own money. The types of institutional investors mentioned in this guide include pension funds, Indigenous trusts, religious organizations, universities, and charitable foundations.

Integration: The systematic inclusion of environmental, social, and governance factors into investment analysis and selection.

Investor stewardship: A practice where investors encourage the companies, or other entities in which they invest, to improve their environmental, social, and corporate governance practices with the goal of managing risk, building long-term value, and aligning corporate practices with the broader goals of society. Asset owners can express their views on company practices through shareholder engagement and proxy voting.

Proxy voting: Exercising voting rights associated with ownership of company shares. Most company shares have voting rights. Shareholders may vote their shares by proxy instead of attending company meetings. Shareholders have a chance to vote on many issues each year: The most common are the election of directors, appointment of auditors, and approval of executive compensation. Some votes may relate to company environmental, social, or governance practices.

Screening: Excluding or including certain sectors, companies, projects, or countries from a portfolio. *Negative screening* refers to the practice of excluding investments from portfolios, such as weapons manufacturing. *Positive screening* refers to the practice of including investments in portfolios, such as renewable energy.

Shareholder engagement: Using shareholders' voices to influence corporate behavior and seek better company policies and practices. For instance, engagement can champion improved labour rights, respect for Indigenous rights, and environmental practices.

Thematic investing: Investments that seek to deliver financial returns alongside positive social and/or environmental outcomes through a thematic lens, such as a focus on supporting renewable energy, sustainable transportation, human health, or food security.

Trust: A right of property, held by one person or a group of people, for the benefit of another person or group.



INDIGENOUS WEALTH AND GOVERNANCE

"The decisions that I am making today, as a trustee of the Squamish Nation Trust, are going to affect my children's future; my grandchildren's future; my great grandchildren's future and many generations after that. Just as the decision my Dad, Sxwpilem Siyám (Chief Philip Joe), took to testify in court contributed to the agreement in 2000, which makes up the trust that I govern today. The existence of these trusts is a symbol of our resilience as Indigenous Peoples."

Sxwpilemáat Siyám
(Hereditary Chief Leanne Joe)
Squamish Nation



INDIGENOUS WEALTH

Creating and managing wealth is not a new concept for Indigenous people. Historically, Indigenous communities' respectful relationship with their surrounding natural environment, and the wildlife and resources contained within it, were a source of their wealth. Maintaining this respectful relationship ensured that communities could meet their needs and sustain themselves in the short and long term. The pre-colonial economies of Indigenous nations were far-reaching and were based on mutually beneficial trade that helped communities meet challenges posed by seasonal changes. The lands and waters provided the raw materials for goods and services utilized by each community to sustain themselves and trade with others.

While many practices for managing wealth were similar across Indigenous lands and waters, regional methods of stewardship were apparent. These practices were all guided by local communities' cultural and traditional values. Values – such as respect for future generations – acknowledged the importance of ensuring a community's ability to coexist in their territory. Protecting the long-term viability of the environments upon which communities depended was paramount. Balancing current

needs with long-term sustainable use and stewardship continues to be a central priority among many Indigenous peoples and communities today.

Indigenous wealth in the modern era is a result of the historic and traditional connection to the lands and waters. Canada's repatriation of the Constitution in 1982 protects existing Aboriginal and treaty rights (s. 35) and minimizes the ability of government decision-making to impede such rights. Subsequent legal decisions have reinforced Indigenous claims to rights and title. Through the specific claims process, some Indigenous peoples began remediating the longstanding violations of rights and Indigenous practices, in part by negotiating monetary compensation with the Crown.

Trusts are commonly used by First Nations, Métis, and Inuit communities in Canada to manage money and other assets acquired through land-, rights-, and treaty-based settlement agreements. A trust is a right of property, held by one person or a group of people for the benefit of another person or group. Trusts are also sometimes used to hold and manage funds obtained from business activities or impact benefit agreements.



BOX 1: CREATING AND SHARING WEALTH THROUGH THE POTLATCH

Michael Bonshor, Visions First Nations Financial Services

"Many people believe that a rich and powerful person is someone who has a lot. The people who speak Kwakwaka'wakw, the Kwakwaka'wakw, believe that a rich and powerful person is someone who gives the most away. Since a time beyond memory, the Kwakwaka'wakw have been hosting potlatches and potlatching continues to play a central and unifying role in community life today."²

In my family and community, we have been creating and sharing wealth through our potlatches for generations upon generations. We created wealth from the abundance that our territories offered, and shared it with our community and other tribes. There is an inherent trust that wealth gathered by our community will be shared with and of benefit to all.

2 umistapotlatch.ca



BOX 2: WHY CREATE A TRUST?

