

**Statement of  
Investment Policies  
and Procedures**

University of  
Saskatchewan

Endowment Pool

December 2025

Approved on this 16<sup>th</sup> day of April, 2026  
on behalf of the Chief Financial Officer



---

Deidre Henne

# Contents

<b>Section 1—Overview</b>	<b>3</b>
1.01 Definitions	3
1.02 Purpose of the Investment Policy	4
1.03 Nature of the Fund	4
1.04 Responsible Investing	4
1.05 Objective of the Fund	6
1.06 Investment and Risk Philosophy	6
1.07 Administration	10
<b>Section 2—Asset Mix and Diversification Policy</b>	<b>11</b>
2.01 Portfolio Return Expectations	11
2.02 Expected Volatility	11
2.03 Asset Mix	11
2.04 Investment Manager Structure	12
2.05 Manager Compliance	12
<b>Section 3—Permitted and Prohibited Investments</b>	<b>13</b>
3.01 General Guidelines	13
3.02 Permitted Investments	13
3.03 Minimum Quality Requirements	15
3.04 Maximum Quantity Restrictions	16
3.05 Prior Permission Required	17
3.06 Prohibited Investments	18
3.07 Securities Lending	18
3.08 Borrowing	18
<b>Section 4—Monitoring and Control</b>	<b>19</b>
4.01 Delegation of Responsibilities	19
4.02 Performance Measurement	21
4.03 Monitoring and Rebalancing the Fund’s Asset Mix	22
4.04 Reporting by the Investment Managers	23
4.05 Standard of Professional Conduct	23
<b>Section 5—Administration</b>	<b>24</b>
5.01 Conflicts of Interest	24
5.02 Related Party Transactions	25
5.03 Valuation of Securities Not Regularly Traded	25
5.04 Voting Rights	25
5.05 Soft Dollars / Client Brokerage Commissions	26
5.06 Investment Policy Review	26
<b>Section 6—Investment Managers</b>	<b>27</b>
6.01 Selecting Investment Managers	27
6.02 Monitoring of Investment Managers	27
6.03 Reasons for Terminating an Investment Manager	27
<b>Section 7—Investment Consultant</b>	<b>29</b>
7.01 Selection & Termination Policy	29
<b>Appendix A—Compliance Reports</b>	

## Section 1—Overview

---

### 1.01 Definitions

For the purposes of this document the following words, phrases and abbreviations are assigned:

- |                                       |   |
|---------------------------------------|---|
| (a) Board                             | Board of Governors of the University of Saskatchewan  |
| (b) Custodian                         | Trust company responsible for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions   |
| (c) Fund                              | Investment assets of the Endowment Pool   |
| (d) Investment Committee              | The Investment Committee of the University of Saskatchewan  |
| (e) Investment Consultant             | Consulting firm retained by the University to provide strategic advice regarding the Fund's investment policy, investment managers and investment performance issues  |
| (f) Investment Managers               | Professional investment managers hired to manage a segment of the assets within the Fund in accordance with this policy and the mandate given by the University.  |
| (g) Investment Policy                 | The overarching <a href="#">Investment Policy</a> approved by the university Board of Governors that establishes a framework for the investment of funds for the university.  |
| (h) Prudent Person Portfolio Approach | As defined by the Office of the Superintendent of Financial Institutions (OSFI), while responsibly investing the Prudent Person Portfolio Approach requires the Board to establish, and the Fund to adhere to, “investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return”.  |
| (h) Related Party                     | A related party is a person who administers the Fund, including any officer, director or employee of the administrator, or any person who is a member of the Investment Committee. It also includes the Investment Managers and Investment Consultant and their employees, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency. |

- (i) Rate of Return Is the time-weighted rate of return based on the change in market value of the Fund over a measured period, as well as market value and timing of the cashflows during the period, calculated in conformity with the Modified Dietz formula.
- (j) University The University of Saskatchewan

## **1.02 Purpose of the Investment Policy**

The purpose of this investment policy is to provide a responsible investment framework to the Investment Committee for the management of the Fund within levels of risk acceptable to the Board.

A major goal of this policy statement is to establish ongoing communication between the Investment Committee, the Investment Consultant, and the Investment Managers. Effective communication will contribute to management of the portfolio in a manner that is consistent with the objectives of the Board. Consultation between the parties will take the form of regular meetings supplemented, from time to time, by informal contact requested by the parties.

This policy is based on the Prudent Person Portfolio Approach to ensure the prudent investment and administration of the assets of the Fund, subject to applicable legislation.

## **1.03 Nature of the Fund**

To establish an appropriate policy for the investment and administration of the assets set aside within the Fund, it is important to understand the nature of the underlying accounts and any related ongoing obligations.

Fund assets are for accounts with a long-term investment horizon. This pool of assets is managed by external Investment Managers selected by the Investment Committee in accordance with this investment policy.

## **1.04 Responsible Investing**

### **(a) Rationale**

The University's responsible investing approach integrates environmental, social, and governance (ESG) considerations into Investment Manager selection and decision-making, recognizing that these factors may present material risks or opportunities for the long-term returns of the investment portfolio.

Furthermore, the University has signed a Canadian Climate Charter and is committed to the United Nations Principles for Responsible Investment to report its carbon management strategy, targets, and progress using widely recognized recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). Finally, the University seeks to support a positive societal impact that adheres to sanctions imposed by Canada and aligns with the United Nations Sustainable Development Goals (SDGs) to the extent possible, and, as such, will strive to monitor additional ESG metrics while supporting assets in sustainable, renewable, green, and other clean technologies.

