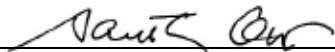


SUBJECT	ENDOWMENT POOL AND SUSTAINABLE FUTURE POOL STATEMENTS OF INVESTMENT POLICIES AND PROCEDURES (SIPP)
----------------	---

MEETING DATE	JUNE 5, 2019
---------------------	---------------------

Forwarded on the Recommendation of the President

APPROVED FOR SUBMISSION



 Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	<p>IT IS HEREBY REQUESTED that <i>the Finance Committee approve:</i></p> <p><i>i. amendments to the Statement of Investment Policies and Procedures for the Main Endowment Pool as set out in Attachment 1 to the report; and;</i></p> <p><i>ii. amendments to the Statement of Investment Policies and Procedures for the Sustainable Future Pool, as set out in Attachment 3 to the report, provided that UBC IMANT approves the proposed amendments at its meeting on May 24, 2019.</i></p>
---------------------------	---

Report Date	May 10, 2019
--------------------	--------------

Presented By Peter Smalles, Vice-President Finance & Operations

EXECUTIVE SUMMARY

The Board of UBC Investment Management Trust Inc. (“**IMANT**”) has performed an annual review of the Statement of Investment Policies and Procedures for the Main Endowment Pool (“**Main Endowment Pool SIPP**”) and the Statement of Investment Policies and Procedures for the Sustainable Future Pool (the “**Sustainable Future Pool SIPP**”).

Main Endowment Pool SIPP

IMANT recommends that the Board of Governors approve the amendments to the Main Endowment Pool SIPP as set out in Attachment 1 in order to implement the following changes:

- (a) amend the portfolio constraint relating to infrastructure assets held by the Main Endowment Pool to remove the preference for Canadian infrastructure investments; and
- (b) amend the structure, order and language of the Main Endowment Pool SIPP to mirror updates and recommendations from the Office of the University Counsel implemented in connection with the creation of the SIPP for the Sustainable Future Pool.

Sustainable Future Pool SIPP

IMANT recommends that the Board of Governors approve the amendments to the Sustainable Future Pool SIPP as set out in Attachment 3 in order to implement the following changes:

- (a) update the Return Objective to reflect the Board of Governor’s decision at its meeting on February 12, 2019 to differentiate the spending rates for UBC conditions and donor contributions to the Sustainable Future Pool; and

- (b) harmonize the Sustainable Future Pool SIPP with the Main Endowment Pool SIPP by implementing in the Sustainable Future Pool SIPP changes which were made to the Main Endowment Pool SIPP approved by the Board of Governors on the recommendation of IMANT in 2017 relating to external manager management, monitoring, and performance evaluation, as well as language improvements and clarifications.

Attachments

1. Main Endowment Pool Statement of Investment Policies and Procedures, dated April 1, 2019
2. Blacklines – Main Endowment Pool SIPP
3. Sustainable Future Pool Statement of Investment Policies and Procedures, dated April 1, 2019
4. Blacklines – Sustainable Future Pool SIPP

STRATEGIC CORE AREAS SUPPORTED

- People and Places
 Research Excellence
 Transformative Learning
 Local / Global Engagement
 a Operational

DESCRIPTION & RATIONALE *Main Endowment Pool SIPP*

The proposed change to Main Endowment SIPP’s portfolio constraints will allow IMANT to engage in greater geographic diversification of the Main Endowment Pool’s infrastructure investments.

The proposed changes to the structure and drafting of the Main Endowment SIPP increase consistency through defined terms, clarify certain concepts and responsibilities and are intended to improve the drafting of the SIPP without creating substantive changes from the last version approved by the Board of Governors in 2017. These changes will bring the Main Endowment SIPP in alignment with the structure for other UBC SIPPs, including the Sustainable Future SIPP, the Working Capital Fund SIPP and the Liquidity Fund SIPP, all of which have received feedback from the Office of the University Counsel.

All changes to the Main Endowment Pool SIPP must be approved by the Board of Governors before being implemented. IMANT’s Board approved these changes to the Main Endowment Pool SIPP at its December 7, 2018 meeting and recommends that the Board of Governors approve these changes.

Sustainable Future Pool SIPP

The proposed change to the return objective description in the Sustainable Future Pool SIPP is needed to reflect the Board of Governors’ decision to differentiate the spending rate between UBC contribution and donor contributions to the Sustainable Future Pool. The proposed language adds flexibility by removing the references to the numbers for the spending rate, inflation assumption and administrative fees which make up the return objective to allow the Board of Governors’ to make future changes to those allocations within the return objective without having to amend the Sustainable Future Pool SIPP.

The other changes to the Sustainable Future Pool SIPP are to harmonize the Sustainable Future Pool SIPP and the Main Endowment Pool SIPP to have consistency in language for the concepts which apply in both SIPPs.

All changes to the Sustainable Future Pool SIPP must be approved by the Board of Governors before being implemented. IMANT’s Board will consider these revisions at its meeting on May 24, 2019.

<p>BENEFITS Learning, Research, Financial, Sustainability & Reputational</p>	<p><i>Main Endowment Pool SIPP</i></p> <p>Expanding the range of investment opportunities allows for greater portfolio diversification and access to more attractive infrastructure investment opportunities.</p> <p>The drafting changes to the Main Endowment Pool SIPP provides clarity and consistency in the drafting and structure of the document, and brings the Main Endowment Pool SIPP in alignment with changes already implemented by the Board of Governors for other SIPPS for UBC's funds, including the Sustainable Futures Pool, the Working Capital Fund and the Liquidity Fund.</p>
	<p><i>Sustainable Future Pool SIPP</i></p> <p>The proposed change to the return objective implements the Board of Governors' decision to differentiate the spending rates for donor contributions from UBC contributions.</p> <p>The drafting changes to the Sustainable Future Pool SIPP harmonizes this SIPP with the changes which were approved to the Main Endowment Pool SIPP in 2017.</p>

<p>RISKS Financial, Operational & Reputational</p>	<p><i>Main Endowment Pool SIPP</i></p> <p>Infrastructure investments outside of Canada are exposed to foreign currency risk. This risk is mitigated through a currency hedging program already in place. Other risks, including political risk are comparable with existing investments and are managed through portfolio diversification and investment selection.</p>
	<p><i>Sustainable Future Pool SIPP</i></p> <p>None identified.</p>

<p>CONSULTATION Relevant Units, Internal & External Constituencies</p>	<p>UBC Investment Management Trust Inc. Treasury Office of the University Counsel</p>
---	---

<p>Previous Report Date</p>	<p>February 12, 2019</p>
<p>Decision</p>	<p>(i) For donor contributions to the Sustainable Future Pool, an increase in the spend rate to 3.75%, by reducing the administrative charge to 0.40%.</p> <p>(ii) For UBC contributions to the Sustainable Future Pool, retention of the spend rate and administrative charge at 3.5% and 0.65% respectively.</p> <p>(iii) Implementation of an annual Sustainable Future Pool spend rate review, including a comprehensive review by or before March 31, 2021.</p>
<p>Action / Follow Up</p>	

The University of British Columbia (UBC)

Main Endowment Pool

Statement of Investment Policies and Procedures

April 1, 2019

Table of Contents

SECTION 1 - PURPOSE	1
SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA.....	1
SECTION 3 - POOL GOVERNANCE.....	4
SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS	9
SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION	11
SECTION 6 - PERMITTED INVESTMENTS	15
SECTION 7 - PORTFOLIO CONSTRAINTS - DIVERSIFICATION, LEVERAGE AND LIQUIDITY	18
SECTION 8 - LOANS AND BORROWING	22
SECTION 9 - VOTING RIGHTS	23
SECTION 10 - VALUATION OF INVESTMENTS	23
SECTION 11 - RELATED PARTY TRANSACTIONS	24
SECTION 12 - CONFLICTS OF INTEREST	25
SECTION 13 - MONITORING	26
SECTION 14 - POLICY REVIEW	27
APPENDIX A – INVESTMENT POLICY PORTFOLIO BENCHMARK (IPP) HISTORY	28

SECTION 1 - PURPOSE

- 1.1 The University of British Columbia (the “**University**”) has established the Main Endowment Pool (the “**Pool**”) as one pool of funds within the University’s endowment (the “**Endowment**”) to support specific aspects of the University’s charitable activities in perpetuity.
- 1.2 This document constitutes the Statement of Investment Policies and Procedures (the “**Policy**”) applicable to the assets that make up the Pool.
- 1.3 The purpose of this Policy is to define the governance structure for the Pool, and formulate the principles, guidelines and monitoring procedures to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”) and in particular Section 57 of the Act. This Policy is supplementary to the Act.

SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA

Overview

- 2.1 The Pool consists largely of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. The Pool is the result of philanthropy since 1915 where donors have provided resources to support specific aspects of the University’s activities in perpetuity. Donated amounts have been augmented through other programs, including provincial fund matching, and endowing the proceeds from the prepaid leasing of residential lands. In summary, the primary sources of cash to the Pool are:
 - (a) donated funds in cash or kind;
 - (b) provincial fund matching;
 - (c) leasing revenues from real property; and
 - (d) investment returns.

2.2 Investment returns are an important funding source and helps maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by the University. Endowment funds have an indefinite liability stream, with expectations that the charitable activities supported by each endowment fund within the Pool will benefit in perpetuity. Maintaining the purchasing power of the Pool's capital against inflation is essential in order to protect the purchasing power of the funds within the Pool in perpetuity.

Pool Objectives

- 2.3 The Pool's objective is to deliver the Return Objective (defined below) at an appropriate level of risk in order to:
- (a) honour the wishes of the donors of endowed funds;
 - (b) provide cash flows and capital appreciation that are sufficient to support the Pool's current spending objectives plus inflation and expenses; and
 - (c) preserve the capital and purchasing power of each endowment fund within the Pool in order to provide the same level of support in perpetuity.

Return Objective

- 2.4 The Pool has a long term target investment return objective of 6.65% (the "**Return Objective**"), comprised of an annual spending rate of 4.0% of the rolling 36 month average market value, inflation assumption of 2.0% and Pool expenses of 0.65%.

Strategic Asset Allocation Policy and Investment Policy Portfolio Benchmark

- 2.5 The Pool maintains a strategic asset allocation where the Pool's assets are invested in the asset classes listed under the heading "Component Asset Classes" in the percentages listed under the heading "Percentage Of Pool At Market Value" as set out in the following table ("**Strategic Asset Allocation Policy**") and

reviewed against the performance of the funds listed under the heading
“Investment Policy Portfolio Benchmarks” (the “**Benchmarks**”):

Component Asset Classes	Percentage of Pool at Market Value			Investment Policy Portfolio Benchmarks
	<u>Policy Allocation</u>	<u>Range</u> <u>Minimum</u> <u>Maximum</u>		
Cash & Cash Equivalents	2%	0%	4%	FTSE Canada 91 Day T-Bill Index
Private Debt & Mortgages	5%	3%	7%	Custom Benchmark *
UBC Debenture	6%	0%	9%	CPI + 4.15% p.a.
Bonds	7%	4%	16%	FTSE Canada Universe Bond Index
Total Fixed Income	<u>20%</u>	<u>15%</u>	<u>30%</u>	
Canadian Equities	10%	7.5%	12.5%	S&P/TSX Composite Index
Global Equities	15%	10%	20%	MSCI World Net Index (CAD)
Global Small Cap Equities	5%	2.5%	7.5%	MSCI World Small Cap Index (CAD)
Emerging Markets	10%	5%	12.5%	MSCI Emerging Markets Net Index (CAD)
Total Public Equities	<u>40%</u>	<u>35%</u>	<u>50%</u>	
Private Equity	10%	7%	13%	MSCI World Net Index (CAD) +2.0% p.a. (lagged 3 months)
Real Estate (CH)	10%	7%	13%	CPI + 4.0% p.a. (lagged 3 months)
Infrastructure (CH)	12.5%	9%	16%	CPI + 4.5% p.a. (lagged 3 months)
Absolute Return Strategies (CH)	7.5%	5%	10%	FTSE TMX 91 Day Canada T-Bill Index + 5.0% p.a.
Total Alternatives	<u>40%</u>	<u>35%</u>	<u>50%</u>	

Note: (CH) denotes asset class where non-Canadian currency exposure is hedged. All other asset classes are unhedged.

* Custom Benchmark Return =

Mortgage weight * (FTSE Canada Short Term Bond Index + 1.0% p.a.) +

Private Debt weight * (FTSE Canada Short Term Federal Bond Index + 4% p.a.)

- 2.6 The Strategic Asset Allocation Policy is expected to meet the Return Objective within a suitable risk reward framework. The spending levels and funding requirements must recognize current asset class return expectations.

Performance Criteria

- 2.7 The criterion for evaluating the Pool is financial performance, with the goals of:
- (a) meeting the Return Objective; and
 - (b) meeting the returns which would have resulted from passive investments in the market indices set out in the Benchmarks on the basis of the weighting of the component asset classes set out in the Strategic Asset Allocation Policy
- (the “**Performance Criteria**”).

SECTION 3 - POOL GOVERNANCE

Structure Overview

- 3.1 The University’s Board of Governors (the “**Board of Governors**”) is responsible for the overall management of the Endowment, including the Pool. The Board of Governors has established a governance structure and delegated certain responsibilities and powers for investing the funds in the Pool to the University of British Columbia Investment Management Trust Inc. (“**IMANT**”).
- 3.2 IMANT acts through its Board of Directors (the “**IMANT Board**” and each director on the IMANT Board a “**Director**”). The IMANT Board has appointed an investment committee (the “**IMANT Investment Committee**”) and a President and CEO of IMANT (the “**IMANT President**”). The IMANT Board has delegated specific responsibilities to the IMANT Investment Committee and to the IMANT President to assist in carrying out duties with respect to the day-to-day management, administration and investment of the Pool.

- 3.3 Any external investment managers who assist with the management of the Pool (the “**Managers**”) or fiduciary providing services in connection with the management and investment of the Pool shall accept and comply with this Policy.

Board of Governors

- 3.4 The Board of Governors is responsible for:
- (a) appointing and removing the Directors;
 - (b) approving this Policy and any changes to this Policy; and
 - (c) receiving and reviewing reports from the IMANT Board, including monitoring the performance of the Pool against the Performance Criteria.

IMANT Board

- 3.5 The IMANT Board shall, with recommendations from the IMANT Investment Committee:
- (a) establish, adopt and maintain this Policy;
 - (b) review the Policy at least annually, and confirm it or recommend amendments for approval by the Board of Governors as needed;
 - (c) establish, recommend for approval by the Board of Governors and maintain the Strategic Asset Allocation Policy for the Pool and risk tolerance levels;
 - (d) establish and approve overall Manager structure for the Pool;
 - (e) establish and approve all operating and administrative policies and procedures for the Pool including:
 - (i) the IMANT Code of Conduct and its conflict of interest policies;
 - (ii) the IMANT Statement of Signing Authorizations;

- (iii) the IMANT Statement of Investment Authorities (“**Statement of Investment Authorities**”); and
- (iv) the IMANT Leverage Guidelines (the “**Leverage Guidelines**”);
- (f) delegate specific responsibilities to the IMANT President to assist with the day-to-day management and administration of the Pool. Notwithstanding this delegation of authority, the IMANT Board shall ensure oversight of the IMANT President’s compliance with this Policy;
- (g) rely on independent experts as required for certain aspects of the Pool’s operations;
- (h) monitor the Pool’s investment performance and asset class returns to ensure continued appropriateness of the long term Strategic Asset Allocation Policy;
- (i) advise the Board of Governors if the long term Strategic Asset Allocation Policy, Performance Criteria and the Return Objective are not in alignment; and
- (j) carry out other duties as delegated by the Board of Governors from time to time.