Meghan Shannon, CIBC and Vickie Whitehead, Crowe MacKay LLP

Trusts have the potential to support the creation of intergenerational wealth and foster economic self-determination. Establishing a trust provides several benefits:

- **Asset protection:** Protection of trust property from all other Nation funds, and potential debts or liabilities
- **Transparency and accountability:** There are clear uses for the trust property, as per its founding Agreement, and full disclosure and reporting to beneficiaries
- **Independence from governance changes:** Trusts can last up to 80 years and are not subject to the election cycle set by the Indian Act or custom of the First Nation
- **Responsive to community needs:** Trusts can incorporate robust community engagement to ensure the funds are meeting the needs of the beneficiaries
- **Taxation benefits:** There are significant taxation benefits for the earnings and income generated
- **Sovereignty:** Trusts provide an ability for communities to use their financial resources in ways that reflect their traditions and respect their cultural values
- **Intergenerational transfer of wealth:** The assets of a trust often derive from one-time compensation for loss. Trusts create a means for sharing this legacy with future generations





GOVERNANCE AND COMMUNITY-LEVEL PLANNING: THE NEED FOR A COLLECTIVE STRATEGY

The governance of a community's financial resources, which may be partially or fully held in a trust and overseen by community trustees, should not work in isolation from other community governance and administrative bodies. The community's leadership, its economic development or business corporation (where applicable), and its trust, as well as other political and economic decision-making bodies, should all work towards the same goal of supporting the community and its membership. From this standpoint, it is ideal for these bodies to align their respective strategic plans, resources, and activities. Taking an integrated approach can help to maximize wellbeing, identify gaps in providing for the community, and keep common needs centred in all relevant governance discussions.

INDIGENOUS INVESTORS

In this guide, the term "Indigenous investors" refers to Indigenous communities, organizations, and institutions that possess financial resources invested for the benefit of Indigenous people today, tomorrow, and for future generations. Its focus is on Indigenous *institutional* investors rather than individual investors. Because trusts are the most common structure used by Indigenous communities to pool financial assets and invest into capital markets, this guide will be particularly relevant to those trustees who are responsible for overseeing the management and investment of trust assets. However, the guide may also be relevant to other kinds of Indigenous investors.

TRUST GOVERNANCE

Trust governance refers to the structure and processes under which a trust is administered and monitored to ensure that fiduciary and other obligations with respect to the trust are fulfilled. The five primary trust governance structures are as follows:

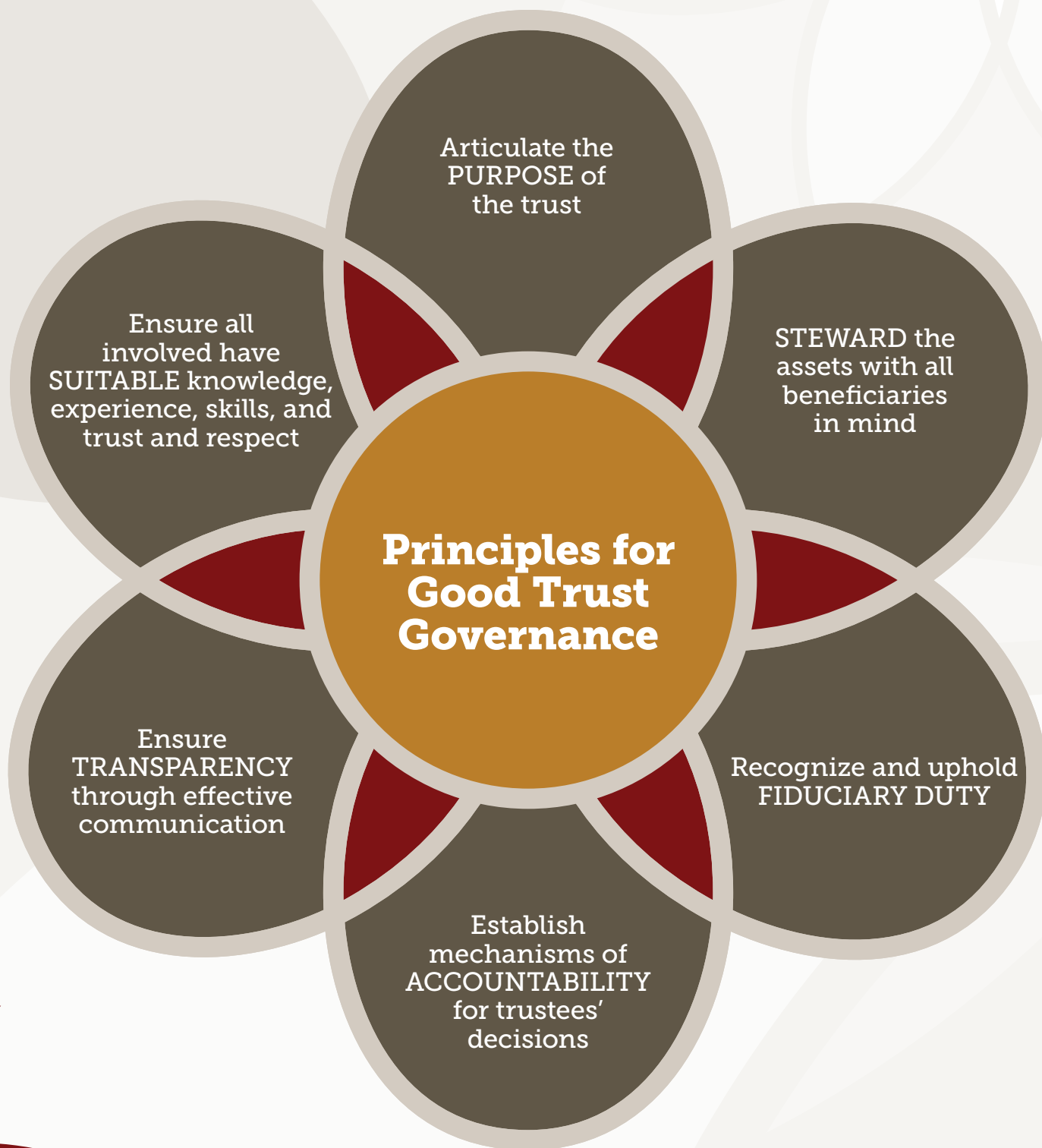
- Independent model – community trustees and a hired trust manager
- Protector model – community trustees and a protector (lawyer)
- Corporate model – corporate trustee (a bank or trust company)
- Administrative model – community trustees and an administrative trustee (accountant)
- Hybrid model – some combination of any of the above.