### **(b) Approach**

The University's responsible investing approach integrates ESG factors across the

portfolio strategy (with the aim to integrate ESG across all asset classes as industry data and capabilities evolve), risk management, Investment Manager and fund selection, management, monitoring metrics, and reporting. The approach has the following objectives:

- (i) incorporate ESG considerations into investment analysis and decision-making practices;
- (ii) seek and encourage appropriate disclosure on ESG exposures by the entities in which the assets are invested;
- (iii) document and report on responsible investing activities and progress.

The operational responsibility for identifying and managing material ESG factors (both risks and opportunities) is delegated to the Investment Managers, who are expected to apply ESG considerations in accordance with their own investment processes.

The Investment Consultant is responsible for considering the approach to identifying and managing material ESG factors when selecting and reviewing Investment Managers. Further, the Investment Consultant is responsible for identifying ESG matters that arise within an Investment Manager's fund that require Investment Committee discussion and further rationale from Investment Managers, as part of annual responsible investment and carbon reporting.

The Investment Committee has oversight responsibility to monitor various responsible investment reports and metrics for the Fund and the Investment Manager's activities in this area, and provide additional direction, as needed. It will review the Fund's responsible investing approach periodically, particularly if the investment strategy or Fund circumstances change. Further, the Investment Committee will draw on the annual responsible investment report and carbon report when setting its annual Investment Manager meeting schedule and identify immediate actions, if necessary, to follow-up with Investment Manager's on in relation to these reports.

**(c) ESG Factors**

ESG factors are identified as, but not limited to, the following:

- (i) **Environmental:** How a company evaluates and manages its operational impact and stewardship of ecosystems and natural resources, complies with local regulations, and addresses its exposure to the risks created by climate change. Key considerations include greenhouse gas emissions, biodiversity loss, deforestation, changing land use, air and water quality, natural resource depletion, waste management, along with impacts on animal habitats and ocean acidification, as well as physical and transition risks to the company's commercial operations.
- (ii) **Social:** How a company evaluates and manages risks related to human capital, business relationships, and organizational practices and complies with local regulations. Factors include a company's policies and approaches on human rights, labour standards, employment equity, diversity, child, slave and bonded labour, workplace health and safety, freedom of association and freedom of expression, human capital management, and employee relations. In addition, this factor

considers material community impacts, activities in conflict zones, health and access to medicine and financial services, consumer protections, and involvement with controversial weapons and activities. Further, where applicable, social factors extend to a company's position on animal use and testing, including practices related to breeding or using animals in food supply chains.

- (iii) Governance: How a company evaluates and manages operational risks associated with its corporate behaviours and decision-making structures and complies with local regulations. Key considerations include the effectiveness of disclosures (ensuring they are relevant, complete, transparent, accurate, and consistent) as well as details about board structure, director nomination processes, board composition and size, executive compensation, shareholder voting rights, diversity skills, independence, stakeholder rights, business ethics, anti-bribery policies, corruption involvement, tax avoidance activity, internal controls, cyber-security, and conflict of interest policies. Governance also includes a company's approach to sustainability planning, including oversight and the integration of those plans into employee performance assessments and compensation.

## **1.05 Objective of the Fund**

There are three overriding objectives for the Fund:

- (a) To provide a steady flow of funds to meet annual expenditure requirements, with the amount growing annually to maintain the purchasing power of the expenditure stream;
- (b) To increase the market value of the remaining assets so that capital, in real terms, is maintained; and
- (c) To align investment decisions with the University's responsible investment approach defined in Section 1.04 to support a sustainable, just, and environmentally conscious economy and society.

The objectives have competing demands for current cash flow and long-term asset growth. This investment policy sets out guidelines that are intended to permit an investment rate of return sufficient to meet the above objectives, and satisfy the University's expenditure target.

The Fund seeks to generate a total return that will exceed its annual spendable amount, all expenses associated with managing the Fund as well as the eroding effects of inflation. The University has adopted a guideline of spending approximately 4.0% of the market value of endowments annually. This guideline is subject to change, based on actual inflation rates, investment returns, and the conditions of the endowments.

## **1.06 Investment Strategy and Risk Philosophy**

The investment strategy and associated risks are discussed and assessed by the Investment Committee as part of the Asset Mix Study. Such study should be conducted on a regular basis, every 4-5 years. It can also be conducted sooner if there is a material change to the objectives of the Fund, or to the long-term capital market assumptions used for stochastic modelling of the investment/risk outcomes, or for any other reason deemed material by the Investment Committee.

**(a) Investment Strategy**

Fund’s assets should be prudently managed to assist in meeting the Fund’s objectives specified in 1.05.

A number of factors are considered in formulating investment strategy (asset mix) for the Fund:

- (iv) Long-term investment horizon, as many of the Trust Accounts are perpetual.
- (v) High real return requirement.
- (vi) Low liquidity needs.
- (vii) University’s responsible investment approach.

Accordingly, the long-term policy asset mix for the Fund has a bias to equities and alternative asset classes (direct infrastructure, real estate, and managed futures).