IMANT Investment Committee

3.6 The IMANT Investment Committee, comprising all members of the IMANT Board, within the scope of the general investment beliefs described in Section 4, shall:

- (a) review and recommend to the IMANT Board changes to this Policy, including the Strategic Asset Allocation Policy, which are within the University’s objectives and risk tolerances;
- (b) approve the following:
 - (i) sub-asset categories;

- (ii) investment guidelines for asset classes;
 - (iii) the Leverage Guidelines;
 - (iv) Manager structures;
 - (v) Manager selection process;
 - (vi) rebalancing rules;
 - (vii) proxy voting guidelines; and
 - (viii) asset-liability study and portfolio review consultants upon recommendations brought forward by the IMANT President;
- (c) review and report on investment performance against the Performance Criteria;
 - (d) monitor compliance with the Strategic Asset Allocation Policy;
 - (e) review and report on monitoring of the Managers and compliance reports prepared by the IMANT President;
 - (f) monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies;
 - (g) recommend to the Board of Governors for their approval the appointment and/or termination of the Custodian of the Pool's assets (the "**Custodian**"); and
 - (h) carry out other appropriate duties as authorized by the IMANT Board.

IMANT President

- 3.7 The IMANT President, under the direction of the IMANT Board, shall:
- (a) manage the day-to-day investment activities and administration of the Pool in accordance with this Policy, the Act and the operating policies and procedures established by the IMANT Board;
 - (b) recommend to the IMANT Board an appropriate long term Strategic Asset Allocation Policy and Manager structure taking into account the Return Objective. Implement the Pool's Strategic Asset Allocation Policy;
 - (c) select and appoint and/or terminate the Managers within the guidelines established by the Statement of Investment Authorities;
 - (d) select and recommend appointment and/or termination of the Custodian to the IMANT Board;
 - (e) select and appoint and/or terminate consultants not covered by Section 3.6(b), lawyers and other service providers as required;
 - (f) meet with individual investment Managers on at least an annual basis for the purpose of evaluating and monitoring the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT President. Oversee the Managers' compliance with this Policy;
 - (g) execute agreements and mandates with the Managers, service providers and agents;
 - (h) evaluate and monitor the Pool's performance against the Performance Criteria to ensure continued appropriateness of the Performance Criteria for the long term. Make recommendations to the IMANT Investment Committee for confirmation and/or changes as required;

- (i) evaluate and recommend to the IMANT Investment Committee any co-investments with other institutional investors;
- (j) prepare reports for the IMANT Board and IMANT Investment Committee on a regular basis on the management and investment activities of the Pool; and
- (k) carry out other appropriate duties as authorized by the IMANT Board.

SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS

4.1 The IMANT Board of Directors' investment principles and beliefs form the basis for this Policy and the manner in which the Pool shall be invested, and they are:

- (a) the Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess;
- (b) investment risk shall be managed with the same degree of prudence and care used in managing investment assets. IMANT shall manage investment risk primarily through asset mix and security diversification, Manager diversification, credit analysis, currency management and transparent reporting. To the extent practical investment risks should be identified, quantified, managed and reported;
- (c) the Board of Governors and IMANT are committed to a long-term view of the assets and liabilities of the Pool. A long term investment horizon provides opportunities to earn higher expected risk premiums from illiquid assets;
- (d) recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated;

- (e) in the long term, asset mix is the main determinant of portfolio return and risk, market timing does not consistently add value;
- (f) diversification can improve portfolio risk and return characteristics;
- (g) it is appropriate to retain Managers to invest the Pool in an efficient and cost effective manner;
- (h) passive investment management should be used unless it can be demonstrated that, net of fees, active management can add value;
- (i) public equities and alternative asset classes are expected to provide higher long term returns versus bonds, albeit with higher volatility. The volatility associated with those allocations is acknowledged;
- (j) the prudent use of derivatives can help manage risk and enhance returns. Derivatives and synthetic securities may be used as a substitute for more traditional investments in order to meet Pool objectives. This includes management of asset mix, currency hedging and replication of direct investments;
- (k) in the long run, currency hedging of foreign equities may not add value. Strategic currency hedging however, can be implemented to mitigate overall portfolio volatility particularly over the short to medium term;
- (l) flexibility and liquidity are important aspects for the Pool and need to be considered in asset allocations. The IMANT Board recognizes that allocations to certain alternative investment strategies may be less liquid than traditional asset classes; and
- (m) the Board of Governors and IMANT are committed to responsible investing. IMANT incorporates environmental, social and governance (ESG) factors in its investment process to facilitate more informed investment decisions in a way that does not negatively impact the financial objectives of its investments, and in selecting the Managers for public

equities investments (Canadian and Foreign), consideration of ESG factors by the Manager in their investment decisions is an important criterion;

- 4.2 The investment principles and beliefs described in Section 4.1 apply at the portfolio level as well as within individual asset classes.

SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION

Return and Risk Expectation

- 5.1 The Pool is expected to achieve over moving four-year periods a return, net of investment management fees of Managers, at least equal to the returns of the Benchmarks on the basis of the weighting of the component asset classes set out under the heading “Policy Allocation” in the Strategic Asset Allocation Policy.
- 5.2 The risk inherent in the investment strategy over the intermediate term (a five to ten year period) is three fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over the related Benchmark will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return (such return may also be negative).

The primary measure of risk is the 4-year rolling rate of investment return compared with the Return Objective. The probability of achieving intergenerational equity is estimated at 57% in 10 years based on the September 2016 asset mix review.

Risk expectation can be measured in several ways. The measures are:

- (a) **Standard Deviation:** The Strategic Asset Allocation Policy is expected to achieve a target standard deviation of 10% or less in nominal terms over ten year periods.
- (b) **Intergenerational Equity:** The test of intergenerational equity is the retrospective examination of the Pool regarding maintenance of the inflation-adjusted value of the Pool, balanced by an equitable distribution of the Pool's real rate of return to support the University's charitable activities in perpetuity.

Asset Allocation

5.3 In identifying, reviewing and recommending changes to the long term Strategic Asset Allocation Policy that would best meet the above Pool's objectives set out in Section 2.3, consideration is to be given to:

- (a) the factors outlined in Pool Overview (Section 2);
- (b) capital preservation and the need to support the University's activities in perpetuity;
- (c) the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates;
- (d) diversification benefits obtained by the inclusion of several asset classes; and
- (e) practical considerations.

5.4 Over complete market cycles, the Pool's assets shall stay within the ranges and the assets set out in the Strategic Asset Allocation Policy, subject to Section 5.5(b).

- 5.5 Recognizing that buying and selling securities incurs a cost and that there is a trade-off between transaction costs and benefits, for public market securities, the Pool will be rebalanced quarterly based on the following principles:
- (a) if an asset class is above or below an asset class range set out in the Strategic Asset Allocation Policy (plus or minus 2% to 5% dependent on the asset class), IMANT must rebalance to the range. IMANT has discretion to rebalance to the mid-point or to the range. Any deviations from the asset class mid-point must be reported to the IMANT Board; or
 - (b) in periods of extreme market volatility, the above rebalancing policy may be suspended upon confirmation and approval by the Chair of the IMANT Board, with notification to the IMANT Board.
- 5.6 If the chair of the IMANT Board suspends further allocations or redemptions to or from an asset class as a result of unfavorable market conditions, the Strategic Asset Allocation Policy's asset class weights will be adjusted accordingly until such suspension is removed or the Strategic Asset Allocation Policy is amended.
- 5.7 The Benchmarks include 0% currency hedging for foreign equities and 100% currency hedging for other foreign assets.
- 5.8 As part of risk management the maximum foreign currency exposure is limited to 50% of the Pool.
- 5.9 See Appendix A for a historical record of the Benchmarks.

External Investment Management

- 5.10 IMANT shall retain Managers, each to manage specified portions of the Pool. The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.
- 5.11 IMANT shall have a written mandate for each Manager, which describes the categories and sub-categories in which the Manager may invest, the investment

guidelines and constraints in respect of that mandate, and the investment performance standards.

5.12 A Manager, in performing its duties, shall:

- (a) exercise the care, diligence and skill of a prudent investment manager and shall at all times act on a basis that is fair and reasonable;
- (b) adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute or to the internal conduct guidelines established by the Manager; and
- (c) manage its portfolio in accordance with the terms of its Investment Management Agreement with IMANT and the specific guidelines set out in this Policy.

5.13 IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager. Reasons for terminating the services of a Manager include, but are not limited to:

- (a) failure of the Manager to meet the return expectations as specified in its mandate;
- (b) changes in personnel, firm structure, or investment philosophy, style or approach which might adversely affect the potential return or risk level of the portfolio;
- (c) failure to adhere to the Policy or the Manager's mandate; and
- (d) changes in the structure of the Pool which would no longer necessitate the use of the Manager's services.

Performance Evaluation

5.14 The Pool's performance will be evaluated against the Performance Criteria against the goals outlined in Section 2.7 and reported to the Board of Governors on a quarterly basis.

SECTION 6 - PERMITTED INVESTMENTS

- 6.1 All investments shall be made in accordance with applicable legislation and the standard of care set out in the Act, this Policy, and the guidelines approved by the IMANT Investment Committee from time to time for investment within particular asset classes.
- 6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the Pool shall be held by the Custodian and registered:
- (a) in a name that clearly indicates that the investment is held in trust for the Pool and, where the investment is capable of being registered, registered in that name; or
 - (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Pool and provides that:
 - (i) the investment constitutes part of the Pool;
 - (ii) the investment shall not at any time constitute an asset of the Custodian or nominee; and
 - (iii) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Pool at any time.
- 6.3 From time to time, and subject to this Policy, the Pool may invest in any or all of the following asset categories and sub-categories of investments either directly or through pooled funds or other co-mingled vehicles that hold these investments:
- (a) **cash or cash equivalents**, which are limited to:
 - (i) deposits with banks or trust companies with a current term to maturity of one year or less;

- (ii) Canadian and foreign issuers with a current term to maturity of one year or less; and
 - (iii) floating rate notes of Canadian issuers with a current term to maturity of one year or less;
- (b) **fixed income**, which are limited to:
 - (i) bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian, and foreign issuers;
 - (ii) mortgages and asset-backed securities; and
 - (iii) term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States;
- (c) **Canadian equity**, which are limited to:
 - (i) common stocks, convertible debentures, share purchase warrants, instalments receipts, exchangeable shares, share purchase rights, preferred shares or units in income trusts; and
 - (ii) interests in limited partnerships that are not foreign property under the Income Tax Act
- (d) **foreign equity**, which are limited to:
 - (i) non-Canadian (including emerging markets): common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights, American Depositary Receipts (“ADRs”) of non-Canadian companies, Global Depositary Receipts (“GDRs”) of non-Canadian companies, income trust units in limited partnerships, private equity limited partnerships and real estate investments trusts;
- (e) **private equity**, which are investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap

- arrangements or limited partnerships or co-investment with other like-minded institutional investors;
- (f) **private debt**, which are debt investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap arrangements or limited partnerships or co-investment with other like-minded institutional investors;
 - (g) **real estate**, which is real property, whether held directly or through open or closed-end pooled funds, in partnership with like-minded investors, participating debentures, mezzanine debt, shares of corporations or partnerships, swap instruments to invest in real estate and units in real estate investment trusts;
 - (h) **infrastructure assets**, which are investments in infrastructure assets, whether held directly or through limited partnerships funds, fund of funds, or co-investments with other institutional investors;
 - (i) **absolute return assets**, which are investments in limited partnerships investing in low volatility absolute return strategies through funds of funds or multi strategy funds;
 - (j) **derivatives**, limited to:
 - (i) futures, exchange traded funds (ETF), and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available; and
 - (ii) forward currency contracts, swap agreements and other derivative investments with financial institutions or business corporations, including investment managers. The International Swaps and Derivatives Association (ISDA) agreement may be used;
 - (k) **other assets**, which includes:

- (i) oil and gas, resource properties commodities and timber through pooled funds, limited partnership or co-investments with other institutional investors, and other investments, including donated assets.
 - (ii) subject to the IMANT Board's approval, up to 5.0% of the Pool may be invested in unique market investment opportunities that may arise from time to time that do not readily fit a specific asset class category/Manager structure with an appropriate benchmark.
- 6.4 Pool investments in pooled funds and/or other co-mingled vehicles will be subject to the specific policies and/or guidelines of the respective pooled fund or co-mingled vehicle. In the event of a conflict between the Policy and the specific policies and/or guidelines of the respective pooled fund and/or co-mingled vehicle, the latter's policies and/or guidelines will prevail. However, IMANT is required to advise the Board of Governors in the event the pooled fund and/or co-mingled vehicle exhibits, or may exhibit, any significant departure from this Policy.

SECTION 7 - PORTFOLIO CONSTRAINTS - DIVERSIFICATION, LEVERAGE AND LIQUIDITY

- 7.1 Unless otherwise indicated, all percentages used in this Section 7 are calculated using market values.
- 7.2 IMANT shall not:
- (a) invest more than 3% of the market value of the Pool's assets in a single corporation, stock or income trust at time of purchase; or
 - (b) acquire securities of a corporation to which are attached more than 30% of the voting rights of any corporation.

Cash or Cash Equivalents

- 7.3 All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

Fixed Income

- 7.4 Fixed income assets of the Pool must meet the following requirements:

- (a) no more than 5% of the fixed income portfolio shall be invested in any one corporation or security with the exception of those issued or guaranteed by the Government of Canada or a province of Canada or an agency thereof having at least an "A" rating;
- (b) the aggregate amount of public and private debt securities in any single issuer except those issued by the Government of Canada shall not exceed 25% of the total debt outstanding by that issuer;
- (c) not more than 25% of the fixed income portfolio shall be held in securities denominated for payment in a foreign currency;
- (d) no more than 10% of the fixed income portfolio shall be invested in aggregate in debt securities having a "BBB" rating;
- (e) no part of a fixed income portfolio shall be invested in a debt security having a rating lower than "BBB", unless such security had a rating of "BBB" or higher at the time of purchase;
- (f) ratings policies in Section 7.4(a) to (e) do not apply to infrastructure debt, private debt, real estate debt and mortgages; and
- (g) mortgage investments shall be restricted to pooled mortgage funds consisting of geographically diversified mortgages of industrial, residential, commercial and office properties. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund

must not exceed 80% of the appraised value of the subject real estate at the time of investment or renewal.

7.5 If a security's credit rating falls below the specified level after purchase, the Manager shall recommend a course of action to the IMANT President for approval.

7.6 For purposes of this Section 7, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

Public Equities

7.7 Public equity assets of the Pool shall be diversified by stock, capitalization and industry and also by region and country in the case of foreign equities.

Real Estate

7.8 Real estate assets of the Pool must meet the following requirements:

- (a) properties shall be diversified by location, type of use and tenants;
- (b) not more than 5% of the real estate holdings may be invested in any one property; and
- (c) income-producing real estate holdings may be mortgaged, except that the aggregate principal amount of such mortgages and debt shall not exceed 10% of the market value of the Pool, and no mortgage or debt on any single holding shall be more than 75% of the market value of such holding at the time the mortgage is given or renewed.

