

ST. JEROME'S UNIVERSITY



Statement on Investment Policy and Procedures (SIPP)

Board Manual

Approving Authority: Board of Governors

Established: February 2013

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Policy Statement

To comply with the terms of the investment powers provided for under the Act, the Board of Governors establishes the University's Investment Policy and Procedures to provide appropriate parameters for the investment of the Funds of the University consistent with the Mission, Vision and Objects of the University. The Board of Governors will approve Specific Investment Policies for each fund or grouping of funds, which in the determination of the Board of Governors, requires a separate investment policy.

In addition, the University's Statement on Investment Policy and Procedures may include specific requirements pertaining to the University's commitment to Mission Based Investing.

General Principles

1.1. The University

St. Jerome's University is a public Roman Catholic post-secondary institution incorporated in 1865 and given university status in 1959 with subsequent amendments in 1986, 1996 and 2000 under the laws of the Province of Ontario.

1.2. Investment Power of the University

The University provides that the investment power under the Act shall apply to the Funds of the University.

1.3. Funds held by the University

The University may, from time to time, hold both general and restricted Funds that it is responsible to invest.

1.4. Fiduciary duty of the Board

The Board of Governors recognizes that it has a fiduciary duty to establish an Investment Policy for the Funds of the University and to provide oversight on the execution of the Investment Policy to ensure the prudent investment and administration of the Funds of the University.

2.1 Effective Date

This Investment Policy is deemed to come into effect on the date the policy and procedure are approved by the Board of Governors in accordance with its procedures, and all Investments thereafter shall be made in accordance with the terms thereof.

2.2 Transition Period

In the event that a Fund or Funds of the University is not invested in accordance with the terms of the Investment Policy as of the Effective Date or at any time thereafter, then such Fund or Funds shall be re-invested to be brought within the terms of the Investment Policy as soon as reasonably practicable, having regard to preserving the value and returns associated with such Fund or Funds during the re-investment process.

3.1. Applicable Investment Power

- a) (a) Unless provided otherwise by the terms of a gift agreement or other document establishing or otherwise applicable to the assets of a Fund, the investment power provided for under the Act, and as described below shall apply to all Funds of the University.
- b) (b) In the event of a conflict between the terms of this Investment Policy and the terms of the Act, the terms of the Act shall prevail.
- c) (c) A specific investment power contained within a gift agreement or document establishing or otherwise applicable to the assets of a Fund shall override the terms of this Investment Policy where the specific investment power in question is clearly stated and is materially different from the investment powers provided for under the Investment Policy. The Specific Investment Policy applicable to the Fund should ordinarily identify any such specific investment powers.

3.2. Application of Investment Policy

The Board may determine to make Investments of the University within or outside the Province of Ontario as the Board considers appropriate in light of Section 3.04 hereof.

3.3. Prudent Investor Standard of Care

The University shall exercise the care, diligence and skill in the administration and investment of the Funds that a person of ordinary prudence would exercise. Such persons must further use all knowledge and skill that they possess.

3.4. Purpose of the Investment Policy

The Investment Policy provides the framework and guidelines for the investment of the Funds of the University that a person of ordinary prudence could adopt under comparable circumstances.

3.5. Authorized Investment

The University is authorized to invest the Funds of the University in any of the following:

- a) Any form of investment in which a prudent investor might invest;
- b) In the event that any Fund is held with a trust corporation as defined under the Loan and Trust Corporations Act (Ontario), R.S.O. 1990, c. L.25, in a common trust fund maintained by such trust corporation.

3.6. Specific Terms of Reference for Investment Policy

The specific terms of reference for the Investment Policy are those set out in a Specific Investment Policy or Policies described in Section 4 – Specific Investment Policies.

3.7. Utilization of Investment Advisors

Where an Investment Manager has not been retained by the University for purposes of delegating investment decision making with respect to any Fund or Funds, then the Board shall, where it considers it appropriate, retain a qualified Investment Advisor to provide investment advice.

3.8. Utilization of Professional Advisors

The University may, when reasonably practical, obtain the services of a qualified professional or expert to provide professional or expert advice to the Board in relation to the implementation of the Investment Policy and any amendments thereto, or the interpretation in relation to its terms that may require clarification from time to time.

3.9. Utilization of Finance and Audit Committee of the Board of Governors

- a) When authorized by the Bylaw of the University, the Board may use the Finance and Audit Committee to assist the Board with the Investment of Funds in accordance with the Investment Policy.
- b) The composition, duties and procedures for such Committee shall be determined in accordance with the general operating bylaw of the University.
- c) The Board may seek the advice or the assistance of the Committee for the investment of Funds of the University in accordance with the terms of the Investment Policy.
- d) Alternatively, the Board may authorize the Committee to invest the Funds of the University, provided that the Committee shall at all times be under the direction and control of the Board and shall, where practical, report to the Board at each meeting of the Board.