The Fund employs a mix of both active and passive management styles. Active management has been adopted for a portion of the assets as it provides the opportunity to outperform common market indices over the long-term. Passive management has been adopted for a portion of the assets as it minimizes the risk of underperformance relative to a benchmark index and is generally less expensive than active management. Passive management may also be used to transition the Fund to its desired long-term asset mix before active managers can be hired and funded. Specialty managers have been employed to achieve style offsets, further mitigating risk.

**(b) Risk Philosophy**

The Investment Committee recognizes that the assets are subject to (but not limited to) the following risks:

Risk Item	Risk Description	Risk Mitigation Strategy
<b>Volatility Risk</b>	Market cycles and economic disruption impact orderly and smooth return performance of the Fund.	The Investment Committee will quarterly review the total Fund asset allocation across asset classes and Investment Managers to ensure the Fund is diversified to reduce volatility by checking compliance with the target allocations and allowable ranges stated in section 2.03. Additionally, the Investment Consultant will provide to the Investment Committee quarterly volatility reporting for each Investment Manager.

<b>Concentration Risk</b>	The Fund asset mix and geography allocations across asset classes and fund managers must result in the portfolio diversified by risk factor (interest rates, currency, geography, investment style, manager, etc.)	The Investment Committee will, at least annually, review the investment strategy to assess concentration risk and any further actions necessary. Further, at least annually, management will assess holdings across Investment Manager products to ensure the Fund does not hold more than 10% of the total market value of a single entity.
<b>Impairment Risk</b>	A decline in the Fund’s purchasing power over the Long Term.	Fund performance is monitored by the Investment Committee and Investment Consultant quarterly, annually (from inception), and on 4-year annualized return basis to relative benchmarks.
<b>Currency Risk</b>	Exposures to foreign currency can impact returns and need to be considered when establishing the asset mix.	Considered by the Investment Committee at implementation of new products and as necessitated by changing economic conditions. The approach will differ by asset class.
<b>Liquidity Risk</b>	The ability of the Fund to maintain sufficient liquidity to meet spending requirements.	Annual spend requirements are reviewed to ensure the percentage of funds held in illiquid assets will not affect spending requirements.
<b>Governance Risk</b>	Failure to undertake, or demonstrate where delegated, good stewardship and positive engagement activities in relation to Fund assets.	An annual report on active engagements and proxy voting by fund managers will be reviewed by the Investment Committee. The Investment Committee may additionally engage shareholder engagement partners to help steward assets in ways that contribute to positive social and environmental outcomes.
<b>Reputational Risk</b>	Failure of the Investment Committee and management to effectively convey the responsible investing strategy of the Fund, its risk management approach, metrics, and targets, through widely accepted reporting principles to the satisfaction of the broad interest groups.	The University is a signatory to the Canadian Climate Charter and has adopted an integrated ESG approach. Further, the University has adopted the Canadian Sustainability Standards, applying a globally recognized reporting framework TFCO, to promote transparency in the Annual Financial Report.

<p><b>ESG and Climate Risk</b></p>	<p>ESG risk factors can have a material impact on the future performance of the Fund. The physical and transition risks associated with climate change can have a material impact on performance and therefore are a priority risk factor. Physical risks include acute or increased chronic extreme weather event-driven risks. Transition risks include potential negative financial, economic and reputational impacts of the global shift towards a low-carbon economy, driven by changes in policy, laws, technology and markets.</p>	<p>ESG policies of individual asset managers will be reviewed by the Investment Consultant and included in the assessment as part of Investment Manager searches and ongoing quarterly performance reports.</p> <p>The Investment Committee will draw on responsible investment and climate reports to identify Investment Managers with holdings that require further ESG rationale to include in quarterly reporting.</p> <p>Additional metrics related to the carbon intensity of the portfolio and sustainable investments will continue to be developed and added to reporting processes, to enhance oversight and decision-making.</p>
<p><b>Investment Consultant Risk</b></p>	<p>Failure of the Investment Consultant to ensure the University oversight bodies are kept informed on evolving practices aligned to this policy and provide effective summary reporting on the Fund performance and other key metrics against established targets or maximum tolerances.</p>	<p>The Investment Committee will review quarterly reporting prepared by the Investment Consultant and discuss evolving practices.</p>
<p><b>Fund Manager Risk</b></p>	<p>Failure of a Fund Manager to meet the Investment Objectives of the Fund while adopting evolving CFA Institute guidance requiring integration of ESG considerations, active engagement with companies held, and effective reporting to the University.</p>	<p>Each manager performance will be assessed by the Investment Consultant and reported to the Investment Committee on a quarterly basis via performance report. Compliance of a manager with its investment policy will also be regularly (at least annually) assessed by the Investment Consultant and reported to the Investment Committee.</p>

## **1.07 Administration**

The Chief Financial Officer, as delegated by the Board of Governors, is responsible for oversight of the Fund assets invested by the University. The Board of Governors retains accountability of investment through the overarching university Investment Policy and monitors strategies, performance, compliance and risk through reporting from the Chief Financial Officer.

The Investment Committee is responsible for the investment and administration of the Fund and makes recommendations on investment strategies that are in alignment with the board-approved investment policy.

Day-to-day administration is provided by the Treasury team within the Strategic Financial Office of the University.

More detail on the roles and responsibilities of the various parties is included in Section 4.01—Delegation of Responsibilities.