Private Equity

7.9 Private equity assets of the Pool must be diversified by company, capitalization, industry and global region.

Private Debt

7.10 Private debt shall be diversified by issuer, industry and global region.

Infrastructure

7.11 Infrastructure assets of the Pool must meet the following criteria:

- (a) investments shall be diversified by geography and type. Income producing infrastructure investments are preferred;
- (b) not more than 5% of the infrastructure holdings may be invested in any one investment; and
- (c) debt financing infrastructure investments shall be restricted to the same percentage of the portfolio and the Pool as described above for real estate.

Derivatives

7.12 Derivatives instruments may be used for the following purposes:

- (a) create an asset mix position (e.g. Exchange Traded Funds) within the ranges and among the asset classes set out in this Policy;
- (b) adjust the duration of the fixed income portfolio within the ranges set out in this Policy;
- (c) replicate direct investments in the underlying assets or asset classes (e.g. indexes) allowed under this Policy so as to achieve an advantage of lower cost, transactional ease, market exposure or a Manager's skill;
- (d) manage the currency exposure of a portfolio of foreign assets; and
- (e) reduce risk as part of a hedging strategy, including market, interest rate, credit and currency risk.

7.13 The counterparty to any derivative transaction must have a long-term credit rating of at least "A" from Standard & Poor's Corporation, "A2" from Moody's Investor

Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

Leverage

- 7.14 The Pool is permitted to invest up to 10% of its value in additional assets purchased through leveraged strategies and/or by creating synthetic exposures to existing asset classes. All such forms of leverage will not result in additional debt accruing to the University. All leveraged strategies must comply with the Leverage Guidelines.

Liquidity

- 7.15 IMANT shall maintain sufficient liquidity in the Pool to meet current operating disbursements and to avoid untimely disposal of securities.

SECTION 8 - LOANS AND BORROWING

- 8.1 No part of the Pool shall be loaned to any party, other than by:
- (a) purchasing securities which otherwise meet the requirements of this Policy for fixed income or cash equivalents; or
 - (b) lending securities by the Custodian provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in cash or high quality liquid securities defined in the lending agreement with the Custodian and provided also that the Custodian provides a guarantee of all such loans.
- 8.2 Money shall not be borrowed on behalf of the Pool and the Pool's assets shall not be pledged or otherwise encumbered in respect thereof, except:
- (a) for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management; and

- (b) for a non-recourse loan secured by a mortgage on a real estate investment of the Pool or debt financing of an infrastructure investment secured by the infrastructure asset.

SECTION 9 - VOTING RIGHTS

- 9.1 The IMANT Board has delegated the responsibility for exercising voting rights of the Pool's investments to the IMANT President who may either retain an external proxy voting service or delegate this responsibility to the Managers.
- 9.2 The IMANT President and Managers shall conform to the principle of voting in favour of measures that promote good social, environmental and corporate governance practices and vote against measures that do not appear to create value for shareholders. Voting of proxies shall be exercised at all times in the best interest of the University in support of its charitable activities.
- 9.3 The IMANT President and or Managers shall maintain a record of how the Pool's voting rights have been exercised.
- 9.4 Any voting rights related to interests in partnerships or limited partnerships shall be the responsibility of the President, who shall vote in the best interests of the University in support of its charitable activities
- 9.5 It is recognized, however, that the above policy on voting rights may not be enforceable to the extent that part of the Pool is invested in pooled funds.

SECTION 10 - VALUATION OF INVESTMENTS

- 10.1 Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.
- 10.2 Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

- 10.3 If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.
- 10.4 Independent expert appraisal of each such non-traded investments shall be obtained as needed.

SECTION 11 - RELATED PARTY TRANSACTIONS

- 11.1 For the purposes of this Policy, “**Related Party**” has the meaning given in the Business Corporations Act of British Columbia, but for greater certainty includes:
- (a) the University, an affiliate of the University, or a member of the Board of Governors of the University;
 - (b) an officer or employee of the University;
 - (c) a Director; or
 - (d) IMANT staff.
- 11.2 The Pool may enter into a transaction with a Related Party only if:
- (a) the transaction is required for the operation or administration of the Pool;
 - (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; and
 - (c) the transaction does not exceed 3% of the market value of the Pool at the time of the transaction.

- 11.3 In 2014, the Board of Governors and the IMANT Board authorized a one-time \$100 million loan to the University for the construction of Orchard Commons student housing development. This decision temporarily suspends the 3% restriction in Section 11.2 (c) until the remaining balance of the loan is less than 3% of the Pool. At that time, this section becomes void and Section 11.2 (c) returns to force.
- 11.4 Notwithstanding Section 11.2, the Directors shall monitor transactions to ensure ongoing compliance with this Policy.

SECTION 12 - CONFLICTS OF INTEREST

- 12.1 From time to time, real or perceived conflicts of interest may arise. If any person below listed has or acquires any material interest, direct or indirect, in any matter in which the Pool is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Pool, that person must disclose that interest to the person as follows:
- (a) any Manager, agent, or advisor to the Pool, to the IMANT President;
 - (b) IMANT staff members, to the IMANT President;
 - (c) the IMANT President, to the chair of the IMANT Board;
 - (d) a Director, to the chair of the IMANT Board; or
 - (e) the chair of the IMANT Board, to the IMANT President and the chair of the Board of Governors' governance committee.

The chair of the IMANT Board or the IMANT President, as applicable, shall then advise all members of the IMANT Board of the disclosed conflict before the next IMANT Board meeting, and the IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any person making a disclosure will thereafter abstain from any decision making with respect

to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

- 12.2 Every disclosure of interest under Section 12.1 shall be recorded in the minutes of the relevant IMANT Board meeting.
- 12.3 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.
- 12.4 The IMANT President shall satisfy himself or herself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Pool, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

SECTION 13 - MONITORING

- 13.1 IMANT shall monitor the performance of each Manager relative to the Manager's mandate. In its analysis, IMANT shall review the portfolio holdings of each Manager and shall undertake any analysis that may be required to confirm the Manager's compliance with this Policy.
- 13.2 The IMANT Board shall review on a regular basis, as needed, and at least once a year:
 - (a) the assets and net cash flow of the Pool;
 - (b) the current asset mix of the Pool;
 - (c) risk analysis and investment performance of the Pool and each Manager relative to the objectives of the Policy and the Managers' mandates;
 - (d) the Pool's holdings;
 - (e) the fees and expenses incurred in managing the Pool; and
 - (f) compliance with this Policy.

Such a review shall be undertaken on the IMANT Board's behalf quarterly through the IMANT Investment Committee. Following such review, the IMANT Investment Committee shall take action as it deems prudent and appropriate.

- 13.3 The IMANT Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board of Governors.

SECTION 14 - POLICY REVIEW

- 14.1 This Policy shall be reviewed at least annually by the IMANT Board in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:

- (a) changes in the payout rate of the Pool by the University;
- (b) revisions to the expected long-term relationship between risk and reward on key asset classes;
- (c) practical operation of IMANT, the Managers, the Pool and other matters set out in this Policy;
- (d) changes in applicable legislation;
- (e) recommendations by the IMANT President; and
- (f) all changes to this Policy are to be recommended by the IMANT Board to the Board of Governors and approved by the Board of Governors.

APPENDIX A – INVESTMENT POLICY PORTFOLIO BENCHMARK (IPP) HISTORY

April 1, 2017 – March 31, 2019*		
	<u>Weight</u>	
Fixed Income	2%	FTSE TMX 91 Canada Day T-Bill Index
Fixed Income	5%	FTSE TMX Canada Short Term Federal Bond Index + 1.0%
Fixed Income	7%	CPI + 4.15% p.a.
Fixed Income	6%	FTSE TMX Canada Universe Bond Index
Equities (Cdn)	10%	S&P/TSX Composite Index
Equities (Global)	15%	MSCI World Net Index (CAD)
Equities (Global)	5%	MSCI World Small Cap Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	CPI + 4.0% (lagged 3 months)
Infrastructure	10%	CPI + 4.5% (lagged 3 months)
Absolute Return Strategies	10%	FTSE TMX 91 Day Canada T-Bill Index + 5%
		<i>* Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>
April 1, 2015 – March 31, 2017*		
	<u>Weight</u>	
Fixed Income	2%	FTSE TMX 91 Day T-Bill Index
Fixed Income	5%	FTSE TMX Canadian Short Term Bond Index + 1.0%
Fixed Income	13%	FTSE TMX Canadian Universe Bond Index
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (Global)	15%	MSCI World Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	CPI + 4.0%
Infrastructure	10%	CPI + 4.5%
Absolute Return Strategies	10%	FTSE TMX 91 Day T-Bill Index + 5%
		<i>* Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>
July 1, 2013 – March 31, 2015*		
	<u>Weight</u>	
Fixed Income	2%	DEX 91 Day T-Bill Index
Fixed Income	5%	DEX Short Term Bond Index + 1.0%
Fixed Income	13%	DEX Universe Bond Index
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (Global)	20%	MSCI World Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	12.5%	CPI + 4.0%
Infrastructure	12.5%	CPI + 4.5%
Hedge Funds	0%	HFRI Fund of Funds: Conservative Index (Cdn)
		<i>*Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>

January 1, 2011 – June 30, 2013*		
	<u>Weight</u>	
Fixed Income	2%	DEX 91 Day T-Bills Index
Fixed Income	18%	DEX Universe Bond Index
Equities (Cdn)	22.5%	S&P/TSX Composite Index
Equities (US)	11.25%	S&P 500 Index (Cdn)
Equities (EAFE)	11.25%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months) 30% DEX Real Return Bond/70% MSCI World Net Index (Cdn)
Infrastructure	5%	(lagged 3 months)
Hedge Funds	0%	HFRI Fund of Funds: Conservative Index (Cdn)
<i>*Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>		
April 1, 2007 – December 31, 2010		
	<u>Weight</u>	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	15%	S&P 500 Index (Cdn)
Fixed Income	18%	DEX Universe Bond Index
Fixed Income	2%	DEX 91 Day T-Bills Index
Hedge Funds	12.5%	HFRI Fund of Funds: Conservative Index (Cdn)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months)
Private Equity	12.5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
January 1, 2005 – March 31, 2007		
	<u>Weight</u>	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	15%	S&P 500 Index (Cdn)
Fixed Income	18%	Scotia Capital Universe Bond Index
Fixed Income	2%	Scotia Capital 91 Day T-Bills Index
Hedge Funds	12.5%	HFRI Fund of Funds Composite Index (Cdn)
Real Estate	10%	UBC Endowment Total Fund Return
Private Equity	12.5%	UBC Endowment Total Fund Return
October 1, 2001 – December 31, 2004		
	<u>Weight</u>	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	25%	Russell 1000 Index (Cdn)
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	25%	Scotia Capital Universe Bond Index
Hedge Funds	5%	HFRI Fund of Funds Composite Index (Cdn)
Private Equity	5%	Cambridge Associates U.S. Private Equity (Cdn)
April 1, 2000 – September 30, 2001		
	<u>Weight</u>	
Equities (Cdn)	23.5%	S&P/TSX Composite Index
Equities (EAFE)	18.5%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	3%	MSCI Emerging Markets Index (Cdn)
Equities (US)	15%	Russell 1000 Index (Cdn)
Fixed Income	3%	Scotia Capital 91 Day T-Bills Index
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	32%	Scotia Capital Universe Bond Index

Prior to April 1, 2000		
	<u>Weight</u>	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	8.5%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	3%	MSCI Emerging Markets Index (Cdn)
Equities (US)	8.5%	S&P 500 Index (Cdn)
Fixed Income	5%	Scotia Capital 91 Day T-Bills Index
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	50%	Scotia Capital Universe Bond Index

The University of British Columbia (UBC)

Main Endowment ~~Fund~~Pool

**Statement of Investment Policies
and Procedures ~~December 1, 2017~~**

April 1, 2019

Table of Contents

SECTION 1 – <u>PURPOSE</u>	1	
SECTION 2 – FUND- <u>POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA</u>	1	
<u>SECTION 3 - POOL</u> GOVERNANCE	<u>24</u>	
SECTION 3 – FUND OVERVIEW	5	
SECTION 4 – <u>INVESTMENT PRINCIPLES AND BELIEFS</u>	<u>69</u>	
SECTION 5 – OBJECTIVES, <u>RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION POLICY</u>	8 <u>PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION</u>	11
SECTION 6 – <u>PERMITTED INVESTMENTS</u>	14	
SECTION 7 – <u>PORTFOLIO CONSTRAINTS,</u> <u>DIVERSIFICATION, LEVERAGE AND LIQUIDITY</u>	18	
SECTION 8 – <u>LOANS AND BORROWING</u>	22	
SECTION 9 – <u>VOTING RIGHTS</u>	23 <u>22</u>	
SECTION 10 – <u>VALUATION OF INVESTMENTS</u>	24 <u>23</u>	
SECTION 11 – <u>RELATED PARTY TRANSACTIONS</u>	<u>24</u>	
<u>SECTION 12 - CONFLICTS OF INTEREST</u>	<u>25</u>	
SECTION 12 – <u>13 - MONITORING</u>	27 <u>26</u>	
SECTION 13 – <u>14 - POLICY REVIEW</u>	28 <u>27</u>	
APPENDIX A – INVESTMENT POLICY PORTFOLIO BENCHMARK (<u>IPP</u>) HISTORY	29 <u>28</u>	

~~SECTION 1~~

SECTION 1 - PURPOSE

1.1 ~~The University of British Columbia (the “University”) has established the Main Endowment Pool (the “Pool”) as one pool of funds within the University’s endowment (the “Endowment”) to support specific aspects of the University’s charitable activities in perpetuity.~~

1.2 ~~1.1~~ This document constitutes the Statement of Investment Policies and Procedures (the “Policy”) applicable to the assets that make up the ~~endowment pool (the “Fund”) which is comprised of approximately 90% of the University of British Columbia’s (the “University”) endowed funds (the “Endowment”) to support specific aspects of the University’s charitable activities in perpetuity.~~ Pool.

1.3 ~~1.2~~ The purpose of this Policy is to define the governance structure for the ~~Fund~~Pool, and ~~to~~ formulate ~~investment~~the principles, guidelines and monitoring procedures to manage the Pool’s assets ~~of the Fund~~ in accordance with the University Act of British Columbia (the “Act”) and in particular Section 57 of the Act. This Policy is supplementary to the Act.

SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA

Overview

2.1 ~~1.3~~ The ~~Strategic Asset Allocation Policy (defined in Section 5.5) included in this Policy is expected to meet the current funding requirements set by the University within a suitable risk-reward framework. The spending levels and funding requirements must recognize current asset class return expectations.~~ Pool consists largely of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. The Pool is the result of philanthropy since 1915 where donors have provided resources to support specific aspects of the University’s activities in perpetuity. Donated amounts have been augmented through other programs,

including provincial fund matching, and endowing the proceeds from the prepaid leasing of residential lands. In summary, the primary sources of cash to the Pool are:

~~1.4 — The Strategic Asset Allocation Policy included in Section 5.5 is based on a study and long term asset class return assumptions conducted in the Summer of 2016.~~

~~1.5 — Any investment manager who assists with the management of the Fund (the “Manager” or “Managers”) or fiduciary providing services in connection with the management and investment of the Fund shall accept and comply with this Policy.~~

SECTION 2 — FUND GOVERNANCE

- ~~2.1 — The University through its Board of Governors (the “Governors”) is the Administrator of the Endowment in accordance with the Act and is responsible for the overall management of the Endowment and the Fund. The Governors have established a governance structure and have delegated certain responsibilities and powers for investing the Fund to the University of British Columbia Investment Management Trust (“IMANT”). IMANT acts through its Board of Directors (the “Directors” or the “Board”), who are appointed by the Governors.~~
- ~~2.2 — The Board, in turn, has appointed an Investment Committee and a President and CEO of IMANT (the “President”) and has delegated specific responsibilities to the Committee and to the President to assist in carrying out duties with respect to the day-to-day management, administration and investment of the Fund. Delegated responsibilities are set out below.~~

Board

- ~~2.3 — The Directors shall, with recommendations from the Investment Committee:~~
- ~~(a) Establish, adopt and maintain this Policy.~~
 - ~~(b) Review the Policy at least annually and confirm or amend it as needed.~~
 - ~~(c) Establish, recommend for approval by the Governors and maintain the Strategic Asset Allocation Policy (defined in Section 5.5) for the Fund and risk tolerance levels.~~
 - ~~(d) Establish and approve overall Fund investment manager structure and all operating and administrative policies and procedures for the Fund including the IMANT Code of Conduct and its conflict of interest policies and the IMANT Statement of Signing Authorizations (the “Signing Authorizations”).~~
 - ~~(e) Delegate specific responsibilities to the President to assist with the day-to-day management and administration of the Fund. Notwithstanding this delegation of authority, the Directors shall ensure oversight of the President’s compliance with this Policy.~~

- ~~(f) Rely on independent experts as required for certain aspects of the Fund's operations.~~
- ~~(g) Monitor the Fund's investment performance and asset class returns to ensure continued appropriateness of the long term Strategic Asset Allocation Policy.~~
- ~~(h) Advise the University if the long term Strategic Asset Allocation Policy and the targeted long term return objective are not in alignment.~~
- ~~(i) Carry out other duties as delegated by the Governors from time to time.~~

Investment Committee

~~2.4 The Investment Committee, comprising all members of the Board, within the scope of the general investment beliefs, shall:~~

- ~~(a) Recommend the investment policy for the Fund and establish policy benchmarks within the University's objectives and risk tolerances.~~
- ~~(b) Approve the following:~~
 - ~~• Sub-asset categories~~
 - ~~• Investment guidelines for asset classes~~
 - ~~• Guidelines governing the use of leverage~~
 - ~~• Manager structures~~
 - ~~• Asset manager selection process~~
 - ~~• Rebalancing rules~~
 - ~~• Proxy voting guidelines~~
 - ~~• Asset liability study and portfolio review consultants upon recommendations brought forward by the President~~
- ~~(c) Review and report on investment performance against investment objectives and benchmarks.~~
- ~~(d) Review and report on manager monitoring and compliance reports prepared by the President.~~
- ~~(e) Monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies.~~
- ~~(f) Recommend to the Governors for their approval the appointment and/or termination of the Custodian of the Fund's assets (the "Custodian").~~

~~(g) Carry out other appropriate duties as authorized by the Board~~

President

~~2.5 The President, under the direction of the Board, shall:~~

- ~~(a) Manage the day to day investment activities and administration of the Fund in accordance with this Policy, the Act and the operating policies and procedures established by the Directors.~~
- ~~(b) Recommend to the Directors an appropriate long term Strategic Asset Allocation Policy and Manager structure taking into account the nature of the Fund's spending rate commitments. Implement the Fund's Strategic Asset Allocation Policy.~~
- ~~(c) Select and appoint and/or terminate external investment managers to assist with the management of the Fund (the "Managers") within the guidelines established by the Statement of Investment Authorities.~~
- ~~(d) Select and recommend appointment and/or termination of the Custodian.~~
- ~~(e) Select and appoint and/or terminate consultants not covered by 2.4 (b), lawyers and other service providers as required.~~
- ~~(f) Meet with individual investment Managers on at least an annual basis for the purpose of evaluating and monitoring the performance of individual Managers relative to agreed upon performance and risk objectives as established by the President. Oversee the Managers' compliance with this Policy.~~
- ~~(g) Execute agreements and mandates with the Managers, service providers and agents.~~
- ~~(h) Evaluate and monitor the Fund's investment performance and asset class returns to ensure continued appropriateness of the long term Strategic Asset Allocation Policy. Make recommendations to the Investment Committee for confirmation and/or changes as required.~~
- ~~(i) Evaluate and recommend to the Investment Committee, any co-investments with other institutional investors.~~
- ~~(j) Prepare reports for the Board and Investment Committee on a regular basis on the management and investment activities of the Fund.~~
- ~~(k) Carry out other appropriate duties as authorized by the Directors.~~

~~SECTION 3 — FUND OVERVIEW~~

~~3.1 — The Fund consists largely of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. The Fund is the result of over a hundred years of philanthropy wherein donors have provided resources to support specific aspects of the University's activities in perpetuity. Donated amounts have been augmented through other programs, including Provincial fund matching, and endowing the proceeds from the prepaid leasing of residential lands. In summary, the primary sources of cash to the Fund are:~~

- ~~i. Donated funds in cash or kind~~
- ~~ii. Provincial fund matching~~
- ~~iii. Leasing revenues from real property~~
- ~~iv. Investment income~~

~~3.2 — Investment income is an important funding source and helps maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending policy approved by the University. Endowment funds have an indefinite liability stream, with expectations that the charitable activities supported by each endowment fund will benefit in perpetuity. Maintaining the purchasing power of the Fund's capital against inflation is essential in order to protect the interest of future generations.~~

~~3.3 — At this time the Fund's long term target investment return objective is 6.65% comprised of an annual spending rate of 4.0% of the rolling 36 month average market value, inflation assumption of 2.0% and fund expenses of 0.65%.~~

~~SECTION 4 — INVESTMENT PRINCIPLES AND BELIEFS~~

~~4.1 — The Directors have enunciated a set of investment principles and beliefs that forms the basis for the development of this Policy and the manner in which the Fund shall be invested. The beliefs apply at the portfolio level as well as within individual asset classes. The investment principles and beliefs are articulated in the IMANT Mission Statement and Statement of Investment Beliefs (June 2016), the UBC Statement of Investment Values (September 2012) and the UBC Endowment Responsible Investment Policy (November 2016). Those beliefs and values are captured in the statements detailed below:~~

- ~~(a) — The Fund shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess.~~
- ~~(b) — Investment risk shall be managed with the same degree of prudence and care used in managing investment assets. IMANT shall manage investment risk primarily through asset mix and security diversification, manager diversification, credit analysis, currency management and transparent reporting. To the extent practical, investment risks should be identified, quantified, managed and reported.~~
- ~~(c) — The University and IMANT are committed to a long term view of the assets and liabilities of the Fund. A long term investment horizon provides opportunities to earn higher expected risk premiums from illiquid assets.~~
- ~~(d) — Recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated.~~
- ~~(e) — In the long term, asset mix is the main determinant of portfolio return and risk, market timing does not consistently add value.~~
- ~~(f) — Diversification can improve portfolio risk and return characteristics.~~
- ~~(g) — It is appropriate to retain Managers to invest the Fund in an efficient and cost effective manner.~~

- ~~(h) In selecting the investment managers, consideration of environmental, social and corporate governance (ESG) factors by a Manager in their investment decisions is an important criteria.~~
- ~~(i) Passive investment management should be utilized unless it can be demonstrated that, net of fees, active management can add value.~~
- ~~(j) Public equities and alternative asset classes are expected to provide higher long term returns versus bonds, albeit with higher volatility. The volatility associated with those allocations is acknowledged.~~
- ~~(k) The prudent use of derivatives can help manage risk and enhance returns. Derivatives and synthetic securities may be used as a substitute for more traditional investments in order to meet Fund objectives. This includes management of asset mix, currency hedging and replication of direct investments.~~
- ~~(l) In the long run, currency hedging of foreign equities may not add value. Strategic currency hedging however, can be implemented to mitigate overall portfolio volatility particularly over the short to medium term.~~
- ~~(m) Flexibility and liquidity are important aspects for the Fund and need to be considered in asset allocations. The Board recognizes that allocations to certain alternative investment strategies may be less liquid than traditional asset classes.~~
- ~~(n) The University is committed to responsible investing. IMANT incorporates environmental, social and governance (ESG) factors in its investment process to facilitate more informed investment decisions. The University will fulfill its commitments in a way that does not negatively impact the financial objectives of its investments.~~

SECTION 5 — OBJECTIVES, RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION POLICY

Fund Objectives

- 5.1 — The primary objective of the Fund is to deliver the long term target investment returns (as described in Section 3.3) at an appropriate level of risk in order to:
- (a) invest monies in accordance with donors' requirements set out in the trust terms of the gift,
 - (b) provide cash flows and capital appreciation that are sufficient to support the Fund's current spending objectives plus inflation and expenses, and
 - (c) preserve the capital and purchasing power of each fund in order to provide the same level of support to future generations i.e. maintain intergenerational equity.

Return and Risk Expectation

- 5.2 — The Fund is expected to achieve, over moving four year periods, a net of investment management fees return at least equal to the return of a composite benchmark made up of appropriate market indices (target investment policy portfolio is shown in Section 5.5 below under the column titled "Investment Policy Portfolio") according to the Strategic Asset Allocation Policy weighting.
- 5.3 — The risk inherent in the investment strategy over the intermediate term (a five to ten year period) is three fold. There is a risk that long term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over the related benchmark will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long term return.

The primary measure of risk is the 4-year rolling rate of investment return compared with the current spending policy. The probability of achieving

~~intergenerational equity is estimated at 57% in 10 years based on the September 2016 asset mix review.~~

~~Risk expectation can be measured in several ways. The initial measures are:~~

~~(a) **Standard Deviation**~~

~~The Strategic Asset Allocation Policy is expected to achieve a target standard deviation of 10% or less in nominal terms over ten year periods.~~

~~(b) **Intergenerational Equity**~~

~~The test of intergenerational equity is the retrospective examination of the Fund regarding:~~

- ~~i. Maintenance of the inflation-adjusted value of the Fund, balanced by~~
- ~~ii. an equitable distribution of the Fund's real rate of return to support the University's charitable activities across all generations.~~

Asset Allocation

~~5.4 In identifying the long term Strategic Asset Allocation Policy that would best meet the above Fund objectives, consideration has been given to:~~

- ~~(a) the factors outlined in Fund Overview (Section 3), donated funds in cash or kind;~~
- ~~(b) capital preservation and the need to maintain intergenerational equity, provincial fund matching;~~
- ~~(c) the long term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates, leasing revenues from real property; and~~
- ~~(d) diversification benefits obtained by the inclusion of several asset classes, and investment returns.~~
- ~~(e) practical considerations.~~

~~5.5~~

~~Over complete market cycles, the allocation is expected to stay within the~~
2.2 Investment returns are an important funding source and helps maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by the University. Endowment funds have an indefinite liability stream, with expectations that the charitable activities supported by each endowment fund within the Pool will benefit in perpetuity. Maintaining the purchasing power of the Pool's capital against inflation is essential in order to protect the purchasing power of the funds within the Pool in perpetuity.

Pool Objectives

2.3 The Pool's objective is to deliver the Return Objective (defined below) at an appropriate level of risk in order to:

- (a) honour the wishes of the donors of endowed funds;
- (b) provide cash flows and capital appreciation that are sufficient to support the Pool's current spending objectives plus inflation and expenses; and
- (c) preserve the capital and purchasing power of each endowment fund within the Pool in order to provide the same level of support in perpetuity.

Return Objective

2.4 The Pool has a long term target investment return objective of 6.65% (the "Return Objective"), comprised of an annual spending rate of 4.0% of the rolling 36 month average market value, inflation assumption of 2.0% and Pool expenses of 0.65%.

Strategic Asset Allocation Policy and Investment Policy Portfolio Benchmark

2.5 The Pool maintains a strategic asset allocation where the Pool's assets are invested in the asset classes listed under the heading "Component Asset Classes" in the percentages listed under the heading "Percentage Of Pool At Market Value" as set out in the following table ("Strategic Asset Allocation Policy") and reviewed

[against the performance of the funds listed under the heading “Investment Policy Portfolio Benchmarks” \(the “Benchmarks”\):](#)

Component Asset Classes	Percentage of FundPool at Market Value		Investment Policy Portfolio
	<i>Policy Allocation</i>	<u>Range</u> Minimum Maximum	Benchmark Benchmarks <i>Index Name</i>
Cash & Cash Equivalents	2%	0% 4%	FTSE TMX Canada 91 Day Canada T-Bill Index
Private Debt & Mortgages	5%	3% 7%	FTSE TMX Canada Short Term Federal Bond Index + 4.0% p.a. Custom Benchmark *
UBC Debenture	7 6 %	0% 9%	CPI + 4.15% p.a.
Bonds	6 7 %	4% 16%	FTSE TMX Canada Universe Bond Index
Total Fixed Income	<u>20%</u>	<u>15%</u> <u>30%</u>	
Canadian Equities	10%	7.5% 12.5%	S&P/TSX Composite Index
Global Equities	15%	10% 20%	MSCI World Net Index (CAD)
Global Small Cap Equities	5%	2.5% 7.5%	MSCI World Small Cap Net Index (CAD)
Emerging Markets	10%	5% 12.5%	MSCI Emerging Markets Net Index (CAD)
Total Public Equities	<u>40%</u>	<u>35%</u> <u>50%</u>	
Private Equity	10%	7% 13%	MSCI World Net Index (CAD) + 2.0% p.a. (lagged 3 months)
Real Estate (CH)	10%	7% 13%	CPI + 4.0% p.a. (lagged 3 months)
Infrastructure (CH)	12.5%	9% 16%	CPI + 4.5% p.a. (lagged 3 months)
Absolute Return Strategies (CH)	7.5%	5% 10%	FTSE TMX 91 Day Canada T-Bill Index + 5.0% p.a.
Total Alternatives	<u>40%</u>	<u>35%</u> <u>50%</u>	

following

[Note: \(CH\) denotes asset class where non-Canadian currency exposure is hedged. All other asset classes are unhedged.](#)

[* Custom Benchmark Return =](#)

Mortgage weight * (FTSE Canada Short Term Bond Index + 1.0% p.a.) +
Private Debt weight * (FTSE Canada Short Term Federal Bond Index + 4% p.a.)

2.6 The Strategic Asset Allocation Policy is expected to meet the Return Objective
within a suitable risk reward framework. The spending levels and funding
requirements must recognize current asset class return expectations.

Performance Criteria

2.7 The criterion for evaluating the Pool is financial performance, with
the goals of:

(a) meeting the Return Objective; and

(b) meeting the returns which would have resulted from passive investments in
the market indices set out in the Benchmarks on the basis of the weighting
of the component asset classes set out in the Strategic Asset Allocation
Policy

(the “Performance Criteria”).

SECTION 3 - POOL GOVERNANCE

Structure Overview

3.1 The University’s Board of Governors (the “**Board of Governors**”) is responsible
for the overall management of the Endowment, including the Pool. The Board of
Governors has established a governance structure and delegated certain
responsibilities and powers for investing the funds in the Pool to the University of
British Columbia Investment Management Trust Inc. (“**IMANT**”).