3.10. Utilization of University Staff

Where appropriate, the Board may use employees of the University to assist in investment decision making on behalf of the Board, provided that such employee shall at all times remain under the direction and control of the Board and shall, where practical, report to the Board at least once every 12 months.

3.11. Co-Mingling of Restricted Funds

- a) When deemed appropriate by the Board, the Board may authorize the co-mingling of restricted and/or special purpose Funds of the University for investment purposes where such co-mingling would result in the improved administration and/or an improved investment return for the University or some other benefit identified by the Board in its authorization.
- b) The co-mingling of restricted and/or special purpose Funds may only be done in accordance with the regulations in place from time to time under the *Ontario Charities Accounting Act (Ontario), R.S.O. 1990, c. C.10*.
- c) At no time shall any restricted and/or special purpose Funds be co-mingled with the general Funds of the University.
- d) A Specific Investment Policy shall be prepared for each special grouping of comingled Funds in accordance with this Investment Policy, the Act and regulations under the *Charities Accounting Act (Ontario), R.S.O. 1990, c. C.10*.
- e) The Endowed Funds will be held in a separate investment account for accounting and reporting purposes.

3.12. Legislative Compliance

- a) Jurisdiction of Investment Power
In the event that a Fund is invested outside of the Province of Ontario, then in addition to complying

with the terms of the Investment Policy, the Funds shall be invested, where applicable and as much as necessary, in accordance with the terms of the applicable legislation regulating the investment of trust funds in the applicable jurisdiction. In the event that a conflict develops between the terms of the Investment Policy and the applicable investment legislation in that said jurisdiction, then the terms of the section 2.02 herein shall apply.

b) **Compliance with Applicable Legislation**

In addition to complying with the terms of the Act and this Investment Policy, the Investment of Funds shall be subject to complying with the restrictions and the requirements under other applicable legislation, including but not limited to:

- i. the *Income Tax Act (Canada), R.S.C. 1985, C.1 (5th Supp.)*, in relation to permitted investments;
- ii. the *Charitable Gifts Act (Ontario), R.S.O. 1990 c. C.8*, in relation to the limitation on owning not more than a ten percent interest of any business as defined therein;
- iii. the *Charities Accounting Act (Ontario), R.S.O., 1990 c. C.10*, in relation to the restrictions to not own land for more than three years where such land is not used to further the charitable purpose of the University;
- iv. the *Accumulations Act (Ontario), R.S.O. 1990, c.A.5*, in relation to the restrictions that income from real or personal property cannot be accumulated for any longer than the maximum accumulation periods set out in section 1(1) therein; and
- v. the *Canada Corporations Act, R.S.C. 1985, c. C. 32* in relation to a requirement to prepare audited financial statements each year, which should show details of the Investments of the Funds of the University.

1.5. **Conflict of Interest in relation to Investments**

- a) No member of the Board shall directly or indirectly receive any benefit or gain from any Investment of Funds of the University, save and except for reimbursement of out of pocket expenses. This section shall not apply to inadvertent and immaterial benefits resulting from decisions of Investment Managers to which the authority to make investment decisions has been properly delegated, provided that no member of the Board was involved in the decision of such Investment Manager or Investment Managers that led to the conferral of such benefit or gain.
- b) Any Board member who has knowledge of any direct or indirect personal interest, gain or benefit in relation to an Investment of the Funds shall declare his or her interest therein in writing to the Board Chair of the University in advance of such Investment of Funds being made by the University, or if such knowledge arises thereafter, as soon as practical upon becoming aware of the same.
- c) Notwithstanding section 3.13(a) and section 3.13(b), no disclosure or prohibition of involvement is required in relation to an Investment of Funds unless the direct or indirect personal interest, gain or benefit of the Board member in such Investment of Funds is of a material nature. The phrase "material nature" shall mean that the Board member in question, directly or indirectly, is personally receiving a material benefit or gain of some kind, either financially or otherwise, with the determination of "material benefit or gain of some kind" in such circumstances to be determined by the Board from time to time.
- d) In the event that there is a conflict of interest involving a Board member concerning any Investment of Funds, then either the University shall not proceed with the Investment in question or, alternatively, the Board member shall not be present during any discussions in relation to the said Investment of Funds and shall refrain from any voting by the Board in relation to the said Investment of Funds, with such actions being recorded in the minutes.