Individual communities will consider the structure that suits them best. Regardless of the model chosen, the role of the trustee is threefold:

1. To receive the money or assets placed in the trust;
2. To invest those assets in ways that meet the trustees' fiduciary and other obligations and that align with the goals and purpose of the trust; and
3. To ensure the terms and conditions of the Trust Agreement are met, including to make distributions consistent with the purpose of the trust.

This guide focuses on the role of trustees in overseeing **investment** of the trust. In particular, it reviews how trustees can ensure that the trust's investment policies and practices are aligned with their communities' values, traditions, and aspirations as well as with the overall purpose of the trust. Here, we outline six key principles that guide trusts of all types and sizes in achieving and maintaining good governance.





PRINCIPLE 1: PURPOSE

A clearly articulated purpose is an important aspect of good trust governance. For example, the trust's purpose may be to purchase land, advance education, protect language and cultural heritage, support economic development, or fund housing. The overarching purpose of the trust, along with the time horizon, will have implications for how the trust is invested, including the asset classes in which it is invested, as well as its return expectations and risk tolerance.

PRINCIPLE 2: STEWARDSHIP

Stewarding resources to meet immediate needs while also considering future generations is a common principle across Indigenous communities. For example, some trustees have noted that their primary role is to be caretakers or guardians of the financial assets of the trust for future generations.

PRINCIPLE 3: FIDUCIARY DUTY

Trustee boards and their representatives have fiduciary responsibilities to trust beneficiaries. These responsibilities include a duty of loyalty, which means that beneficiaries should be treated equitably, and that trustees should avoid potential conflicts of interest and reap no personal benefit from the relationship. Fiduciaries are also required to act in good faith in the best interests of beneficiaries and, when doing so, must exercise the care, skill, and prudence of an ordinary person.³ These fiduciary responsibilities apply to the role of trustees in overseeing the investment of the trust.

PRINCIPLE 4: ACCOUNTABILITY

Accountability refers to taking responsibility for the impact of our actions on others, and it is part of trustees' commitments to beneficiaries. Trustees should establish and document logical processes for decision making, including holding regular meetings; disclosing information on the decisions reached in these meetings; and ensuring transparent selection processes for both trustees and third parties, such as investment managers.

PRINCIPLE 5: TRANSPARENCY

Timely disclosure of accurate and relevant information about the trust, its disbursements, and its investments to community members is a critical aspect of good trust governance. Through publications, meetings, and websites, community members should have opportunities to learn about the trust, its governance structure, and how the trust is invested, among other things.

PRINCIPLE 6: SUITABILITY

All parties involved in the administration of the trust, including the trustees responsible for investment oversight, should have the necessary experience, skills, and knowledge to carry out their tasks. Trustees should be trustworthy and respected by the community. In addition to having suitable trustees, critically important is engaging professional agents and other third parties who are competent, attentive to the community's best interests, and responsive to the unique values and perspectives of the community for whom they work.