3.2 IMANT acts through its Board of Directors (the “**IMANT Board**” and each
director on the IMANT Board a “**Director**”). The IMANT Board has appointed an
investment committee (the “**IMANT Investment Committee**”) and a President
and CEO of IMANT (the “**IMANT President**”). The IMANT Board has delegated
specific responsibilities to the IMANT Investment Committee and to the IMANT

President to assist in carrying out duties with respect to the day-to-day management, administration and investment of the Pool.

3.3 Any external investment managers who assist with the management of the Pool (the “Managers”) or fiduciary providing services in connection with the management and investment of the Pool shall accept and comply with this Policy.

Board of Governors

3.4 The Board of Governors is responsible for:

- (a) appointing and removing the Directors;
- (b) approving this Policy and any changes to this Policy; and
- (c) receiving and reviewing reports from the IMANT Board, including monitoring the performance of the Pool against the Performance Criteria.

IMANT Board

3.5 The IMANT Board shall, with recommendations from the IMANT Investment Committee:

- (a) establish, adopt and maintain this Policy;
- (b) review the Policy at least annually, and confirm it or recommend amendments for approval by the Board of Governors as needed;
- (c) establish, recommend for approval by the Board of Governors and maintain the Strategic Asset Allocation Policy for the Pool and risk tolerance levels;
- (d) establish and approve overall Manager structure for the Pool;
- (e) establish and approve all operating and administrative policies and procedures for the Pool including:
 - (i) the IMANT Code of Conduct and its conflict of interest policies;

- (ii) the IMANT Statement of Signing Authorizations;
- (iii) the IMANT Statement of Investment Authorities (“**Statement of Investment Authorities**”); and
- (iv) the IMANT Leverage Guidelines (the “**Leverage Guidelines**”);
- (f) delegate specific responsibilities to the IMANT President to assist with the day-to-day management and administration of the Pool. Notwithstanding this delegation of authority, the IMANT Board shall ensure oversight of the IMANT President’s compliance with this Policy;
- (g) rely on independent experts as required for certain aspects of the Pool’s operations;
- (h) monitor the Pool’s investment performance and asset class returns to ensure continued appropriateness of the long term Strategic Asset Allocation Policy;
- (i) advise the Board of Governors if the long term Strategic Asset Allocation Policy, Performance Criteria and the Return Objective are not in alignment; and
- (j) carry out other duties as delegated by the Board of Governors from time to time.

IMANT Investment Committee

3.6 The IMANT Investment Committee, comprising all members of the IMANT Board, within the scope of the general investment beliefs described in Section 4, shall:

- (a) review and recommend to the IMANT Board changes to this Policy, including the Strategic Asset Allocation Policy, which are within the University’s objectives and risk tolerances;

- (b) approve the following:
 - (i) sub-asset categories;
 - (ii) investment guidelines for asset classes;
 - (iii) the Leverage Guidelines;
 - (iv) Manager structures;
 - (v) Manager selection process;
 - (vi) rebalancing rules;
 - (vii) proxy voting guidelines; and
 - (viii) asset-liability study and portfolio review consultants upon recommendations brought forward by the IMANT President;
- (c) review and report on investment performance against the Performance Criteria;
- (d) monitor compliance with the Strategic Asset Allocation Policy;
- (e) review and report on monitoring of the Managers and compliance reports prepared by the IMANT President;
- (f) monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies;
- (g) recommend to the Board of Governors for their approval the appointment and/or termination of the Custodian of the Pool's assets (the "Custodian"); and
- (h) carry out other appropriate duties as authorized by the IMANT Board.

IMANT President

3.7 The IMANT President, under the direction of the IMANT Board, shall:

- (a) manage the day-to-day investment activities and administration of the Pool in accordance with this Policy, the Act and the operating policies and procedures established by the IMANT Board;
- (b) recommend to the IMANT Board an appropriate long term Strategic Asset Allocation Policy and Manager structure taking into account the Return Objective. Implement the Pool's Strategic Asset Allocation Policy;
- (c) select and appoint and/or terminate the Managers within the guidelines established by the Statement of Investment Authorities;
- (d) select and recommend appointment and/or termination of the Custodian to the IMANT Board;
- (e) select and appoint and/or terminate consultants not covered by Section 3.6(b), lawyers and other service providers as required;
- (f) meet with individual investment Managers on at least an annual basis for the purpose of evaluating and monitoring the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT President. Oversee the Managers' compliance with this Policy;
- (g) execute agreements and mandates with the Managers, service providers and agents;
- (h) evaluate and monitor the Pool's performance against the Performance Criteria to ensure continued appropriateness of the Performance Criteria for the long term. Make recommendations to the IMANT Investment Committee for confirmation and/or changes as required;

- (i) evaluate and recommend to the IMANT Investment Committee any co-investments with other institutional investors;
- (j) prepare reports for the IMANT Board and IMANT Investment Committee on a regular basis on the management and investment activities of the Pool; and
- (k) carry out other appropriate duties as authorized by the IMANT Board.

SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS

4.1 The IMANT Board of Directors' investment principles and beliefs form the basis for this Policy and the manner in which the Pool shall be invested, and they are:

- (a) the Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess;
- (b) investment risk shall be managed with the same degree of prudence and care used in managing investment assets. IMANT shall manage investment risk primarily through asset mix and security diversification, Manager diversification, credit analysis, currency management and transparent reporting. To the extent practical investment risks should be identified, quantified, managed and reported;
- (c) the Board of Governors and IMANT are committed to a long-term view of the assets and liabilities of the Pool. A long term investment horizon provides opportunities to earn higher expected risk premiums from illiquid assets;

- (d) recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated;
- (e) in the long term, asset mix is the main determinant of portfolio return and risk, market timing does not consistently add value;
- (f) diversification can improve portfolio risk and return characteristics;
- (g) it is appropriate to retain Managers to invest the Pool in an efficient and cost effective manner;
- (h) passive investment management should be used unless it can be demonstrated that, net of fees, active management can add value;
- (i) public equities and alternative asset classes are expected to provide higher long term returns versus bonds, albeit with higher volatility. The volatility associated with those allocations is acknowledged;
- (j) the prudent use of derivatives can help manage risk and enhance returns. Derivatives and synthetic securities may be used as a substitute for more traditional investments in order to meet Pool objectives. This includes management of asset mix, currency hedging and replication of direct investments;
- (k) in the long run, currency hedging of foreign equities may not add value. Strategic currency hedging however, can be implemented to mitigate overall portfolio volatility particularly over the short to medium term;
- (l) flexibility and liquidity are important aspects for the Pool and need to be considered in asset allocations. The IMANT Board recognizes that allocations to certain alternative investment strategies may be less liquid than traditional asset classes; and
- (m) the Board of Governors and IMANT are committed to responsible investing. IMANT incorporates environmental, social and governance

(ESG) factors in its investment process to facilitate more informed investment decisions in a way that does not negatively impact the financial objectives of its investments, and in selecting the Managers for public equities investments (Canadian and Foreign), consideration of ESG factors by the Manager in their investment decisions is an important criterion;

4.2 The investment principles and beliefs described in Section 4.1 apply at the portfolio level as well as within individual asset classes.

SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION

Return and Risk Expectation

5.1 The Pool is expected to achieve over moving four-year periods a return, net of investment management fees of Managers, at least equal to the returns of the Benchmarks on the basis of the weighting of the component asset classes set out under the heading “Policy Allocation” in the Strategic Asset Allocation Policy.

5.2 The risk inherent in the investment strategy over the intermediate term (a five to ten year period) is three fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over the related Benchmark will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return (such return may also be negative).

The primary measure of risk is the 4-year rolling rate of investment return compared with the Return Objective. The probability of achieving intergenerational equity is estimated at 57% in 10 years based on the September 2016 asset mix review.

Risk expectation can be measured in several ways. The measures are:

- (a) Standard Deviation: The Strategic Asset Allocation Policy is expected to achieve a target standard deviation of 10% or less in nominal terms over ten year periods.
- (b) Intergenerational Equity: The test of intergenerational equity is the retrospective examination of the Pool regarding maintenance of the inflation-adjusted value of the Pool, balanced by an equitable distribution of the Pool's real rate of return to support the University's charitable activities in perpetuity.

Asset Allocation

5.3 In identifying, reviewing and recommending changes to the long term Strategic Asset Allocation Policy that would best meet the above Pool's objectives set out in Section 2.3, consideration is to be given to:

- (a) the factors outlined in Pool Overview (Section 2);
- (b) capital preservation and the need to support the University's activities in perpetuity;
- (c) the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates;
- (d) diversification benefits obtained by the inclusion of several asset classes; and
- (e) practical considerations.

5.4 Over complete market cycles, the Pool's assets shall stay within the ranges and approximate the assets set out in the Strategic Asset Allocation Policy, subject to Section 5.5(b).

~~Note: (CH) denotes asset class where non-Canadian currency exposure is hedged.~~

5.5 ~~5.6~~ Recognizing that buying and selling securities ~~does incur~~incurs a cost and that there is a ~~tradeoff~~trade-off between transaction costs and benefits, for public market securities, the FundPool will be rebalanced ~~on a~~ quarterly ~~basis~~based on the following principles:

(a) ~~If~~If an asset class is above or below an asset class range set out in the Strategic Asset Allocation Policy (~~varies by~~ plus or minus 2% to 5%, dependent on the asset class), ~~management~~IMANT must rebalance to the range. ~~Management~~IMANT has discretion to rebalance to ~~within the~~within the mid-point or to the range. Any deviations from ~~an~~the asset class mid-point must be reported to the IMANT Board.

; or

(b) ~~In~~In periods of extreme market volatility, the above rebalancing policy may be suspended upon confirmation and approval by the Chair of the IMANT Board ~~and, with~~ notification to the IMANT Board.

5.6 ~~5.7~~ ~~In~~If the ~~event~~chair of the IMANT Board ~~or Investment Committee~~ suspends further allocations or redemptions to or from an asset class as a result of unfavorable market conditions, the Strategic Asset Allocation Policy's asset class weights will be adjusted accordingly until such suspension is removed or the Strategic Asset Allocation Policy is amended.

5.7 ~~5.8~~ The ~~Investment Policy Portfolio benchmark includes~~Benchmarks include 0% currency hedging for foreign equities and 100% currency hedging for other foreign assets.

5.8 ~~5.9~~ As part of risk management, the maximum foreign currency exposure is limited to 50% of the fundPool.

5.9 ~~5.10~~ ~~The Investment Policy Portfolio benchmark based on the Strategic Asset Allocation Policy is outlined in Section 5.5.~~ See Appendix A for a historical record of the ~~Investment Policy Portfolio benchmarks.~~

[Benchmarks.](#)

External Investment Management

5.10 ~~5.11~~ IMANT shall retain Managers, each to manage specified portions of the [Fund](#) [Pool](#). The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.

5.11 ~~5.12~~ IMANT shall have a written mandate for each Manager, which describes the categories and sub-categories in which the Manager may invest, the investment guidelines and constraints in respect of that mandate, and the investment performance standards.

5.12 ~~5.13~~ A Manager, in performing its duties, shall:

- (a) ~~a-~~ exercise the care, diligence and skill of a prudent investment manager and shall at all times act on a basis that is fair and reasonable;
- (b) ~~b-~~ adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute or to the internal conduct guidelines established by the Manager; and
- (c) ~~c-~~ manage its portfolio in accordance with the terms of its Investment Management Agreement with IMANT and the specific guidelines set out [herein in this Policy](#).

5.13 ~~5.14~~ IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager. Reasons for terminating the services of a Manager include, but are not limited to:

- (a) ~~a-~~ failure of the Manager to meet the return expectations as specified in its mandate;
- (b) ~~b-~~ changes in personnel, firm structure, or investment philosophy, style or approach which might adversely affect the potential return or risk level of the portfolio;

- (c) ~~e.~~ failure to adhere to the Policy or the Manager's mandate; and
- (d) ~~d.~~ changes in the structure of the FundPool which would no longer necessitate the use of the Manager's services.

Performance Evaluation

5.14 ~~5.15 Portfolio~~The Pool's performance will be evaluated ~~in the following two ways:~~ against the Performance Criteria against the goals outlined in Section 2.7 and reported to the Board of Governors on a quarterly basis.

- ~~a. financial performance, with the goal of meeting the long term target return objective (Section 3.3);~~
- ~~b. financial performance, with the goal of meeting the Investment Policy benchmark which is a weighted average of investment returns of Investment Policy Portfolio benchmarks (as described in Section 5.5).~~

SECTION 6 - SECTION 6 — PERMITTED INVESTMENTS

- 6.1 All investments shall be made in accordance with applicable legislation and the standard of care ~~provision contained in the Act~~ set out in the Act, this Policy, and the guidelines approved by the IMANT Investment Committee from time to time for investment within particular asset classes.
- 6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the [FundPool](#) shall be held by the Custodian and registered:
- (a) in a name that clearly indicates that the investment is held in trust for the [FundPool](#) and, where the investment is capable of being registered, registered in that name; ~~;~~ or
 - (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the [FundPool](#) and provides that :
 - (i) the investment: ~~i.~~ — constitutes part of the [Fund, Pool](#);
 - (ii) ~~ii. the investment~~ shall not at any time constitute an asset of the Custodian or nominee; ~~;~~ and
 - (iii) ~~iii. that further provides that~~ records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the [FundPool](#) at any time.
- 6.3 From time to time, and subject to this Policy, the [FundPool](#) may invest in any or all of the following asset categories and sub-categories of investments either directly or through pooled funds or other co-mingled vehicles that hold these investments:

(a) ~~Cash or Cash Equivalents:~~ cash or cash equivalents, which are limited to:

(i) ~~Deposits~~deposits with banks or trust companies with a current term to maturity of one year or less;

(ii) ~~Canadian and foreign issuers~~ with a current term to maturity of one year or less; and

(iii) ~~Floating~~floating rate notes of Canadian issuers with a current term to maturity of one year or less.

(b) ~~Fixed Income:~~ fixed income, which are limited to:

- (i) ~~Bonds~~ bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian, and foreign issuers;
- (ii) ~~Mortgages~~ mortgages and asset-backed securities; and
- (iii) ~~Term~~ term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States;

(c) **Canadian** ~~Equity~~ equity, which are limited to:

- (i) ~~Common~~ common stocks, convertible debentures, share purchase warrants, instalments receipts, exchangeable shares, share purchase rights, preferred shares or units in income trusts; and
- (ii) ~~Interests~~ interests in limited partnerships that are not foreign property under the Income Tax Act

(d) **Foreign Equity:** foreign equity, which are limited to:

- (i) ~~Non~~ non-Canadian (including emerging markets): common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights, American Depositary Receipts (“ADRs”) of non-Canadian companies, Global Depositary Receipts (“GDRs”) of non-Canadian companies, income trust units in limited partnerships, private equity limited partnerships and real estate investments trusts;

~~(e) Private Equity:~~

~~Equity investments in non-public Canadian and foreign companies through fund structures, fund-of-fund structures, swap arrangements or limited partnerships or co-investment with other likeminded institutional investors.~~

~~(f) Private Debt:~~

~~(e)~~ ~~Debt~~private equity, which are investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap arrangements or limited partnerships or co-investment with other ~~like-minded~~like-minded institutional investors.