- e) Notwithstanding compliance with section 3.13(b) and section 3.13(d), in the event that the Board proceeds with the said Investment of Funds in which a Board member has a direct or indirect personal interest, gain or benefit contrary to section 3.13(a) and section 3.13(c), such Board member shall be required to immediately resign from the Board, failing which he or she shall be deemed to have resigned from the Board upon the passing of Board Resolution approving the said Investment of Funds.
- f) Any other person who is directed by the Board to provide assistance or advice with regard to investment decision making in accordance with the terms of this Investment Policy shall not knowingly permit himself or herself to be put into conflict of interest or breach of his or her fiduciary duty, if applicable. All such individuals shall disclose any potential or actual conflict of interest to the Board on a timely basis, and the Board shall either not proceed with the investment in question unless the said person absents himself or herself from the deliberations and decisions relating thereto, or shall seek the written resignation or termination of the individual in question from providing assistance or advice to the University.
- g) An Agency Agreement with an Investment Manager appointed in accordance with this Investment Policy may permit a conflict of interest in certain situations, if the Board considers it reasonable and prudent to do so in the circumstances.

4.1. Purpose of Specific Investment Policies

- a) A Specific Investment Policy shall be prepared for each Fund or grouping of Funds which, in the determination of the Board, requires a separate Investment Policy in consideration of the attributes of a particular donation, the restrictions imposed by the donor, the nature of an asset class, the identity of the investment manager associated with the particular assets, the jurisdiction in which they are invested, and/or the segregated purpose for the particular assets.
- b) There shall be no limits concerning the number of Specific Investment Policies which may be implemented by the University, but the University shall have in place at all times at least one Specific Investment Policy for the general Fund of the University.
- c) Restricted funds and/or specific purpose Funds may be invested in accordance with a single Specific Investment Policy where the Board so determines, including in situations in which there are similarities in applicable terms of the restricted and/or special purpose Funds.
- d) Each Specific Investment Policy adopted by the Board of Governors shall be deemed to be a part of and incorporated by reference into the Investment Policy.
- e) The terms of a Specific Investment Policy shall be made in accordance with and be subject to the terms of the Investment Policy, and where a conflict exists, the terms of the Investment Policy shall prevail.
- f) Unless the Board determines otherwise, a Specific Investment Policy shall be prepared with the assistance of an Investment Advisor, if an Investment Manager is not appointed, or with the assistance of an Investment Manager in the event that there is a delegation of investment decision making to an Investment Manager as provided for in accordance with the Investment Policy.
- g) In the event that the Board of Governors delegates investment decision making in accordance with the Investment Policy, then the Specific Investment Policy adopted for a particular Fund or Funds may include the terms of any Agency Agreement required by the Investment Policy.

4.2. Implementation of Specific Investment Policy

- a) A Specific Investment Policy shall not come into effect unless such Specific Investment Policy has been adopted by the Board.

- b) Each Specific Investment Policy shall be filed with the Investment Policy and shall be kept with the corporate records of the University.

4.3. Criteria for Specific Investment Policy

- a) The terms of a Specific Investment Policy shall reflect and further the charitable purpose of the University, as well as any restricted and/or special purpose trusts that apply to the Fund or Funds in question.
- b) In adopting a Specific Investment Policy for one or more Funds, the Board of Governors shall consider the following criteria, in addition to any others that the Board may consider to be relevant under the circumstances:
 - (i) the applicable economic conditions;
 - (ii) the possible effect of inflation or deflation;
 - (iii) the expected tax consequences of investment decisions or strategies;
 - (iv) the role that each Investment or course of action plays within the overall Investment portfolio;
 - (v) the expected total return from income and the appreciation of capital;
 - (vi) the need for liquidity, regularity of income and preservation or appreciation of capital; and
 - (vii) the Fund's special relationship or special value, if any, to the charitable objects of the University or to one or more of the restricted and/or special purposes trusts that apply to the Fund or Funds in question.

4.4. Diversification for Specific Investment Policy

The Specific Investment Policies, individually or in the aggregate, must consider diversification of the Fund or Funds in accordance with the requirement of the Act to an extent that is appropriate to:

- a) the requirements of the Fund or Funds; and
- b) the general economic investment market conditions.

4.5. Contents of Specific Investment Policy

- a) Each Specific Investment Policy must include, as a minimum, the following:
- b) the name and description of the Specific Investment Policy;
- c) a description of the Investment objectives;
- d) a description of what asset categories of Investments are to be included;
- e) a description of what ranges within which each asset category of Investments can be held;
- f) a description outlining the constraints applicable to each asset category of Investments, if appropriate, and the circumstances under which there can be deviation from such constraints.