## Section 2—Asset Mix and Diversification Policy

### 2.01 Portfolio Return Expectations

The long-term investment goal of the Fund is to achieve a minimum annualized rate of return of four percentage points in excess of the Canadian Consumer Price Index. This goal is consistent with the overall investment risk level that the Fund could assume to maintain the purchasing power of the awards/expenditures, and normally will be assessed over longer time periods, i.e., over ten years or more.

### 2.02 Expected Volatility

To achieve this long-term investment goal, the Fund has adopted an asset mix that has a bias to equity investments. Risk is controlled by investing in a well-diversified portfolio of asset classes through multiple managers. Since the Investment Managers are not permitted to use leverage (with the exception of Managed Futures, Real Estate, and Infrastructure), the volatility of the Fund is expected to be similar to that of the benchmark portfolio.

### 2.03 Asset Mix

The long-term benchmark weights are shown, respectively, along with asset component ranges, in the following table. Interim benchmarks within these ranges may be adopted temporarily as the transition to the long-term asset mix occurs.

#### **Fund Asset Mix and Asset Component Ranges**

	Long-Term %		
	Min	Target	Max
Global Equities	45	50	55
<b>Total Equities</b>	<b>45</b>	<b>50</b>	<b>55</b>
Direct Infrastructure*	10	15	20
Canadian Real Estate	0	0	10
Global Real Estate*	5	10	15
<b>Total Real Assets</b>	<b>15</b>	<b>25</b>	<b>30</b>
Managed Futures	5	10	15
<b>Total Alternatives</b>	<b>20</b>	<b>35</b>	<b>40</b>
Canadian Universe Bonds	5	15	20
Cash & Short-term Investments	0	0	20
<b>Total Fixed Income</b>	<b>5</b>	<b>15</b>	<b>40</b>
		<b>100</b>	

\* The Infrastructure and Global Real Estate allocations may employ a Money Market or a passive listed mandate until direct Infrastructure or Real Estate allocations are funded.

## 2.04 Investment Manager Structure

The Fund will retain specialty managers to maximize value-added potential in asset classes where skilled managers have demonstrated a consistent ability to outperform their respective indices, as well as to achieve style offsets and asset class diversification, and mitigate risks.

The assets of the Fund are managed by various Investment Managers with different mandates. To ensure adequate diversification by both asset class and by Investment Manager, the Investment Committee has established the following parameters to guide the allocation of assets to each of the Fund's Investment Managers.

### **Current Manager Rebalancing Guidelines (% of Market Value)**

<b>Manager</b>	<b>Minimum %</b>	<b>Target %</b>	<b>Maximum %</b>
Global Equity Manager – Value	10	15	20
Global Equity Manager – Growth	10	15	20
Global Equity Manager – Core	15	20	25
<b>Global Equity Managers</b>	<b>45</b>	<b>50</b>	<b>55</b>
Direct Infrastructure Manager – KKR	0	9	15
Direct Infrastructure Manager – IFM	0	6	10
<b>Direct Infrastructure Managers</b>	<b>10</b>	<b>15</b>	<b>20</b>

Implementation of the rebalancing is the responsibility of the Manager, Treasury and will be implemented with the assistance of the Investment Consultant.

#### ***Procedures***

The rebalancing guidelines are intended to assist in managing the asset mix. Neither rebalancing for market fluctuations, nor allocation of new cash flow, will be used as a method to reward or express dissatisfaction with Investment Manager performance which is a long-term measure and will be dealt with during Investment Manager performance reviews.

The assets allocated to each Investment Manager will be determined subsequent to each calendar quarter. Should any Investment Manager's range be breached, the Investment Consultant will advise the Manager, Treasury who, with the assistance of the Investment Consultant, will rebalance the funds allocated to or from that Investment Manager to within the range and towards the target weight by transferring cash to or from the portfolio of the other Investment Managers by the end of the following month. It is recognized that rebalancing actions for real estate and infrastructure allocations may require flexibility relative to policy guidelines due to their less liquid nature.

## 2.05 Manager Compliance

The Fund is invested in pooled funds. On a regular basis, each Investment Manager will complete and make available a signed compliance letter for each pooled fund within the Fund. The compliance letter should indicate whether funds were in compliance with the internal pooled fund guidelines throughout the period.

## Section 3—Permitted and Prohibited Investments

---

### 3.01 General Guidelines

In general, and subject to the restrictions noted below, the Fund may invest in any of the following asset classes and investment instruments:

### 3.02 Permitted Investments

#### (a) Canadian and Foreign Equities

- (i) Common and convertible preferred stock, listed on a recognized exchange
- (ii) Debentures convertible into common or convertible preferred stock
- (iii) Rights, warrants and special warrants for common or convertible preferred stock
- (iv) Installment receipts, American Depository Receipts or other recognized depository receipts
- (v) Exchange traded index participation units (i.e., iShares and Standard & Poor's Depository Receipts (SPDRs))
- (vi) Income trusts, including real estate investment trusts (REITs), in jurisdictions that provide limited liability protection to unit holders and adheres with sanctions imposed by Canada, to the extent possible.
- (vii) Exchange traded limited partnerships
- (viii) Private placement equity where the Investment Manager determines the security will become eligible for trading on a recognized exchange within a reasonable and defined timeframe, not to exceed six months, and the issuing company is publicly listed on a recognized exchange.