~~(g) Real Estate:~~

~~(f)~~ private debt, which are debt investments in non-public Canadian and foreign companies through fund structures, fund of fund structures, swap arrangements or limited partnerships or co-investment with other like-minded institutional investors;

~~(g)~~ Real real estate, which is real property, whether held directly or through open or closed-end pooled funds, in partnership with ~~likeminded~~like-minded investors, participating debentures, mezzanine debt, shares of corporations or partnerships, swap instruments to invest in real estate and units in real estate investment trusts-;

~~(h) Infrastructure Assets:~~

~~(h)~~ Through limited partnership infrastructure assets, which are investments in infrastructure assets, whether held directly or through limited partnerships funds, fund of funds, or co-investments with other likeminded-institutional investors-;

~~(i) Absolute Return Assets:~~

~~(i)~~ Limited absolute return assets, which are investments in limited partnerships investing in low volatility absolute return strategies through funds, funds of funds or multi strategy funds-;

~~(j)~~ Derivatives; derivatives, limited to:

~~(i)~~ •Futures futures, exchange traded funds (ETF), and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available-; and

SECTION 7 - SECTION 7 — PORTFOLIO CONSTRAINTS, ~~r~~

DIVERSIFICATION, LEVERAGE AND LIQUIDITY ~~-4~~

7.1 Unless otherwise indicated, all percentages used in this Section ~~shall be~~7 are calculated using market values.

7.2 IMANT shall not:

- (a) ~~No~~invest more than 3% of the market value of the Pool's assets ~~shall be invested~~ in a single corporation, stock or income trust at time of purchase. ~~(b) — The Fund shall not; or~~
- (b) acquire securities of a corporation to which are attached more than 30% of the voting rights of any corporation.

Cash or Cash Equivalents

7.3 ~~7.2~~ All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

~~7.3~~ — Fixed Income

7.4 Fixed income assets of the Pool must meet the following requirements:

- (a) ~~No~~no more than 5% of the fixed income portfolio shall be invested in any one corporation or security with the exception of those issued or guaranteed by the Government of Canada or a province of Canada or an agency thereof having at least an "A" rating. ~~;~~
- (b) ~~The~~the aggregate amount of public and private debt securities in any single issuer except those issued by the Government of Canada shall not exceed 25% of the total debt outstanding by that issuer. ~~;~~

- (c) ~~Not~~not more than 25% of the fixed income portfolio shall be held in securities denominated for payment in a foreign currency.;
- (d) ~~No~~no more than ~~20~~10% of the fixed income portfolio shall be invested in aggregate in debt securities having a “BBB” rating.;
- (e) ~~No~~no part of a fixed income portfolio shall be invested in a debt security having a rating lower than “BBB”, unless such security had a rating of “BBB” or higher at the time of purchase.;
- (f) ~~Ratings~~ratings policies in ~~section 7.3~~Section 7.4(a) to (e) do not apply to infrastructure debt, private debt, real estate debt and mortgages.;
- and
- (g) ~~Mortgage~~mortgage investments shall be restricted to pooled mortgage funds consisting of geographically diversified mortgages of industrial, residential, commercial and office properties. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund must not exceed 80% of the appraised value of the subject real estate at the time of investment or renewal.

7.5 ~~7.4~~ If a security’s credit rating falls below the specified level after purchase, the ~~investment manager~~Manager shall recommend a course of action to the IMANT President for approval.

7.6 ~~7.5~~ For purposes of this Section, 7, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

~~7.6~~ — **Public Equities:**

7.7 ~~Holdings~~Public equity assets of the Pool shall be diversified by stock, capitalization and industry and also by region and country in the case of foreign equities.

~~7.7~~ — **Real Estate**

7.8 Real estate assets of the Pool must meet the following requirements:

- (a) ~~Properties~~properties shall be diversified by location, type of use and tenants~~;~~;
- (b) ~~Not~~not more than 5% of the ~~Real Estate~~real estate holdings may be invested in any one property~~;~~ and
- (c) ~~Income~~income-producing real estate holdings may be mortgaged, except that the aggregate principal amount of such mortgages and debt shall not exceed 10% of the market value of the ~~Fund~~Pool, and no mortgage or debt on any single holding shall be more than 75% of the market value of such holding at the time the mortgage is given or renewed.

~~7.8~~ — **Private Equity** ~~Holdings shall~~

7.9 Private equity assets of the Pool must be diversified by company, capitalization, industry and global region.

~~7.9~~ — **Private Debt** ~~Holdings~~

7.10 Private debt shall be diversified by issuer, industry and global region.

~~7.10~~ — **Infrastructure**~~;~~

7.11 Infrastructure assets of the Pool must meet the following criteria:

- (a) ~~Investments~~investments shall be diversified by geography and type. Income producing ~~Canadian~~ infrastructure investments are preferred~~;~~;
- (b) ~~Not~~not more than 5% of the ~~Infrastructure~~infrastructure holdings may be invested in any one investment~~;~~ and

- (c) ~~Debt~~debt financing ~~of~~ infrastructure investments shall be restricted to the same percentage of the portfolio and the ~~Fund~~Pool as described above for real estate.

~~7.11~~ — **Derivatives:**

~~7.12~~ ~~Derivative~~Derivatives instruments may be used for the following purposes:

- (a) create an asset mix position (e.g. Exchange Traded Funds) within the ranges and among the asset classes set out in this Policy~~;~~
- (b) adjust the duration of the fixed income portfolio within the ranges set out in this Policy~~;~~
- (c) replicate direct investments in the underlying assets or asset classes (e.g. indexes) allowed under this Policy so as to achieve an advantage of lower cost, transactional ease, market exposure or ~~manager~~a Manager's skill~~;~~
- (d) manage the currency exposure of a portfolio of foreign assets~~;~~ and
- (e) reduce risk as part of a hedging strategy, including market, interest rate, credit and currency risk.

~~7.12~~ — **Counterparties:**

~~7.13~~ The counterparty to any derivative transaction must have a long-term credit rating of at least “A” from Standard & Poor’s Corporation, “A2” from Moody’s Investor Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

~~7.13~~ **Leverage:**

[7.14](#) The [FundPool](#) is permitted to invest up to 10% of its value in additional assets purchased through leveraged strategies and/or by creating synthetic exposures to existing asset classes. All such forms of leverage will not result in additional debt accruing to the University. [All leveraged strategies must comply with the Leverage Guidelines.](#)

~~7.14~~ **Liquidity:**

[7.15](#) IMANT shall maintain sufficient liquidity in the [FundPool](#) to meet current operating disbursements and to avoid untimely disposal of securities.

SECTION 8 - ~~SECTION 8~~ — LOANS AND BORROWING

- 8.1 No part of the FundPool shall be loaned to any party, other than by:
- (a) purchasing securities which otherwise meet the requirements of this Policy for fixed income or cash equivalents; ~~;~~ or
 - (b) lending securities by the Custodian provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in cash or high quality liquid securities defined in the lending agreement with the Custodian and provided also that the Custodian provides a guarantee of all such loans.
- 8.2 Money shall not be borrowed on behalf of the FundPool and the FundPool's assets shall not be pledged or otherwise encumbered in respect thereof, except:
- (a) for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management; ~~or~~ and
 - (b) for a non-recourse loan secured by a mortgage on a real estate investment of the FundPool or debt financing of an infrastructure investment secured by the infrastructure asset.

SECTION 9 - ~~SECTION 9~~ — VOTING RIGHTS

- 9.1 The ~~Directors have~~IMANT Board has delegated the responsibility for exercising voting rights of the ~~Fund~~Pool's investments to the IMANT President who may either retain an external proxy voting service or delegate this responsibility to the Managers.
- 9.2 The IMANT President and Managers shall conform to the principle of voting in favour of measures that promote good social, environmental and corporate governance practices and vote against measures that do not appear to create value for shareholders. Voting of proxies shall be exercised at all times in the best interest of the University in support of its charitable activities.
- 9.3 The IMANT President and or Managers shall maintain a record of how the ~~Fund~~Pool's voting rights have been exercised.
- 9.4 Any voting rights related to interests in partnerships or limited partnerships shall be the responsibility of the President, who shall vote in the best interests of the University in support of its charitable activities.
- 9.5 It is recognized, however, that the above policy on voting rights may not be enforceable to the extent that part of the ~~Fund~~Pool is invested in pooled funds.

SECTION 10 - ~~SECTION 10~~ — VALUATION OF INVESTMENTS

- 10.1 Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.
- 10.2 Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the ~~custodian~~Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.
- 10.3 If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than annually. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time and in accordance with generally accepted industry valuation procedures. This valuation methodology shall also apply to non-tradable investments held directly or through co-investment with other investors.
- 10.4 Independent expert appraisal of each such non-traded investments shall be obtained as needed.

SECTION 11 - ~~SECTION 11~~ - RELATED PARTY TRANSACTIONS

11.1 For the purposes of this Policy, “**Related Party**” has the meaning given in the ~~Act~~Business Corporations Act of British Columbia, but for greater certainty includes:

- (a) the University, an affiliate of the University, or a member of the Board of Governors of the University;
- (b) an officer or employee of the University;
- (c) a ~~member of the IMANT Board of Directors and~~Director; or
- (d) IMANT staff.

~~Related Party Transactions~~

11.2 The ~~Fund~~Pool may enter into a transaction with a ~~related party~~Related Party only if:

- (a) the transaction is required for the operation or administration of the ~~Fund~~Pool;
- (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; and
- (c) the transaction does not exceed 3% of the market value of the ~~Fund~~Pool at the time of the transaction.

11.3 In ~~2014~~2014, the Board of Governors ~~of the University~~ and the ~~Directors of the~~ IMANT Board authorized a one-time \$100 million loan to the University for the construction of Orchard Commons student housing development. This decision temporarily suspends the 3% restriction in ~~section~~Section 11.2 (c) until the remaining balance of the loan is less than 3% of the ~~Fund~~Pool. At that time, this section becomes void and ~~section~~Section 11.2 (c) returns to force.

11.4 Notwithstanding [Section](#) 11.2, the Directors shall monitor transactions to ensure ongoing compliance with this Policy.

Conflicts of Interest

SECTION 12 - CONFLICTS OF INTEREST

12.1 ~~11.5~~ From time to time, real or perceived conflicts of interest may arise. If a ~~Director, or any agent of or advisor to the Fund, or any employee~~any person below listed has or acquires any material interest, direct or indirect, in any matter in which the ~~Fund~~Pool is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the ~~Fund~~. ~~In the case of an IMANT staff member, the disclosure is to the President of IMANT; in the case of the President, to the Board Chair and in the case of a Board member, to the Board Chair. If the Board Chair is involved, disclosure should be made to the Chair of the Governance Committee.~~Pool, that person must disclose that interest to the person as follows:

(a) any Manager, agent, or advisor to the Pool, to the IMANT President;

(b) IMANT staff members, to the IMANT President;

(c) the IMANT President, to the chair of the IMANT Board;

(d) a Director, to the chair of the IMANT Board; or

(e) the chair of the IMANT Board, to the IMANT President and the chair of the Board of Governors' governance committee.

The ~~Chair who received~~chair of the ~~disclosure~~IMANT Board or the IMANT President, as applicable, shall then advise all members of the IMANT Board. ~~Any conflict should be~~of the disclosed ~~prior to~~conflict before the next IMANT Board meeting, and the IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any ~~such~~ person making a disclosure will thereafter abstain from any decision making with respect to the area

of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

12.2 ~~11.6~~ Every disclosure of interest under ~~this~~ Section 12.1 shall be recorded in the minutes of the relevant IMANT Board ~~of Directors~~² meeting.

12.3 ~~11.7~~ The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.

12.4 ~~11.8~~ The IMANT President shall satisfy himself or herself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the ~~Fund~~Pool, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

SECTION 13 - ~~SECTION 12~~ - MONITORING

13.1 ~~12.1~~ IMANT shall monitor the performance of each Manager relative to the Manager's mandate. In its analysis, IMANT shall review the portfolio holdings of each Manager and shall undertake any analysis that may be required to confirm the Manager's compliance with this Policy.

13.2 ~~12.2~~ The ~~Directors~~IMANT Board shall review on a regular basis, as needed, and at least once a year:

- (a) the assets and net cash flow of the ~~Fund~~Pool;
- (b) the current asset mix of the ~~Fund~~Pool;
- (c) risk analysis and investment performance of the ~~Fund~~Pool and each Manager relative to the objectives of the Policy and the Managers' mandates;
- (d) ~~Fund~~the Pool's holdings;
- (e) the fees and expenses incurred in managing the ~~Fund~~Pool; and
- (f) compliance with this Policy.

Such a review shall be undertaken on the IMANT Board's behalf quarterly through the IMANT Investment Committee. Following such review, the IMANT Investment Committee shall take action as it deems prudent and appropriate.

13.3 ~~12.3~~ The IMANT Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board of Governors.

SECTION 14 - ~~SECTION 13~~ — POLICY REVIEW

14.1 ~~13.1~~ This Policy shall be reviewed at least annually by the ~~Directors~~IMANT Board in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:

- (a) changes in the payout rate of the ~~Fund~~Pool by the University;
- (b) revisions to the expected long-term relationship between risk and reward on key asset classes;
- (c) ~~changes to the Policy that emerge in its~~ practical operation, of IMANT, the Managers, the Pool and other matters set out in this Policy;
- (d) changes in applicable legislation;
- (e) recommendations by the IMANT President; and
- (f) all changes to this Policy are to be recommended by the IMANT Board to the Board of Governors and approved by the Board ~~for recommendation to the~~of Governors.