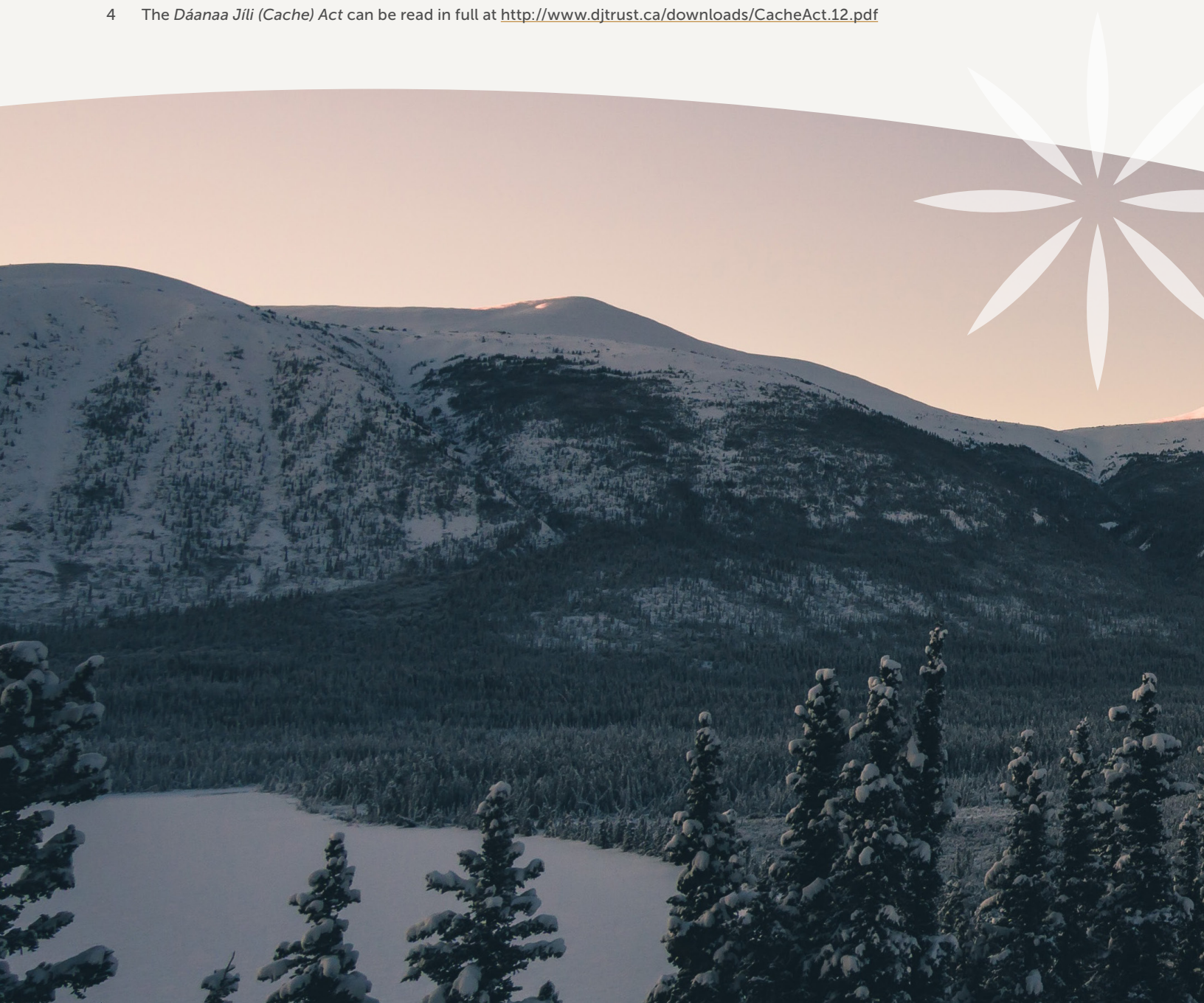
³ J.R. Rich and N.E. Hume, *Band Councils, Band Moneys and Fiduciary Duties*, 2011, Ratcliff and Company LLP, available from <http://www.ratcliff.com/sites/default/files/publications/00513728.PDF>



CASE STUDY: YUKON FIRST NATIONS

In addition to the six general trust governance principles outlined above, some communities articulate their own core values to guide trustees in their duties. For example, the Carcross/Tagish First Nations created the *Dáanaa Jíli (Cache) Act*,⁴ which is based on their traditional values and customs. The Act provides for the creation and management of the *Dáanaa Jíli (Cache)* to strengthen their economy and their government for future generations. In addition to drawing on traditional stories, the Act also articulates core values to guide trustees. See Box 3 for an excerpt of the *Dáanaa Jíli (Cache) Act*.

4 The *Dáanaa Jíli (Cache) Act* can be read in full at <http://www.djtrust.ca/downloads/CacheAct.12.pdf>



BOX 3: CARCROSS/TAGISH FIRST NATION'S DÁANAA JÍLI (CACHE) ACT: AN EXCERPT

The administration of the Dáanaa Jíli Act relies on the fundamental virtues of our culture and traditions. When fulfilling our duties within this Act we are called upon to act in ways that are based on our values and virtues to serve the best interests of our community. The lessons drawn from being stewards of our lands and resources for our community, for our children and for all of our children's children for many generations to come call upon us to honour our values in this work. When our time comes to be seen as the ancestors, may we be seen with the same respect and gratitude for how we have passed on the blessings of the creator as we respect and thank our ancestors who have cared for and passed these blessings unto us.

Integrity: Integrity keeps us on a path carved out by our values as we work through many challenges and temptations. In this way we maintain our integrity and in this way, we answer to all our moral obligations. On this path we will share the right intentions to make the best decisions for our future.

Selflessness: We have survived in our traditional territory by sharing, by ensuring the needs of others were answered. And so, it is today that we serve others before we serve our own needs. To grow as a First Nation, as a community, no one can be left behind, no one left in need. We own nothing but our integrity. We owe all to the creator. We humbly receive our gifts and give selflessly. We are not measured by what we have but by what we give. Selflessness is our traditional way of being valuable in life. Our culture and traditions have always looked at how our actions determine the fate of others and of those who will follow us.

Honour: We honour our families by honouring our values in the ways we take care of others, in the ways we look after our land, resources and all the blessings we have. In our tradition we seek first to honour not ourselves but our place with our ancestors and others.

Respect: To use our cache in ways that improve our connections to each, and to our community as well as meet the needs of our future generations we must hear with respect all voices within our community. Respecting the opinion of others and striving to work together puts into practices the traditional value of respect.

Tùwú (Courage): Courage is fundamental in meeting and making difficult decisions. Fear makes space for evil to grow. We need courage to take risks to grow, courage to have faith in ourselves, courage to stand up for what we believe and most important, courage to work and stay together as a people, as a community, as a First Nation. We will need courage to accept that unity stands above our personal needs and desires.

at wuskú (Knowledge): Both traditional experience and current *at wuskú* (knowledge) are needed to determine how our cache must be cared for and used. The wisdom of Elders must be combined with the *at wuskú* knowledge of our youth and new leaders. All the *at wuskú* (knowledge) and wisdom within our community is important in making difficult choices and in learning new ways to survive and prosper.