5.1. When Delegation of Investment Decision Making is Permitted

Delegation of investment decision making by the Board may only be undertaken if all of following criteria have first been complied with:

- a) a resolution has been adopted by the Board to delegate investment decision making to an Investment Manager;

- b) the Investment Manager shall have entered into an agreement with the University agreeing to comply with all terms of the Investment Policy (including, for greater certainty, all applicable Specific Investment Policies);
- c) a qualified Investment Manager has been selected in accordance with the requirements of the Investment Policy;
- d) the Investment Manager has entered into an Agency Agreement in accordance to the terms of the Investment Policy;

5.2. No Further Delegation Permitted

An Investment Manager who is authorized to invest Funds on behalf of the University in accordance with the Investment Policy shall not delegate such authority to any other person or persons, except as permitted by the Trustee Act.

5.3. Requirement For Agency Agreement

- a) An Investment Manager shall enter into a written Agency Agreement with the University, which Agency Agreement, shall include, as a minimum, the following:
 - i. a requirement that the Investment Manager comply with the Investment Policy in place from time to time, inclusive of all Specific Investment Policies;
 - ii. a requirement that the Investment Manger provide a written report to the Board at regular intervals, to be no less than once every 12 months;
 - iii. a statement that the Agency Agreement is to be read in accordance with and subject to the terms of the Investment Policy, and that in the event of a conflict, the terms of the Investment Policy shall prevail and that the terms of the Agency Agreement shall be deemed to be automatically amended in compliance with the terms of the Investment Policy.
- b) The Agency Agreement may form a part of a Specific Investment Policy where the terms of Specific Investment Policy and the duties of the Investment Manager are coordinated.
- c) The description of the duties of the Investment Manager in the Agency Agreement must comply with the terms of the Investment Policy.

5.4. Selecting An Investment Manger

The Board of Governors shall select an Investment Manager in accordance with what a prudent investor would do in similar circumstances, and in doing so shall comply with any regulations made under the Act concerning the classes of persons or qualifications of persons who are eligible to be agents under the Act, i.e., Investment Managers, as well as establishing conditions for eligibility.

5.5. Monitoring Agents Performance

The Board of Governors shall exercise prudence in monitoring the actions of the Investment Manager, and shall make part of the duties and responsibilities of the Finance Committee of the Board the following:

- a) review reports from the Investment Manager to be provided at minimum two times per year;
- b) review the Agency Agreement with the Investment Manager at account inception and at any time there is a material change in the terms of the Agency Agreement;
- c) regularly review the Investment Policy or Specific Investment Policy at least once every 12 months, and determine whether or not the Policy should be revised or replaced, and make the necessary recommendation to the Board;

- d) replace or revise the Investment Policy or any Specific Investment Policy if the Board determines that it is appropriate to do so;
- e) make reasonable inquiries in assessing whether the Investment Policy is being complied with by the Investment Manager, including a quarterly written statement from the Investment Manager that they are in compliance with the policy;
- f) consider whether directions should be provided to the Investment Manager or whether the Investment Manager's appointment should be revoked;
- g) provide directions to the Investment Manager or revoke the appointment of the Investment Manager if the Board determines that it is appropriate to do so; and
- h) on a regular basis, review, with management, the investment portfolio and the investment manager's performance relative to the specified benchmarks, the addendums, and any special directives that form the mandate of the investment manager.

5.6. Duties of An Investment Manager

An Investment Manager appointed in accordance with an Agency Agreement in relation to the investment of Funds for the University has a duty to do so:

- a) with the standard of care expected of a person carrying on the business of investing the monies of others;
- b) in accordance with the Agency Agreement;
- c) in accordance with the Investment Policy, including any Specific Investment Policy to which the Funds being managed apply; and
- d) in accordance with the Act and any regulations made thereunder.

5.7. Compliance Reporting by Investment Manager

The Investment Manager is required to complete and deliver a compliance report to the University each quarter. The compliance report will indicate whether or not the Investment Manager was in compliance with the Investment Policy during the quarter. At least once per year the investment manager will provide a report describing their ESG analysis and approach.

- a) In the event that an Investment Manager is not in compliance with the Investment Policy, the Investment Manager is required to advise the University immediately, detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation.
- b) The Funds may invest in pooled funds with separate investment policies. Should a conflict arise with this Investment Policy, then the pooled fund's investment policy will dominate. However, the Investment Manager is required to advise the University of the conflict prior to purchasing units in the pooled fund or immediately upon identifying the conflict. The Investment Manager is required to detail the nature and extent of the conflict so long as the conflict exists and to recommend an appropriate course of action to remedy the situation.