#### (b) Fixed Income

- (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian or developed market foreign issuers, not under sanction with Canada, to the extent possible, whether denominated and payable in Canadian dollars or a foreign currency
- (ii) Mortgage-backed and asset-backed securities
- (iii) Term deposits and guaranteed investment certificates
- (iv) Private placements of bonds subject to Section 3.03(e)

**(c) Cash and Short-Term Investments**

- (i) Cash on hand and demand deposits
- (ii) Mortgage-backed and asset-backed securities
- (iii) Treasury bills issued by the federal and provincial governments and their agencies
- (iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances
- (v) Commercial paper and term deposits

**(d) Real Estate**

Investment in real estate by way of participation in a pooled fund is permissible. While it is recognized any real estate pooled fund in which the Fund participates is governed by its own investment policy, desirable traits in selection of a real estate manager and pooled fund include:

- (i) An institutional investment focus;
- (ii) A core style of real estate investing that is predominately focused on developed income-producing properties;
- (iii) A well-diversified portfolio by property type and by region that adheres to sanctions imposed by Canada, to the extent possible; and
- (iv) Measured use of leverage, not to exceed 75% on individual properties and 60% on Total Fund assets.

**(e) Direct Infrastructure**

Infrastructure assets are permitted through holding units in open or closed ended investment funds, limited partnerships or other corporate structures designed to limit liability and achieve tax efficiency. These entities may be domestic or foreign domiciled.

Permitted investments in infrastructure will be governed by the terms and conditions set out in the respective investment fund contract, Offering Memorandum, Trust Agreement or similar document that is applicable to each Investment Manager.

**(f) Other Investments**

- (i) Investments in open or closed-ended pooled funds provided that the assets of such funds are permissible investments under this policy
- (ii) Deposit accounts of the Custodian can be used to invest surplus cash holdings

**(g) Derivatives**

The use of derivatives (such as options, futures and forward contracts) is permitted to protect against losses from changes in exchange rates, interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. Sufficient assets or cash must be held to cover commitments due to the derivatives transactions. No

derivatives can be used for speculative trading or to create a portfolio with leverage (except within the Managed Futures mandate, where speculative trading and leverage is permitted).

Derivatives used in pooled funds are subject to the pooled fund guidelines.

**(h) Pooled Funds**

Investment in pooled funds is permissible. Pooled Funds are governed by the policies for each fund. The Investment Committee shall, with the assistance of the Investment Consultant, review the guidelines for any pooled fund investment to determine that they are appropriate.

### **3.03 Minimum Quality Requirements**

**(a) Quality Standards**

Within the investment restrictions for individual Manager portfolios, including pooled funds, all portfolios should hold a prudently diversified exposure to the intended market.

- (i) The minimum quality standard, excluding Return Seeking Bond mandate, for individual bonds, debentures and mortgage-backed and asset-backed securities is 'BBB' or equivalent as rated by a recognized bond rating agency at the time of purchase (includes all sub-rating levels within the overall 'BBB' rating).
- (ii) The minimum quality standard, excluding Return Seeking Bond mandate, for individual short-term investments is 'R-1' or equivalent as rated by a recognized bond rating agency, at the time of purchase.
- (iii) Province of Saskatchewan securities are permissible investments.
- (iv) All investments with the exception of Real Estate, Direct Infrastructure and Return Seeking Bonds shall be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within 1 month).

**(b) Split Ratings**

In cases where the Recognized Bond Rating Agencies do not agree on the credit rating, the security will be classified according to the methodology used by FTSE Canada Global Debt Capital Markets, which states:

- (i) If two agencies rate a security, use the lower of the two ratings;
- (ii) If three agencies rate a security, use the most common; and
- (iii) If all three agencies disagree, use the middle rating.

**(c) Downgrades in Credit Quality**

The Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Section 3.03 (a) Quality Standards:

- (i) The Investment Committee will be notified of the downgrade by e-mail at the earliest possible opportunity;
  - (ii) Within ten business days of the downgrade, the Investment Manager will advise the Investment Committee in writing of the course of action taken or to be taken by the Investment Manager, and its rationale; and
  - (iii) The Investment Manager will provide regular reporting on the status of the asset until such time as it matures, is sold or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.
- (d) Rating Agencies**  
For the purposes of this policy, the following rating agencies shall be considered to be 'recognized bond rating agencies':
- (i) DBRS (for Canadian issuers only);
  - (ii) Standard and Poor's;
  - (iii) Moody's Investors Services; and
  - (iv) Fitch Ratings (for foreign issuers only).
- (e) Private Placement Bonds**  
Private placement bonds are permitted subject to all of the following conditions:
- (i) The issues acquired must be minimum 'BBB' or equivalent rated;
  - (ii) The Investment Manager's portfolio may not hold more than 5% of the market value of any one private placement; and
  - (iii) The Investment Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

The above requirements do not apply to private placement bonds held within Return Seeking Bond investment fund units.