INVESTING FOR TODAY, TOMORROW AND FUTURE GENERATIONS

Ensuring assets are invested and stewarded in ways that align with community values and needs in the short and long term is critical for Indigenous investors to achieve their goals. This may, however, present challenges because investment decisions are often made by external agents who may not hold the same values or may have different time horizons, incentives, and goals.

The following section outlines five key considerations for Indigenous investors who want to ensure that the investment and stewardship of their assets align with community interests and values.



OUR RECOMMENDATIONS: AT A GLANCE

Recommendation #1:

Consider incorporating a statement of community values or beliefs into your investment policy.

Recommendation #2:

Incorporate values, beliefs, and knowledge of Indigenous history and issues into the hiring and evaluation of asset managers.

Recommendation #3:

Consider how your community values and priorities might help inform the assets that you choose to own.

Recommendation #4:

Ask your asset managers about their approach to voting and review their voting record regularly.

Recommendation #5:

Consider your community's interest in engaging with companies in your portfolio about issues of concern.

Recommendation #6:

Learn about new and emerging opportunities to invest in the Indigenous economy.



KEY CONSIDERATIONS FOR INDIGENOUS INVESTORS

1. EMBED VALUES INTO INVESTMENT POLICY STATEMENT

One key governance document for Indigenous trusts is the investment policy. Investment policies provide the overarching framework for the management of the trust's investment assets. Such policies assign roles and responsibilities, clarify investment goals and objectives, identify the asset mix, articulate investment risk tolerance and return objectives, and establish other criteria to review and evaluate the investments held.

Recommendation #1: Consider incorporating a statement of community values or beliefs into your investment policy.

A statement of community values supports sound decision making and helps investors, such as trustee boards, work effectively with external service providers, including investment consultants and asset managers. The statement should outline the purpose of the trust and the community's aims, beliefs, and values regarding its financial assets and its approach to investing. In the absence of this direction from the community, asset managers' experiences and values will be the default in investment decision making.

For instance, are any traditional principles or stories from your community relevant to the oversight and management of financial assets? See Box 5 for some examples. Investment policy statements may also address any potential impacts that investments might have on Indigenous rights, treaty rights, and/or title. Some investors articulate their belief that investment success depends on the health and integrity of communities and ecosystems.

Possible questions to consider:

- Does your community have any priorities around environmental stewardship or water conservation?
- Is resource use, and treatment of lands and waters a concern?

Consider holding a community meeting where beneficiaries and membership, such as elders and youth, discuss collective values and how they relate to the investment and oversight of your financial assets.

BOX 4: ALIGNING OUR INVESTMENTS WITH OUR VALUES: EXAMPLES FROM OTHER INVESTORS

Other types of institutional investors have been on their own journeys to discover how they can align their investments with their values. For example, many charitable foundations are investing their endowments to align with their missions – including to support community wealth creation. Faith-based investors have a long history of applying ethical considerations to the way they invest and steward their financial assets. Trustees of workers' pension funds are exploring ways to use their voices as shareholders to support workers' rights and decent work in the companies in which they are invested. Universities are searching for investment strategies that will support the transition to a low carbon economy, including companies that are investing in energy efficiency and pursuing opportunities in renewable energy. Even large sovereign wealth funds, such as Norway, have ethical guidelines for the kinds of companies that they will and will not invest in.

Often, we are told that values have no place in investment decision-making and that we must focus exclusively on financial returns. However, acknowledging our communities' values does not mean forgetting professionalism or ignoring financial returns and fiduciary duty.



2. WORK EFFECTIVELY WITH ASSET MANAGERS

To operate day-to-day, institutional and Indigenous investors require professional assistance from asset managers. Some investors employ investment consultants to help hire managers and monitor their performance. The criteria used for hiring and monitoring asset managers is primarily based on the firm's investment skill, approach, and performance. Criteria such as values, beliefs, and knowledge of Indigenous history and issues are less often incorporated into asset manager evaluation.

Recommendation #2: Incorporate values, beliefs, and knowledge of Indigenous history and issues into the hiring and evaluation of managers.

Investors can talk with their asset managers about the way in which beneficiaries' and the community's collective values can be incorporated into their investment strategies. When hiring a new manager, it may be valuable to ask about the investment management firm's own investment beliefs and the manager's role as a fiduciary to Indigenous communities. Does the firm have formal relationships with Indigenous-led organizations like NATOA?

Other valuable questions to consider when hiring or monitoring an asset manager include:

- Does the asset manager consider the impacts of corporate practices on Indigenous communities, territories, land and water as part of their investment decision-making? If so, what are their sources of information about Indigenous impacts?
- Has the asset manager advanced awareness within its own organization of Indigenous history, culture, and the legacy of residential schools?
- What efforts has the firm made to hire and promote Indigenous employees?

3. KNOW WHAT YOU OWN: ASSET SELECTION

Recognizing broader community values may lead investors to look more closely at what is in their portfolio.

Like other institutional investors, most Indigenous investors invest part of their portfolios in the shares of Canadian and global companies and in corporate bonds. Upon closer examination, the operations of some of those companies may be in direct conflict with their community or with the interests of other Indigenous peoples.