5.8. Proceedings Against an Investment Manager

In the event that a Fund or Funds suffers a loss because of the breach of duty of the Investment Manager contrary to the requirements of this Investment Policy and the Act, and the Investment Manager does not compensate all of the loss incurred by the University within a reasonable period of time as determined at the discretion of the Board, then the University shall commence proceedings against the Investment Manager as soon as practicable after making such determination to recover such loss.

6.1. Annual Review of Investment Policy

The Board shall review this Investment Policy each year to determine whether it continues to comply with the Act.

6.2. Amendments to Investment Policy

- a) The Board adopting a revised Investment Policy may amend this Investment Policy.
- b) Upon adoption of a new Investment Policy, copies of the Investment Policy shall be forwarded to the Investment Manager(s) acting on behalf of the University and requiring that the Investment Manager(s) acknowledge and agree in writing to comply with the terms of the Investment Policy within sixty days after receipt of the revised Investment Policy, failing which the appointment of the Investment Manager shall be terminated and a new Investment Manager shall be retained who undertakes to comply with the terms of the revised Investment Policy.
- c) A copy of any revised Investment Policy, as well as a copy of this Investment Policy, shall be forwarded to the auditor of the University, as well as to any individual who requests in writing a copy of the same from the University.

7.1 Responsible Investing

- a) Consistent with its obligation to act in the best interests of the Funds, the University chooses investments and investment managers that it believes will manage investment risk and deliver sustainable financial performance over the long term. In this regard, the University's responsible investing approach is to consider environmental, social and governance ('ESG') factors in selecting investment managers with whom it invests the assets of the Funds as well as investment assets that are directly held. The University recognizes, however, that managers may consider ESG factors in different ways in assessing whether a given investment will have the best economic outcome. In order to protect and enhance the value of the Funds, when selecting investment managers or direct investments, the University considers criteria that include: the investment manager's business and staff; historical performance; and the manager's consideration of ESG factors in the investment process. As well, the proactive disclosure and analysis of ESG factors by the investment manager will be considered in the monitoring of, and ongoing decisions pertaining to the retention of, investment managers.
- b) For the purposes of this section, ESG factors refer to environmental, social and governance factors relevant to an investment that may have a financial impact on that investment. It is accepted that the understanding of and impact from ESG factors may change over time.
- c) The responsible investment approach is applicable to assets of the Funds invested in listed equities and listed infrastructure. Other asset classes will be considered, including fixed income, to the extent that the investment manager has discretion for the portfolio and sufficient data is available to evaluate ESG factors.

Addendum A
Definitions and Interpretations

Definitions

In this Investment Policy, the following words shall, unless the context otherwise requires, have the following meaning:

1. "Act" means the Trustee Act (Ontario), R.S.O. 1990, c. T.23, as amended from time to time.
2. "Agency Agreement" means an agency agreement appointing an Investment Manager as an agent under the Act to make investment decisions on behalf of the University in accordance with the Investment Policy.
3. "Board of Governors" or "Board" means the board of governors of the University.
4. "Committee" means either an investment committee or a finance committee established by the Board of the University in accordance with its general operating bylaw.
5. "Effective Date" means the effective date on which this Investment Policy is deemed to come into effect in accordance with Section 3.01.
6. "Fund" or "Funds" means designated general and restricted funds consisting of monies, funds, securities, cash, real property and personal property that may be held by the University at any time.
7. "Investment" means any form of investment by which a Fund or Funds of the University are invested.
8. "Investment Advisor" means an investment advisor utilized by the Board of Governors in accordance with the terms of the Investment Policy.
9. "Investment Manager" or "Investment Managers" means the investment manager or investment managers appointed by the Board of Governors to act as an agent on behalf of the University in accordance with the terms of the Act.
10. "Investment Policy" or "Policy" means the investment policy of the University in place from time to time in accordance with the terms of the Act, inclusive of any and all Specific Investment Policies.
11. "Specific Investment Policy" means a specific investment policy for a Fund or Funds of the University in place from time to time in accordance with the Act and forming part of the Investment Policy.
12. "Staff" means the persons employed by the University.
 - a) "University" means St. Jerome's University.

Interpretations

In this Investment Policy, the following interpretations shall apply:

- a) the masculine gender shall include the feminine gender;
- b) the singular shall include the plural and vice versa; and
- c) headings are for reference purposes only and do not constitute a substandard part of the Investment Policy for purposes of interpretation.