### **3.04 Maximum Quantity Restrictions**

The Investment Manager shall adhere to the following restrictions:

- (a) Equities**
- (i) Equity holdings of a corporation and its associated or affiliated companies, public or private placements, shall not represent more than 10% of the market value of the respective equity portfolio of any one Manager

- (ii) No one equity holding shall represent more than 10% of the voting shares of a corporation
- (iii) No one equity holding shall represent more than 10% of the available public float of such equity security
- (iv) Within foreign equity portfolios, a maximum of 20% of the portfolio may be invested in stocks domiciled in non-MSCI World Index (emerging market) countries

**(b) Bonds and Short-Term Investments (Excluding Return Seeking Bonds)**

- (i) Except for federal and provincial bonds (including government guaranteed bonds), no more than 10% of an Investment Manager's bond portfolio may be invested in the bonds of a single issuer and its related companies
- (ii) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue
- (iii) 'BBB' or equivalent rated securities may not be purchased if the purchase would raise the 'BBB' holdings to more than 15% of the market value of the bond portfolio
- (iv) No more than 15% of the market value of an Investment Manager's bond portfolio shall be invested in bonds of foreign issuers
- (v) Foreign currency exposure is limited to 10% of the market value of the bond portfolio

**(c) Pooled Fund Investments**

An investment by the Fund in a single pooled fund should not exceed 10% of the market value of that fund unless provision has been made to transfer assets out of the fund "in kind". Real estate pooled funds are excluded due to the illiquid nature of the underlying assets.

### **3.05 Prior Permission Required**

The following investments require prior permission from the Investment Committee:

- (a) Investments in private placement equities other than those otherwise permitted in Sections 3.02(a) above;
- (b) Investments in mortgages;
- (c) Direct investments in resource properties;
- (d) Direct investments in venture capital financing;
- (e) Derivatives other than those otherwise permitted in Sections 3.02(f) above;
- (f) Any other investment not explicitly authorized in this policy.

### **3.06 Prohibited Investments**

The Investment Managers shall not:

- (a) Invest in companies for the purpose of managing them, with the exception of the infrastructure or real estate limited partnerships and/or funds;
- (b) Purchase securities on margin or engage in short sales, except as allowed in 3.02(f); or,
- (c) Make any investment not specifically permitted by this policy.

### **3.07 Securities Lending**

The securities of the Fund may not be loaned, except within pooled funds where the pooled fund investment policy permits securities lending.

### **3.08 Borrowing**

The Fund shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to applicable legislation.

## Section 4—Monitoring and Control

---

### 4.01 Delegation of Responsibilities

The Board maintains accountability for investments through the university's overarching Investment Policy. Policy compliance, investment performance, and investment strategies are reported to the Board by the Chief Financial Officer.

The Chief Financial Officer is responsible to ensure the Policy is adhered to and more specifically:

- Invest university resources in alignment with the university's mission, vision and values;
- Administer university investments, including the ability to hire any agent, broker, Investment Manager, Custodian and other advisors that the Investment Committee deems appropriate to fulfil their fiduciary responsibilities;
- Establish an Investment Committee; and
- Report to the Board on strategies, performance, compliance and risk.

The Investment Committee is responsible to:

- Develop and advise on investment policy and strategy
- Recommend an investment management structure (number of Investment Managers, investment mandate);
- Recommend appointment of the Investment Managers, the Investment Consultant and the Custodian;
- Monitor investment performance;
- Monitor compliance with policy;
- Liaise with the Investment Consultant, Investment Managers and Custodian; and
- Recommend changes to this policy for review.

Responsibility for investment management of the Fund has been delegated to professional Investment Managers. Responsibility for safekeeping of the assets has been delegated to the Custodian.

In completing the above duties, several responsibilities have been delegated:

**(a) The Investment Managers will:**

- (i) Invest the assets of the Fund in accordance with this policy;
- (ii) Meet with the Investment Committee as required, and provide quarterly written reports regarding their past performance, their future strategies and other issues as requested;
- (iii) Notify the Investment Committee, in writing, of any legal or regulatory proceedings or charges of which the Investment Manager may be aware, against the Investment Manager's firm or investment personnel, or against any sub-advisor or that firm's personnel;
- (iv) File regular compliance reports (see Section 4.04); and
- (v) Provide documentation (if applicable) demonstrating its responsible investment policy and approach.

**(b) The Custodian will:**

- (i) Maintain safe custody over the assets of the Fund;
- (ii) Execute investment instructions, as delegated to any Investment Manager appointed to manage the assets of the Fund; and
- (iii) Record income and provide monthly financial statements as required.

**(c) The Investment Consultant will:**

- (i) Assist in the development and implementation of this policy and provide related research;
- (ii) Monitor the investment performance of the Fund and the Investment Managers on a quarterly basis;
- (iii) Advise the Manager, Treasury when rebalancing is required;
- (iv) Support the Investment Committee on matters relating to investment management and administration of the Fund;
- (v) Meet with the Investment Committee as required; and
- (vi) Support university responsible investing priorities through Investment Manager research, ESG advisory services and ESG/carbon reporting.

**(d) Treasury within the Strategic Finance Office of the University will:**

- (i) Maintain a unitized record-keeping system to account for proportionate ownership of assets in the fund;
- (ii) Account for additions, withdrawals and balances in the various trust accounts;

- (iii) Manage cash flow to ensure adequate liquidity to meet the conditions of the trusts;
- (iv) Maintain and rebalance the Fund's asset mix as outlined in Section 4.03;
- (v) Liaise with donors;
- (vi) Liaise with the Investment Consultant, Investment Managers and Custodian.
- (vii) Prepare a schedule of trust fund balances for inclusion in the annual financial report; and
- (viii) Prepare financial statements that are subject to independent audit.