IDEAS WORTH SHARING

The Seventh Generation Principle is an important basis for decision making in some Anishinaabe and Haudenosaunee nations. The Seventh Generation Principle sets forth that the decisions we make today should work for the benefit of the seventh generation into the future. Would the incorporation of this principle – or similar foundational laws or principles from your community – into an investment policy help ensure sound investment decision making for the long term?



BOX 5: INCLUDING COMMUNITY VALUES IN INVESTMENT POLICY STATEMENTS: CASE STUDIES

The **Selkirk First Nation Trust**'s investment policy identifies the Trust's primary objective as follows:

To promote a healthy, united and self-reliant people of the First Nation, while conserving and enhancing our environment and culture.

The **Mississaugas of the Credit First Nation Community Trust** includes the following statement of values as part of their Investment Policy Statement, developed by their Chief and Council:

The Mississaugas of the New Credit First Nation look to our Anishinaabe roots to guide our vision for the future as a strong, caring, connected membership who respects the Earth's gifts and protects the environment for future generations. Our identity includes our history, language, culture, beliefs and traditions which we strive to incorporate into the programs and services offered to our membership.

The **Oneida Tribe of Indians of Wisconsin Trust Fund**'s investment policy states:

The Oneida Trust Committee recognizes the responsibility to invest in a manner that does not enable harm to the environment or the spiritual and cultural values of Native Americans. The Trust Committee prefers to invest in companies that make positive contributions to alleviating the problems facing society and the environment.

Concerns about specific companies or industries have led some institutional investors to establish criteria to direct their managers to exclude certain companies or industries from their portfolios. This strategy, known as **negative screening**, was largely pioneered by religious investors who, since the 1960s, have screened out companies that conflict with their values, such as companies involved in arms manufacturing, pornography, or alcohol production. More recently, some institutional investors, such as university endowments, have taken steps to screen out sectors that have negative environmental impacts, such as fossil fuels.

Investors also use **positive screening** as a way to encourage investments in certain sectors or companies. For example, your community may want to ensure it is investing in companies with a strong record of pollution control, or that are certified by the Canadian Council for Aboriginal Business' Progressive Aboriginal Relations (PAR) program.

Negative and positive screening can be useful tools to help communities align their investments more closely with their values and with the expectations of the membership.

Thematic and **impact investments** are investments that seek to deliver positive social and/or environmental outcomes alongside financial returns. Thematic investments can target, for example, companies that develop renewable energy or sustainable transportation, or improve human health or food security.





Some key considerations in implementing an investment screen or considering thematic investments:

- Consult community members to determine issues that are important to them;
- Determine if the community does or does not want to invest in certain sectors or companies; and,
- Talk to your consultants and managers to understand what investments are currently held and what options are available to apply screens to your portfolio, or pursue thematic investment opportunities or other approaches that your investment managers may take in their decision-making processes.

Keep in mind that buying or selling shares in a company are not the only tools available to help align your investments with your values. The next section examines opportunities to use your voice as an investor to influence corporate policies and practices.

Recommendation #3: Consider how your community values and priorities might help inform the assets that you choose to own.

4. USE YOUR VOICE: INVESTOR STEWARDSHIP

Another strategy that helps investors align their investments with their values is **investor stewardship**. Investor stewardship refers to how investors use their voices to influence the behaviour and practices of companies or other entities in their portfolio. Two primary ways for investors to steward their financial assets are outlined in the following section.

The first is by aligning your voting rights as a shareholder with your community's goals and values. Most common stock carries the right to vote at shareholder meetings and these voting rights are valuable assets. While shareholders can attend shareholder meetings and vote in person, most voting is done by proxy. Items that most commonly come up on the ballot at shareholder meetings relate to the governance of the corporation – for example, election of directors, appointment of auditors, and approval of executive compensation. In addition, in many countries, shareholders can also put issues on the ballot; these too require careful analysis and thoughtful voting. How companies protect water resources, treat their workers, and respect Indigenous rights are examples of issues that show up on the ballots of Canadian and US companies.

IDEAS WORTH SHARING

The Investment Policy Statement for the Chippewas of the Thames First Nation's Thunderbird Trust sets forth that investment decisions must be made in keeping with the Nation's values, and requires that investment managers restrict asset allocation to companies that are socially responsible. The Thunderbird Trust also excludes investments in companies involved in tobacco, alcohol, and/or pornography.⁵

Can you think of any sectors or activities that would be equally important to screen in or out of your community's investments?

5 <https://thunderbirdtrust.ca/faqs/>



Typically, **proxy voting** is delegated to asset managers. As such, the job of investors, such as trustee boards, is to provide effective guidance and oversight. The first step is to make sure your investment policy outlines how your proxies are voted. This includes clarifying the roles and responsibilities associated with voting and ensuring managers report regularly on how votes were cast. It is also important that, if you are in a segregated fund, your investment policy gives investors (such as your trustee board) the discretion to direct voting on specific items – allowing your community to ensure its votes are cast in line with its investment beliefs and policies.



IDEAS WORTH SHARING

The Mikisew Cree have an expression, **nipi tapitam**, which translates to “water is boss.” How could their approach to asset selection prioritize water protection?

BOX 6: CASE STUDY: ALIGNING PROXY VOTING GUIDELINES WITH YOUR VALUES

In 2017, Coast Funds – an Indigenous-led conservation finance organization created by First Nations, the governments of British Columbia and Canada, and private foundations as part of the 2006 Great Bear Rainforest Agreements – initiated a process to more deeply understand how its proxies were being voted. With the support of SHARE, Coast Funds embarked on a review of its historical proxy voting activity to assess instances where votes of interest had arisen and determine how the fund had voted on these. The results of this process revealed that the voting rights associated with Coast Funds’ equity holdings were not necessarily being voted in a manner consistent with their values and expectations.

As a result, Coast Funds went through a process of developing a new set of proxy voting guidelines which provided its asset managers direction on how its voting rights should be executed, particularly on votes relating to the rights of Indigenous Peoples. The revised guidelines, released in 2019, include reference to the United Declaration on the Rights of Indigenous Peoples, the expectations that companies obtain free, prior and informed consent from Indigenous Peoples before proceeding with activities on their territories, and broad support for company efforts to provide tangible benefits to Indigenous communities through employment opportunities, business partnerships and contracting, among others.

“In our role as an Indigenous-led charitable foundation that finances First Nations’ efforts to strengthen human well-being and to fulfill their inherent stewardship responsibilities across coast British Columbia, we feel it is essential for Coast Funds to continually assess and evolve our socially responsible investment practices. We hope our efforts to recognize the rights of Indigenous Peoples through responsible shareholder advocacy are adopted more broadly by foundations, pension funds, trusts and universities across Canada and eventually, globally.”

Chris Trumpy, Investment, Finance, and Audit Committee Chair, Coast Funds





Recommendation #4: Ask your asset managers about their approach to voting and review their voting record regularly.

Does your manager have proxy voting guidelines? If so, do the guidelines align with your trust's values? For example, how did they vote over the past year on issues brought forward by shareholders? See Box 6 for a case study on how Coast Funds developed its own proxy voting guidelines. Ask your manager to inform you of votes coming up on the ballot that are of particular interest to the trust. See Box 7 for a story of how the Mississaugas of the Credit First Nation Community Trust has worked with its managers to ensure the trust is informed of any proposals of relevance to Indigenous peoples' rights.⁶

⁶ More information on this case study is also available at <https://reconciliationandinvestment.ca/your-vote-counts/>

BOX 7: CASE STUDY: INVESTOR STEWARDSHIP AT THE MISSISSAUGAS OF THE CREDIT FIRST NATION (MCFN) COMMUNITY TRUST

In 2018, the MCFN Community Trust's Investment Policy Statement was revised to include reference to the Mississauga Anishinaabe values. Formally incorporating the priorities and values of the community into a foundational governing document helped ensure that MCFN's views would be represented in how their investments were overseen. The inclusion of a traditional and cultural values statement helped provide direction to the investment managers on asset selection and proxy voting. As a result, their managers now inform the MCFN Community Trust of any shareholder proposals relating to Indigenous rights, so that the Community Trust can direct their votes accordingly.

In 2020, one of the Community Trust's investment managers informed the Community Trust of an upcoming vote at the Bank of Nova Scotia, which asked the bank to revise its human rights policies to ensure that, in its project finance and commercial lending activities, the bank considers the finance recipients' policies and practices for potential impacts on human and Indigenous peoples' rights. As a result, the Community Trust was able to direct its shares in a manner that reflected their desire to uphold Indigenous rights among the companies in which they are invested.

The MCFN Community Trust's Investment Policy Statement has thus provided its trustees with the opportunity to express their unique perspectives, values, and aspirations through the exercise of shareholder rights. Today, Mark Sevestre, General Manager for the Community Trust, reaffirms, "the MCFN Community Trustees can confidently face their beneficiaries and assure them that their community's assets are being invested in a prudent and responsible manner that reflect their own values."



A second investor stewardship practice is to engage portfolio companies on issues of concern, a strategy known as **shareholder engagement**. Shareholder engagement provides a way for investors to use their voices to influence corporate policies and practices. This stewardship practice may involve letter writing, face-to-face meetings with company management or directors, and filing shareholder resolutions at company annual meetings. Effective shareholder engagement is not confrontational; rather it is based on constructive dialogue with the aim to build more successful companies and ultimately create better outcomes not only for the company and its shareholders, but also for communities, for workers, for the environment, and for future generations. Among the issues that investors raise with companies are human and Indigenous rights policies, remediation of environmental impacts, procurement from Indigenous-owned businesses, greenhouse gas emission reductions, and the creation of decent work.

Shareholder engagement is practiced by both large and small investors. In many cases, leadership by small investors effectively marshals support from a wide body of shareholders. For an example, see Box 8.

Recommendation #5: Consider your community's interest in engaging with companies in your portfolio about issues of concern.

- Consult community members in order to determine the issues that are important to them.
- Consider whether you would be interested in engaging with companies on a broad range of issues or on specific issues of most importance to your community.

BOX 8: HOW SMALL INVESTORS CAN MAKE A DIFFERENCE: ENGAGING WITH TC ENERGY

TC Energy (formerly TransCanada) has operations in Canada, the US, and Mexico, including the Keystone XL and Coastal Gaslink projects. On behalf of the Pension Plan of the United Church of Canada (UCC) and SHARE's broader network of investors, SHARE has been engaging with TC Energy on Indigenous rights and relations for a number of years.