#### **4.02 Performance Measurement**

The performance of the Fund shall be measured quarterly and return calculations shall be as follows:

- Time weighted rates of return; and
- Total returns, including realized and unrealized gains and losses and income from all sources.

Measurement against performance objectives for the Investment Managers will normally be assessed over rolling four-year periods.

#### **Fund Benchmark**

The primary objective for the Fund is to earn a rate of return, net of fees, that exceeds the rate of return earned on a benchmark portfolio. The benchmark consists of the following market index total returns weighted as indicated:

## **Fund Benchmark**

---

	<b>Long-Term %</b>
<i>Global equities</i>	
MSCI ACWI Net Total Return Index	50
<i>Direct Infrastructure</i>	
Consumer Price Index (Canadian) plus 4 %	15
<i>Canadian Real Estate</i>	
MSCI/REALPAC Canada Annual Property Index	0
<i>Global Real Estate</i>	
NCREIF Global Real Estate Fund Index (GREFI)	0-10*
<i>Canadian Bonds</i>	
FTSE Canada Universe Bond Index	15
<i>Cash &amp; short-term investments</i>	
FTSE Canada 91 Day T-Bill Index	0-10*
<i>Managed Futures</i>	
FTSE Canada 91 Day T-Bill Index plus 4%	10
*Adjusted as per capital calls timeline	
	<b>100</b>

---

### ***Active Investment Manager Performance Objectives***

The benchmark performance objectives for the active Investment Managers are tailored to the specific mandate established for each Investment Manager. Accordingly, the asset class performance objectives may change over time. Currently, the asset class objectives are to exceed asset class market indices, net of fees, with an appropriate level of volatility.

### ***Passive Investment Manager Performance Objectives***

The asset class objective is to track the below Index within +/-0.20% over four years. All asset classes with exception of Canadian bonds and cash & short-term investments are managed actively. The market indices referred to in this section may be changed by the Investment Committee to match the specific investment mandates for the Investment Managers selected to manage the portfolio, recognizing that at all times the Fund must be managed in accordance with the asset mix guidelines with regard to permitted and prohibited investments set out in Sections 2 and 3 above.

The secondary objective of the Fund is to establish a carbon management target using globally recognized measures and report, at least annually, the Fund's carbon measure against the target in the Annual Financial Report.

## **4.03 Monitoring and Rebalancing the Fund's Asset Mix**

To ensure that the Fund operates within the guidelines stated in this policy, the Manager, Treasury, with the assistance of the Investment Consultant, shall monitor the asset mix on a quarterly basis. In the event that the Fund falls outside of asset mix and/or rebalancing guidelines at the end of a calendar quarter, the Investment Consultant will advise the

Manager, Treasury who will rebalance the portfolio as outlined in Section 2.04 -Investment Manager Structure.

#### **4.04 Reporting by the Investment Managers**

On a calendar quarterly basis, each Investment Manager will provide a performance report and a strategy review for the portfolio under management.

Each Investment Manager is required to complete and sign a compliance report on a regular basis. The compliance report should indicate whether or not the Investment Manager's portfolio was in compliance with this policy during the quarter. Copies of the compliance reports must be sent to the Investment Consultant and to the Manager, Treasury for distribution to the Investment Committee. Suggested report formats for the compliance reports are included under the appendix.

In the event that an Investment Manager is not in compliance with this policy, the Investment Manager is required to advise the Manager, Treasury immediately, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation. If it is in the best interest of the Fund, the Investment Committee may permit the Investment Manager, on a temporary basis, to be outside of the guidelines.

If the Investment Manager believes the Asset Mix Guidelines are inappropriate for anticipated economic conditions, the Investment Manager is responsible for advising the Manager, Treasury that a change in guidelines is desirable and the reasons therefore.

The Fund invests in pooled funds that have separate investment policies. Should a conflict arise between the provisions of this policy, and the provisions of the pooled fund investment policies, the respective Investment Manager is required to notify the Manager, Treasury immediately in writing, detailing the nature of the conflict and the Investment Manager's recommended course of action.

#### **4.05 Standard of Professional Conduct**

The Investment Manager is expected, as a minimum, to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The Investment Manager will manage the assets with the care, diligence and skill that a prudent person skilled as a professional investment manager would use in dealing with endowment assets. The Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

## Section 5—Administration

---

### 5.01 Conflicts of Interest

#### (a) Responsibilities

This standard applies to the members of the Investment Committee and employees of the University who have responsibilities in administration of the Fund, as well as to all agents employed by them, in the execution of their responsibilities related to the Fund (the "Affected Persons").

An "agent" is defined to mean a company, organization, association or individual, as well as its employees, who are retained by the Investment Committee to provide specific services with respect to the investment, administration and management of the Fund.

In carrying out their fiduciary responsibilities, these parties must act at all times in the best interest of the Fund.

#### (b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which would appear to a reasonable person to impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

No Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Investment Committee.

No Affected Person shall accept a gift or gratuity or other personal favor, other than one of nominal value, from a person with whom the individual deals in the course of performance of his or her duties and responsibilities for the Investment Committee.

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Chief Financial Officer and the Investment Committee Chair immediately. The Investment Committee Chair, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will raise the matter and have it recorded in the minutes of the next regular meeting of the Investment Committee.