Recognizing the gaps in TC Energy's approach to Indigenous rights and relations, SHARE helped the UCC Pension Plan file a shareholder proposal at the company in Spring 2019. SHARE and the United Church of Canada Pension Plan presented the proposal at TC Energy's AGM in May 2019. The proposal received 10% of shareholder support.

During negotiations with TC Energy prompted by the proposal, the company adopted a new Indigenous relations policy. For the first time at the company, this policy applies to all TC Energy operations, and references the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Further engagement has focused on implementing that policy openly and consistently.



BOX 9: THE VALUES IN ACTION ENGAGEMENT PROGRAM

It is possible for trusts to participate in shareholder engagement either through their asset managers or by hiring a dedicated engagement service provider.

In partnership with NATOA, SHARE offers Indigenous trusts the opportunity to participate in the Values in Action Engagement Program. By coming together and pooling resources with others, Indigenous trusts have access to a comprehensive and cost-effective shareholder engagement program where they can decide what level of participation is right for them, while ensuring good corporate governance is being championed on their behalf. Reach out to SHARE or NATOA to ask for more information on this engagement opportunity.

5. INVEST IN THE INDIGENOUS ECONOMY

Many Indigenous trusts express interest in investing in ways that can support economic development in their communities and the growth of a vibrant and resilient Indigenous economy. Despite this, trusts and other institutional investors face challenges in allocating capital to support the Indigenous economy. For example, many asset allocation strategies for Indigenous trusts do not authorize investments in alternative asset classes, such as venture capital or infrastructure. These asset classes often have higher levels of risk, longer holding periods, and minimum investment requirements that often exclude smaller investors. In the past, few suitable investment products designed to support Indigenous economies and businesses have met the risk and return profile of Indigenous trusts.

However, this picture is changing rapidly. Today, there are a growing number of opportunities for trusts to invest in products and funds that specifically target the growth of a vibrant, resilient Indigenous economy. These opportunities may form an integral part of a multi-asset strategy aligned with the risk, return, and liquidity objectives of Indigenous trusts.

For example, the First Nations Finance Authority has developed bonds that are classified in the FTSE TMX Canada Universe Bond Index. These bonds support financing to qualifying First Nations for eligible projects, such as infrastructure, community housing, and land purchases. Both Standard and Poor and Moody's give the FNFA bonds stable ratings of A+ and A2 respectively.⁷ Raven Indigenous Capital Partners is an Indigenous led organization that provides venture capital to innovative, scalable, purpose-driven Indigenous-owned enterprises across Canada. The National Aboriginal Capital Corporations Association (NACCA) is developing the Indigenous Growth Fund, which will provide capital to Aboriginal Financial Institutions across Canada to continue their work in providing loans to new and expanding Indigenous businesses. Finally, Ki'mola Indigenous Capital/Visions First Nations Financial Services is working with First Nation investors to connect them with alternative investment and project finance investment opportunities, including opportunities to invest in First Nations-owned projects.

7 See <https://www.fnfa.ca/en/for-investors/>



Recommendation #6: Learn about new and emerging opportunities to invest in the Indigenous economy.

Start a conversation with consultants and asset managers about investing in the Indigenous economy.

- If implementation requires investment in new asset classes, amend your investment policy statement.
- Explore investment opportunities that align with the overall purpose of your investment vehicle and the criteria established in your investment policy.
- Start a conversation with consultants and asset managers about investing in the Indigenous economy.

When exploring new investment opportunities and new asset classes, it is critical that investors feel comfortable and knowledgeable about these options before making decisions.



IDEAS WORTH SHARING

For the Musqueam Indian Band, the principle of **néča?mat ct** is at the centre of their First Nation's approach to governance, which signifies "we are one." What would their approach to investing look like if it were informed by this principle?

BOX 10: WHY IS INVESTING IN THE INDIGENOUS ECONOMY A GOOD OPPORTUNITY FOR TRUSTS?

Stephen Nairne, Raven Indigenous Capital Partners

While overall outcomes for Indigenous peoples are improving in Canada, economic participation remains constrained by lack of access to capital; inequitable funding for training / education; and a shortage of employment opportunities, particularly for youth. Looking ahead, there are two interrelated reasons that investing in the Indigenous economy represents a good opportunity for Trusts.

First, a combination of demography, favourable changes in public policy (such as settlements and increased Indigenous procurement), and enhanced sovereignty over land and resources have the potential to drive non-correlated (superior) rates of growth for the Indigenous economy in the coming decades.

Second, the COVID 19 pandemic has clearly illustrated the benefits of diversifying trust portfolios away from a strict reliance on public securities toward private market opportunities. The emergence of values-aligned Indigenous investment platforms over the past few years provides Trusts with new options for managing and diversifying risks and controlling the investment costs as they seek to align their investment strategies with their values and meet their financial return goals.



CONCLUSION

This guide identifies some of the steps that Indigenous investors can take to ensure that the assets entrusted to their care are invested in ways that support their communities today, tomorrow, and for future generations. Throughout the guide, we have recommended that Indigenous investors initiate conversations with their communities and service providers to identify priorities and opportunities. These conversations are critical to effective trust governance. At the same time, there are valuable opportunities for Indigenous investors to come together, learn from each other, and identify ways to work together to achieve common goals. NATOA and SHARE are committed to helping facilitate these conversations with Indigenous investors across Canada. We invite you to reach out to us if you are interested in hearing more about these opportunities.







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