No Affected Person who has or is required to make a disclosure which is determined to be in conflict as contemplated in this policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

## **5.02 Related Party Transactions**

Without prior approval of the Investment Committee Chair, the Fund may not enter into a transaction with a related party unless the transaction is required for the operation or administration of the Fund (not including loans or investments) and the terms and conditions of the transaction are not less favourable to the Fund than market terms and conditions.

Under the conflict-of-interest guidelines, any person who becomes aware of a conflict of interest shall notify the Chief Financial Officer and the Investment Committee Chair if a conflict arises. Such conflict includes related party transactions.

## **5.03 Valuation of Securities Not Regularly Traded**

The following principles will apply for the valuation of investments that are not traded regularly:

- (a) Equities; average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter;
- (b) Bonds; same as for equities;
- (c) Mortgages; unless in arrears, at the outstanding principal;
- (d) Real estate; a certified written appraisal from a qualified independent appraiser at least every two years; and
- (e) Securities that are not publicly traded are valued at cost unless there is an external transaction or other evidence that indicates market value is different from cost.

## **5.04 Voting Rights**

The Board has delegated voting rights acquired through Fund investments to the Custodian of the securities, to be exercised in accordance with the Investment Managers' instructions. Investment Managers are expected to vote all proxies in the best interests of the beneficiaries of the Fund. In certain international markets, shares may be blocked from transfer prior to a vote. If deemed potentially detrimental to the Fund, Investment Managers may refrain from voting these proxies.

The Board, however, may take back voting rights for specific situations.

For private placements, voting rights will be delegated to the Investment Manager, or voted directly by a Board representative.

The Investment Managers should disclose their proxy voting policies and any changes thereto and report quarterly in the compliance report on (1) whether all eligible proxies were voted on the Fund's behalf and (2) if the proxy guidelines were followed and report on any deviations.

### **5.05 Soft Dollars / Client Brokerage Commissions**

A variety of brokers should be used in order to gain maximum utilization of the services available. It is the responsibility of the Investment Manager to ensure that the commission distribution is representative of the services rendered.

The University does not use soft dollars/client brokerage commissions to pay for any goods or services. Investment Managers may use soft dollars/client brokerage commissions to pay for research and other investment-related services with disclosure to the Board, provided they comply with the CFA Institute Soft Dollar Standards or the Investment Manager's form ADV part II as appropriate.

### **5.06 Investment Policy Review**

This policy may be reviewed and revised at any time, but it must be formally reviewed by the Investment Committee at least once in every calendar year and to the extent changes are necessary, the Investment Committee shall make recommendations to the Chief Financial Officer as to the changes in the policy.

## Section 6—Investment Managers

---

### **6.01 Selecting Investment Managers**

In the event that a new Investment Manager must be selected or additional Investment Managers added to the existing Investment Manager, the Investment Committee will undertake an Investment Manager search. The criteria used for selecting an Investment Manager will be consistent with the investment and risk philosophy set out in Section 1.06 (Investment Strategy and Risk Philosophy).

As responsible corporate behaviour with respect to environmental, social and governance (ESG) factors is recognized to have a positive influence on long-term shareholder value, the Committee will consider an Investment Manager's approach to ESG or sustainability factors when selecting Investment Managers.

Prospective Investment Managers will be a signatory to UNPRI and provide evidence to how ESG is integrated into asset selection within its product, including how ESG matters are actively considered and managed within the product.

### **6.02 Monitoring of Investment Managers**

To enable the Investment Committee to fulfill its responsibility of monitoring and reviewing the Investment Managers, the Investment Consultant will assist the Investment Committee, on an ongoing basis, in considering:

- (a) Investment Manager's staff turnover, consistency of style and record of service;
- (b) Investment Manager's current economic outlook and investment strategies;
- (c) Investment Manager's compliance with this policy, where an Investment Manager is required to complete and sign a compliance report;
- (d) Investment performance of the assets of the Fund in relation to the rate of return expectations outlined in this policy; and
- (e) Investment Manager's ability to incorporate ESG factors into its investment and stewardship activities.

### **6.03 Reasons for Terminating an Investment Manager**

Reasons for considering the termination of the services of an Investment Manager include, but are not limited to, the following factors:

- (a) Performance results, which over a reasonable period of time, are below the stated performance benchmarks or applicable peer groups;

- (b) Changes in the overall structure of the Fund such that the Investment Manager's services are no longer required;
- (c) Change in personnel, firm structure and investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio;
- (d) Legal or regulatory proceedings against the Investment Manager or its investment personnel, or any sub-advisor firm or that firm's investment personnel; and/or
- (e) Failure to adhere to this policy.

## Section 7—Investment Consultant

---

### 7.01 Selection & Termination Policy

#### (a) Selection

The Investment Committee shall consider the following criteria when selecting an Investment Consultant to monitor the investment performance for the Fund:

- (i) The Investment Consultant has established a reputation for expertise in the issues and regulations governing institutional investment portfolios in Canada.
- (ii) The Investment Consultant has established a reputation for proactive advice to governance committees.
- (iii) The Investment Consultant has established a reputation for quality client servicing. The criteria for judging this quality include clear, accurate and complete reporting, both orally and in writing.
- (iv) The Investment Consultant can support university responsible investing priorities by having access to ESG data and analytical tools, including carbon and other ESG measurement data.
- (v) The Investment Consultant's fees shall be competitive.

#### (b) Termination

Reasons for considering the termination of the services of the Investment Consultant include, but are not limited to, not maintaining the selection criteria cited above.