APPENDIX A – INVESTMENT POLICY PORTFOLIO BENCHMARK (IPP) HISTORY

April 1, 2017 – March 31, 2019*		
	<u>Weight</u>	
Fixed Income	2%	FTSE TMX 91 Canada Day T-Bill Index
Fixed Income	5%	FTSE TMX Canada Short Term Federal Bond Index + 1.0%
Fixed Income	7%	CPI + 4.15% p.a.
Fixed Income	6%	FTSE TMX Canada Universe Bond Index
Equities (Cdn)	10%	S&P/TSX Composite Index
Equities (Global)	15%	MSCI World Net Index (CAD)
Equities (Global)	5%	MSCI World Small Cap Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	CPI + 4.0% (lagged 3 months)
Infrastructure	10%	CPI + 4.5% (lagged 3 months)
Absolute Return Strategies	10%	FTSE TMX 91 Day Canada T-Bill Index + 5%
<i>* Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>		
April 1, 2015 – March 31, 2017*		
	<u>Weight</u>	
Fixed Income	2%	FTSE TMX 91 Day T-Bill Index
Fixed Income	5%	FTSE TMX Canadian Short Term Bond Index + 1.0%
Fixed Income	13%	FTSE TMX Canadian Universe Bond Index
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (Global)	15%	MSCI World Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	CPI + 4.0%
Infrastructure	10%	CPI + 4.5%
Absolute Return Strategies	10%	FTSE TMX 91 Day T-Bill Index + 5%
<i>* Transition quarterly benchmark weights were used from April 1, 2015 to March 31, 2016 as policy portfolio was not yet fully implemented</i>		
July 1, 2013 – March 31, 2015*		
	<u>Weight</u>	
Fixed Income	2%	DEX 91 Day T-Bill Index
Fixed Income	5%	DEX Short Term Bond Index + 1.0%
Fixed Income	13%	DEX Universe Bond Index
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (Global)	20%	MSCI World Net Index (CAD)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	12.5%	CPI + 4.0%
Infrastructure	12.5%	CPI + 4.5%
Hedge Funds	0%	HFRI Fund of Funds: Conservative Index (Cdn)
<i>* Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>		
January 1, 2011 – June 30, 2013*		
	<u>Weight</u>	
Fixed Income	2%	DEX 91 Day T-Bills Index
Fixed Income	18%	DEX Universe Bond Index

Equities (Cdn)	22.5%	S&P/TSX Composite Index
Equities (US)	11.25%	S&P 500 Index (Cdn)
Equities (EAFE)	11.25%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months)
Infrastructure	5%	30% DEX Real Return Bond/70% MSCI World Net Index (Cdn) (lagged 3 months)
Hedge Funds	0%	HFRI Fund of Funds: Conservative Index (Cdn)
		<i>*Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>

January 1, 2011 – June 30, 2013*		
	<u>Weight</u>	
Fixed Income	2%	DEX 91 Day T-Bills Index
Fixed Income	18%	DEX Universe Bond Index
Equities (Cdn)	22.5%	S&P/TSX Composite Index
Equities (US)	11.25%	S&P 500 Index (Cdn)
Equities (EAFE)	11.25%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	10%	MSCI Emerging Mkts Net Index (Cdn)
Private Equity	10%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months) 30% DEX Real Return Bond/70% MSCI World Net Index (Cdn) (lagged 3 months)
Infrastructure	5%	
Hedge Funds	0%	HFRI Fund of Funds: Conservative Index (Cdn)
<i>*Transition quarterly benchmark weights were used as policy portfolio was not yet fully implemented</i>		
April 1, 2007 – December 31, 2010		
	<u>Weight</u>	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	15%	S&P 500 Index (Cdn)
Fixed Income	18%	DEX Universe Bond Index
Fixed Income	2%	DEX 91 Day T-Bills Index
Hedge Funds	12.5%	HFRI Fund of Funds: Conservative Index (Cdn)
Real Estate	10%	ICREIM/IPD Canada All Property Index (lagged 3 months)
Private Equity	12.5%	MSCI World Net Index (Cdn) + 2% (lagged 3 months)
January 1, 2005 – March 31, 2007		
	<u>Weight</u>	
Equities (Cdn)	15%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	15%	S&P 500 Index (Cdn)
Fixed Income	18%	Scotia Capital Universe Bond Index
Fixed Income	2%	Scotia Capital 91 Day T-Bills Index
Hedge Funds	12.5%	HFRI Fund of Funds Composite Index (Cdn)
Real Estate	10%	UBC Endowment Total Fund Return
Private Equity	12.5%	UBC Endowment Total Fund Return
October 1, 2001 – December 31, 2004		
	<u>Weight</u>	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	15%	MSCI EAFE Net Index (Cdn)
Equities (US)	25%	Russell 1000 Index (Cdn)
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	25%	Scotia Capital Universe Bond Index
Hedge Funds	5%	HFRI Fund of Funds Composite Index (Cdn)
Private Equity	5%	Cambridge Associates U.S. Private Equity (Cdn)
April 1, 2000 – September 30, 2001		
	<u>Weight</u>	
Equities (Cdn)	23.5%	S&P/TSX Composite Index
Equities (EAFE)	18.5%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	3%	MSCI Emerging Markets Index (Cdn)
Equities (US)	15%	Russell 1000 Index (Cdn)
Fixed Income	3%	Scotia Capital 91 Day T-Bills Index
Fixed Income	5%	Scotia Capital Mortgage Index

Fixed Income	32%	Scotia Capital Universe Bond Index
Prior to April 1, 2000		
	<i>Weight</i>	
Equities (Cdn)	20%	S&P/TSX Composite Index
Equities (EAFE)	8.5%	MSCI EAFE Net Index (Cdn)
Equities (Emerging)	3%	MSCI Emerging Markets Index (Cdn)
Equities (US)	8.5%	S&P 500 Index (Cdn)
Fixed Income	5%	Scotia Capital 91 Day T-Bills Index
Fixed Income	5%	Scotia Capital Mortgage Index
Fixed Income	50%	Scotia Capital Universe Bond Index

<u>Prior to April 1, 2000</u>		
	<u>Weight</u>	
<u>Equities (Cdn)</u>	<u>20%</u>	<u>S&P/TSX Composite Index</u>
<u>Equities (EAFE)</u>	<u>8.5%</u>	<u>MSCI EAFE Net Index (Cdn)</u>
<u>Equities (Emerging)</u>	<u>3%</u>	<u>MSCI Emerging Markets Index (Cdn)</u>
<u>Equities (US)</u>	<u>8.5%</u>	<u>S&P 500 Index (Cdn)</u>
<u>Fixed Income</u>	<u>5%</u>	<u>Scotia Capital 91 Day T-Bills Index</u>
<u>Fixed Income</u>	<u>5%</u>	<u>Scotia Capital Mortgage Index</u>
<u>Fixed Income</u>	<u>50%</u>	<u>Scotia Capital Universe Bond Index</u>

Document comparison by Workshare 9.5 on May-17-19 9:55:08 AM

Input:	
Document 1 ID	worldox://01865263.docx/1
Description	UBC Main Endowment SIPP BOG approved December 2017
Document 2 ID	worldox://01865274.docx/1
Description	UBC Main Endowment SIPP BOG submitted June 2019 (effective April 2019)
Rendering set	standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
Moved to	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	791
Deletions	575
Moved from	246
Moved to	246
Style change	0
Format changed	0
Total changes	1858

~~⁴This section should be read in conjunction with the Asset Class Guidelines for Public Equities, Public Debt, Real Estate, Infrastructure, Private Equity, Private Debt, Absolute Return Strategies and Leverage.~~

The University of British Columbia (UBC)
Sustainable Future Pool

Statement of Investment Policies
and Procedures

April 1, 2019

Table of Contents

SECTION 1 - PURPOSE	1
SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA	1
SECTION 3 - POOL GOVERNANCE	4
SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS	8
SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION	10
SECTION 6 - PERMITTED INVESTMENTS	14
SECTION 7 - PORTFOLIO CONSTRAINTS - DIVERSIFICATION AND LIQUIDITY	16
SECTION 8 - LOANS AND BORROWING	18
SECTION 9 - VOTING RIGHTS	19
SECTION 10 - VALUATION OF INVESTMENTS	19
SECTION 11 - RELATED PARTY TRANSACTIONS	20
SECTION 12 - CONFLICTS OF INTEREST	20
SECTION 13 - MONITORING	22
SECTION 14 - POLICY REVIEW	22

SECTION 1 - PURPOSE

- 1.1 The University of British Columbia (the “**University**”) has established the Sustainable Future Pool (the “**Pool**”) as one pool of funds within the University’s endowment (the “**Endowment**”) to support specific aspects of the University’s charitable activities in perpetuity.
- 1.2 This document constitutes the Statement of Investment Policies and Procedures (the “**Policy**”) applicable to the assets that make up the Pool.
- 1.3 The purpose of this Policy is to define the governance structure for the Pool, and formulate the principles, guidelines and monitoring procedures to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”) and in particular Section 57 of the Act. This Policy is supplementary to the Act.

SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA

Overview

- 2.1 The University’s Board of Governors (the “**Board of Governors**”) passed a resolution at its February 15, 2016 meeting to establish the Pool.
- 2.2 The Pool is a pool of funds, which at the time of the Pool’s establishment are primarily the University’s monies which the University has chosen to endow. The Pool may also include donor contributions which are primarily in the form of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. In both cases, the Pool is meant to support specific aspects of the University’s charitable activities in perpetuity. The primary sources of cash to the Pool will be:
 - (a) leasing revenues from real property;
 - (b) donated funds in cash or kind; and
 - (c) investment returns.

2.3 Investment returns are an important funding source and helps maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by the University. Endowment funds have an indefinite liability stream, with expectations that the charitable activities supported by each endowment fund within the Pool will benefit in perpetuity. Maintaining the purchasing power of the Pool's capital against inflation is essential in order to protect the purchasing power of the funds within the Pool in perpetuity.

Pool Objectives

2.4 The Pool has two objectives:

- (a) maximize the rate of return at an appropriate level of risk in order to:
 - (i) honour the wishes of the donors of endowed funds;
 - (ii) provide cash flows and capital appreciation that are sufficient to support the Pool's current spending objectives plus inflation and expenses; and
 - (iii) preserve the capital and purchasing power of each endowment fund within the Pool in order to provide the same level of support in perpetuity; and
- (b) incorporate non-financial objectives to materially lower CO₂ emissions, including the objective of reducing or excluding investments in companies that own fossil fuel reserves.

Return Objective

2.5 The Pool has a long term target investment return objective of 6.15% (the "**Return Objective**"). The Return Objective is comprised of an annual spending rate calculated over the rolling 36 month average market value, an inflation assumption of 2% and Pool expenses, all as approved by the Board of Governors.

Strategic Asset Allocation Policy and Investment Policy Portfolio Benchmark

2.6 The Pool maintains a strategic asset allocation where the Pool’s assets are invested in the asset classes listed under the heading “Component Asset Classes” in the percentages listed under the heading “Percentage Of Pool At Market Value” as set out in the following table (“**Strategic Asset Allocation Policy**”) and reviewed against the performance of the funds listed under the heading “Investment Policy Portfolio Benchmarks” (the “**Benchmarks**”):

Component Asset Classes	Percentage of Pool at Market Value			Investment Policy Portfolio Benchmarks
	<i>Policy Allocation</i>	<u>Range</u> Minimum Maximum		<u>Index Name</u>
Bonds & Cash	30%	25%	35%	FTSE TMX Canada All Government Bond Index
Global Low CO ₂ Emission Equities	70%	65%	75%	MSCI World Net Index (CAD)

2.7 The Strategic Asset Allocation Policy is expected to meet the Return Objective within a suitable risk reward framework. The spending levels and funding requirements must recognize current asset class return expectations.

Performance Criteria

2.8 The criteria for evaluating the Pool’s performance are:

- (a) financial performance, with the goals of:
 - (i) meeting the Return Objective; and
 - (ii) meeting the returns which would have resulted from passive investments in the market indices set out in the Benchmarks on the basis of the

weighting of the component asset classes set out in the Strategic Asset Allocation Policy;

- (b) CO₂ emissions, with the goals of:
 - (i) the Pool's investment portfolio having materially lower CO₂ emissions than the Benchmarks; and
 - (ii) reducing or excluding investments in companies which own fossil fuel reserves,

(the “**Performance Criteria**”).

SECTION 3 - POOL GOVERNANCE

Structure Overview

- 3.1 The University's Board of Governors (the “**Board of Governors**”) is responsible for the overall management of the Endowment, including the Pool. The Board of Governors has established a governance structure and delegated certain responsibilities and powers for investing the funds in the Pool to the University of British Columbia Investment Management Trust Inc. (“**IMANT**”).
- 3.2 IMANT acts through its Board of Directors (the “**IMANT Board**”) and each director on the IMANT Board a “**Director**”). The IMANT Board has appointed an investment committee (the “**IMANT Investment Committee**”) and a President and CEO of IMANT (the “**IMANT President**”). The IMANT Board has delegated specific responsibilities to the IMANT Investment Committee and to the IMANT President to assist in carrying out duties with respect to the day-to-day management, administration and investment of the Pool.
- 3.3 Any external investment managers who assist with the management of the Pool (the “**Managers**”) or fiduciary providing services in connection with the management and investment of the Pool shall accept and comply with this Policy.

Board of Governors

3.4 The Board of Governors is responsible for:

- (a) appointing and removing the Directors;
- (b) approving this Policy and any changes to this Policy; and
- (c) receiving and reviewing reports from the IMANT Board, including monitoring the performance of the Pool against the Performance Criteria.

IMANT Board

3.5 The IMANT Board shall, with recommendations from the IMANT Investment Committee:

- (a) establish, adopt and maintain this Policy;
- (b) review the Policy at least annually, and confirm it or recommend amendments for approval by the Board of Governors as needed;
- (c) establish, recommend for approval by the Board of Governors and maintain the Strategic Asset Allocation Policy for the Pool and risk tolerance levels;
- (d) establish and approve overall Manager structure for the Pool;
- (e) establish and approve all operating and administrative policies and procedures for the Pool including:
 - (i) the IMANT Code of Conduct and its conflict of interest policies;
 - (ii) the IMANT Statement of Signing Authorizations;
 - (iii) the IMANT Statement of Investment Authorities (“**Statement of Investment Authorities**”); and
 - (iv) the IMANT Leverage Guidelines (the “**Leverage Guidelines**”);

- (f) delegate specific responsibilities to the IMANT President to assist with the day-to-day management and administration of the Pool. Notwithstanding this delegation of authority, the IMANT Board shall ensure oversight of the IMANT President's compliance with this Policy;
- (g) rely on independent experts as required for certain aspects of the Pool's operations;
- (h) monitor the Pool's investment performance and asset class returns to ensure continued appropriateness of the long term Strategic Asset Allocation Policy;
- (i) advise the Board of Governors if the long term Strategic Asset Allocation Policy, Performance Criteria and the Return Objective are not in alignment; and
- (j) carry out other duties as delegated by the Board of Governors from time to time.

IMANT Investment Committee

3.6 The IMANT Investment Committee, comprising all members of the IMANT Board, within the scope of the general investment beliefs described in Section 4, shall:

- (a) review and recommend to the IMANT Board changes to this Policy, including the Strategic Asset Allocation Policy, which are within the University's objectives and risk tolerances;
- (b) approve the following:
 - (i) sub-asset categories;
 - (ii) investment guidelines for asset classes;
 - (iii) the Leverage Guidelines;
 - (iv) Manager structures;
 - (v) Manager selection process;
 - (vi) rebalancing rules;

- (vii) proxy voting guidelines; and
- (viii) asset-liability study and portfolio review consultants upon recommendations brought forward by the IMANT President;
- (c) review and report on investment performance against the Performance Criteria;
- (d) monitor compliance with the Strategic Asset Allocation Policy;
- (e) review and report on monitoring of the Managers and compliance reports prepared by the IMANT President;
- (f) monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies;
- (g) recommend to the Board of Governors for their approval the appointment and/or termination of the Custodian of the Pool's assets (the "**Custodian**"); and
- (h) carry out other appropriate duties as authorized by the IMANT Board.

IMANT President

3.7 The IMANT President, under the direction of the IMANT Board, shall:

- (a) manage the day-to-day investment activities and administration of the Pool in accordance with this Policy, the Act and the operating policies and procedures established by the IMANT Board;
- (b) recommend to the IMANT Board an appropriate long term Strategic Asset Allocation Policy and Manager structure taking into account the Return Objective. Implement the Pool's Strategic Asset Allocation Policy;
- (c) select and appoint and/or terminate the Managers within the guidelines established by the Statement of Investment Authorities;
- (d) select and recommend appointment and/or termination of the Custodian to the IMANT Board;

- (e) select and appoint and/or terminate consultants not covered by Section 3.6(b), lawyers and other service providers as required;
- (f) meet with individual investment Managers on at least an annual basis for the purpose of evaluating and monitoring the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT President. Oversee the Managers' compliance with this Policy;
- (g) execute agreements and mandates with the Managers, service providers and agents;
- (h) evaluate and monitor the Pool's performance against the Performance Criteria to ensure continued appropriateness of the Performance Criteria for the long term. Make recommendations to the IMANT Investment Committee for confirmation and or changes as required;
- (i) prepare reports for the IMANT Board and IMANT Investment Committee on a regular basis on the management and investment activities of the Pool; and
- (j) carry out other appropriate duties as authorized by the IMANT Board.

SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS

4.1 The IMANT Board of Directors' investment principles and beliefs form the basis for this Policy and the manner in which the Pool shall be invested, and they are:

- (a) the Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess;
- (b) investment risk shall be managed with the same degree of prudence and care used in managing investment assets. IMANT shall manage investment risk primarily through asset mix and security diversification, Manager diversification, credit

analysis, currency management and transparent reporting. To the extent practical investment risks should be identified, quantified, managed and reported;

- (c) the Board of Governors and IMANT are committed to a long term view of the assets and liabilities of the Pool. A long term investment horizon provides opportunities to earn higher expected risk premiums from illiquid assets;
- (d) recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated;
- (e) in the long term, asset mix is the main determinant of portfolio return and risk, market timing does not consistently add value;
- (f) diversification can improve portfolio risk and return characteristics;
- (g) it is appropriate to retain Managers to invest the Pool in an efficient and cost effective manner;
- (h) in selecting the Managers, consideration of environmental, social and corporate governance (ESG) factors by the Manager in their investment decisions is an important criterion;
- (i) passive investment management should be used unless it can be demonstrated that, net of fees, active management can add value;
- (j) public equities are expected to provide higher long term returns versus bonds, albeit with higher volatility. The volatility associated with those allocations is acknowledged;
- (k) the prudent use of derivatives can help manage risk and enhance returns. Derivatives and synthetic securities may be used as a substitute for more traditional investments in order to meet Pool objectives. This includes management of asset mix, currency hedging and replication of direct investments;

- (l) in the long run, currency hedging may not add value. Strategic currency hedging however, can be implemented to mitigate overall portfolio volatility particularly over the short to medium term; and
- (m) the Board of Governors and IMANT are committed to responsible investing. IMANT incorporates environmental, social and governance (ESG) factors in its investment process to facilitate more informed investment decisions in a way that does not negatively impact the financial objectives of its investments.

4.2 The investment principles and beliefs described in Section 4.1 apply at the portfolio level as well as within individual asset classes.

SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION

Return and Risk Expectation

- 5.1 The Pool is expected to achieve over moving four-year periods a return, net of investment management fees of Managers, at least equal to the returns of the Benchmarks on the basis of the weighting of the component asset classes set out under the heading “Policy Allocation” in the Strategic Asset Allocation Policy.
- 5.2 The risk inherent in the investment strategy over the intermediate term (a five to ten year period) is three fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over the related Benchmark will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return (such return may also be negative). The primary measure of risk is the 4-year rolling rate of investment return compared with the Return Objective. Risk expectation can be measured in several ways. The measures are:

- (a) **Standard Deviation:** The Strategic Asset Allocation Policy is expected to achieve a target standard deviation of 12% or less in nominal terms over ten year periods.
- (b) **Intergenerational Equity:** The test of intergenerational equity is the retrospective examination of the Pool regarding maintenance of the inflation-adjusted value of the Pool, balanced by an equitable distribution of the Pool's real rate of return to support the University's charitable activities in perpetuity.

5.3 The initial small size of the Pool impacts the ability to diversify investments and leads to greater exposure to equity markets. This may lead to greater volatility of returns, as compared to a larger, more diversified fund. As the Pool grows, more risk-diversifying asset classes will be introduced and the volatility and exposure to equity markets are expected to be reduced.

Asset Allocation

- 5.4 In identifying, reviewing and recommending changes to the long term Strategic Asset Allocation Policy that would best meet the above Pool's objectives set out in Section 2.4, consideration is to be given to:
- (a) the factors outlined in Pool Overview (Section 2);
 - (b) capital preservation and the need to support the University's activities in perpetuity;
 - (c) the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates;
 - (d) diversification benefits obtained by the inclusion of several asset classes; and
 - (e) practical considerations.

- 5.5 Over complete market cycles, the Pool's assets shall stay within the ranges and the assets set out in the Strategic Asset Allocation Policy, subject to Section 5.6(b).
- 5.6 Recognizing that buying and selling securities incurs a cost and that there is a trade-off between transaction costs and benefits, for public market securities, the Pool will be rebalanced quarterly based on the following principles:
- (a) if an asset class is above or below an asset class range set out in the Strategic Asset Allocation Policy (plus or minus 5%), the Manager must rebalance to the range. The Manager has discretion to rebalance to the mid-point or to the range. Any deviations from the asset class mid-point must be reported to the IMANT Board; or
 - (b) in periods of extreme market volatility, the above rebalancing policy may be suspended upon confirmation and approval by the Chair of the IMANT Board, with notification to the IMANT Board.
- 5.7 If the chair of the IMANT Board suspends further allocations or redemptions to or from an asset class as a result of unfavorable market conditions, the Strategic Asset Allocation Policy's asset class weights will be adjusted accordingly until such suspension is removed or the Strategic Asset Allocation Policy is amended.
- 5.8 The Benchmarks include 0% currency hedging for foreign equities.
- 5.9 The Investment Policy Portfolio Benchmark based on the Strategic Asset Allocation Policy is effective April 1, 2017.

External Investment Management

- 5.10 IMANT shall retain Managers, each to manage specified portions of the Pool. The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.

- 5.11 IMANT shall have a written mandate for each Manager, which describes the categories and sub-categories in which the Manager may invest, the investment guidelines and constraints in respect of that mandate, and the investment performance standards.
- 5.12 A Manager, in performing its duties, shall:
- (a) exercise the care, diligence and skill of a prudent investment manager and shall at all times act on a basis that is fair and reasonable;
 - (b) adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute or to the internal conduct guidelines established by the Manager; and
 - (c) manage its portfolio in accordance with the terms of its Investment Management Agreement with IMANT and the specific guidelines set out in this Policy.
- 5.13 IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager. Reasons for terminating the services of a Manager include, but are not limited to:
- (a) failure of the Manager to meet the return expectations as specified in its mandate;
 - (b) changes in personnel, firm structure, or investment philosophy, style or approach which might adversely affect the potential return or risk level of the portfolio;
 - (c) failure to adhere to the Policy or the Manager's mandate; and
 - (d) changes in the structure of the Pool which would no longer necessitate the use of the Manager's services.

Performance Evaluation

- 5.14 The Pool's performance will be evaluated against the Performance Criteria outlined in Section 2.8 and reported to the Board of Governors on a quarterly basis.

SECTION 6 - PERMITTED INVESTMENTS

- 6.1 All investments shall be made in accordance with applicable legislation and the standard of care set out in the Act, this Policy, and the guidelines approved by the IMANT Investment Committee from time to time for investment within particular asset classes.
- 6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the Pool shall be held by the Custodian and registered:
- (a) in a name that clearly indicates that the investment is held in trust for the Pool and, where the investment is capable of being registered, registered in that name; or
 - (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Pool and provides that:
 - (i) the investment constitutes part of the Pool;
 - (ii) the investment shall not at any time constitute an asset of the Custodian or nominee; and
 - (iii) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Pool at any time.
- 6.3 From time to time, and subject to this Policy, the Pool may invest in any or all of the following asset categories and sub-categories of investments either directly or through pooled funds or other co-mingled vehicles that hold these investments:
- (a) **cash or cash equivalents**, which are limited to:
 - (i) deposits with banks or trust companies with a current term to maturity of one year or less;

-
- (ii) Canadian and foreign issuers with a current term to maturity of one year or less; and
 - (iii) floating rate notes of Canadian issuers with a current term to maturity of one year or less;
 - (b) **fixed income**, which are limited to:
 - (i) bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian, and foreign issuers;
 - (ii) mortgages and asset-backed securities; and
 - (iii) term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States;
 - (c) **public equities**, which are limited to: common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights, American Depositary Receipts of non-Canadian companies, Global Depositary Receipts income trust units in limited partnerships, exchange traded funds and real estate investments trusts;
 - (d) **derivatives**, limited to:
 - (i) futures, exchange traded funds (ETFs), and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available; and
 - (ii) forward currency contracts, swap agreements and other derivative investments with financial institutions or business corporations, including investment managers. The International Swaps and Derivatives Association (ISDA) agreement may be used.
- 6.4 Pool investments in pooled funds and/or other co-mingled vehicles will be subject to the specific policies and/or guidelines of the respective pooled fund or co-mingled vehicle. In

the event of a conflict between the Policy and the specific policies and/or guidelines of the respective pooled fund and/or co-mingled vehicle, the latter's policies and/or guidelines will prevail. However, IMANT is required to advise the Board of Governors in the event the pooled fund and/or co-mingled vehicle exhibits, or may exhibit, any significant departure from this Policy.

SECTION 7 - PORTFOLIO CONSTRAINTS - DIVERSIFICATION AND LIQUIDITY

- 7.1 Unless otherwise indicated, all percentages used in this Section 7 are calculated using market values.
- 7.2 IMANT shall not:
- (a) invest more than 3% of the market value of the Pool's assets in a single corporation, stock or income trust at time of purchase; or
 - (b) acquire securities of a corporation to which are attached more than 30% of the voting rights of any corporation.

Cash or Cash Equivalents

- 7.3 All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

Fixed Income

- 7.4 Fixed income assets of the Pool must meet the following requirements:
- (a) no more than 5% of the fixed income portfolio shall be invested in any one corporation or security with the exception of those issued or guaranteed by the Government of Canada or a province of Canada or an agency thereof having at least an "A" rating;

- (b) the aggregate amount of public and private debt securities in any single issuer except those issued by the Government of Canada shall not exceed 25% of the total debt outstanding by that issuer;
- (c) not more than 25% of the fixed income portfolio shall be held in securities denominated for payment in a foreign currency;
- (d) no more than 10% of the fixed income portfolio shall be invested in aggregate in debt securities having a “BBB” rating;
- (e) no part of a fixed income portfolio shall be invested in a debt security having a rating lower than “BBB”, unless such security had a rating of “BBB” or higher at the time of purchase;
- (f) ratings policies in Section 7.4(a) to (e) do not apply to mortgages; and
- (g) mortgage investments shall be restricted to pooled mortgage funds consisting of first mortgages of industrial, residential, commercial and office properties across Canada. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund must not exceed 75% of the appraised value of the subject real estate at the time of investment or renewal.

7.5 If a security’s credit rating falls below the specified level after purchase, the Manager shall recommend a course of action to the IMANT President for approval.

7.6 For purposes of this Section 7, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

Public Equities

7.7 Public equity assets of the Pool shall be diversified by stock, capitalization and industry and also by region and country.

Derivatives

7.8 Derivatives instruments may not be used to leverage the Pool or for speculative purposes. Derivative instrument assets of the Pool may be used only to:

- (a) create an asset mix position (e.g. Exchange Traded Funds) within the ranges and among the asset classes set out in this Policy;
- (b) adjust the duration of the fixed income portfolio within the ranges set out in this Policy;
- (c) replicate direct investments in the underlying assets or asset classes (e.g. indexes) allowed under this Policy so as to achieve an advantage of lower cost, transactional ease, market exposure or a Manager's skill;
- (d) manage the currency exposure of a portfolio of foreign assets; and
- (e) reduce risk as part of a hedging strategy, including market, interest rate, credit, and currency risk.

7.9 The counterparty to any derivative transaction must have a long-term credit rating of at least "A" from Standard & Poor's Corporation, "A2" from Moody's Investor Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

Liquidity

7.10 IMANT shall maintain sufficient liquidity in the Pool to meet current operating disbursements and to avoid untimely disposal of securities.

SECTION 8 - LOANS AND BORROWING

8.1 No part of the Pool shall be loaned to any party, other than by:

- (a) purchasing securities which otherwise meet the requirements of this Policy for fixed income or cash equivalents; or

- (b) lending securities by the Custodian provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in cash or high quality liquid securities defined in the lending agreement with the Custodian and provided also that the Custodian provides a guarantee of all such loans.
- 8.2 Money shall not be borrowed on behalf of the Pool and the Pool's assets shall not be pledged or otherwise encumbered in respect thereof, except for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management.

SECTION 9 - VOTING RIGHTS

- 9.1 The IMANT Board has delegated the responsibility for exercising voting rights of the Pool's investments to the IMANT President who may either retain an external proxy voting service or delegate this responsibility to the Managers.
- 9.2 The IMANT President and Managers shall conform to the principle of voting in favour of measures that promote good social, environmental and corporate governance practices and vote against measures that do not appear to create value for shareholders. Voting of proxies shall be exercised at all times in the best interest of the University in support of its charitable activities.
- 9.3 The IMANT President and or Managers shall maintain a record of how the Pool's voting rights have been exercised.
- 9.4 It is recognized, however, that the above policy on voting rights may not be enforceable to the extent that part of the Pool is invested in pooled funds.

SECTION 10 - VALUATION OF INVESTMENTS

- 10.1 Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.

10.2 Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

SECTION 11 - RELATED PARTY TRANSACTIONS

11.1 For the purposes of this Policy, “**Related Party**” has the meaning given in the Business Corporations Act of British Columbia, but for greater certainty includes:

- (a) the University, an affiliate of the University, or a member of the Board of Governors of the University;
- (b) an officer or employee of the University;
- (c) a Director; or
- (d) IMANT staff.

11.2 The Pool may enter into a transaction with a Related Party only if:

- (a) the transaction is required for the operation or administration of the Pool;
- (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; and
- (c) the transaction does not exceed 3% of the market value of the Pool at the time of the transaction.

11.3 Notwithstanding Section 11.2, the Directors shall monitor transactions to ensure ongoing compliance with this Policy.

SECTION 12 - CONFLICTS OF INTEREST

12.1 From time to time, real or perceived conflicts of interest may arise. If any person below listed has or acquires any material interest, direct or indirect, in any matter in which the

Pool is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Pool, that person must disclose that interest to the person as follows:

- (a) any Manager, agent, or advisor to the Pool, to the IMANT President;
- (b) IMANT staff members, to the IMANT President;
- (c) the IMANT President, to the chair of the IMANT Board;
- (d) a Director, to the chair of the IMANT Board; or
- (e) the chair of the IMANT Board, to the IMANT President and the chair of the Board of Governors' governance committee.

The chair of the IMANT Board or the IMANT President, as applicable, shall then advise all members of the IMANT Board of the disclosed conflict before the next IMANT Board meeting, and the IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any person making a disclosure will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

- 12.2 Every disclosure of interest under Section 12.1 shall be recorded in the minutes of the relevant IMANT Board meeting.
- 12.3 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.
- 12.4 The IMANT President shall satisfy himself or herself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Pool, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

SECTION 13 - MONITORING

- 13.1 IMANT shall monitor the performance of each Manager relative to the Manager's mandate. In its analysis, IMANT shall review the portfolio holdings of each Manager and shall undertake any analysis that may be required to confirm the Manager's compliance with this Policy.
- 13.2 The IMANT Board shall review on a regular basis, as needed, and at least once a year:
- (a) the assets and net cash flow of the Pool;
 - (b) the current asset mix of the Pool;
 - (c) risk analysis and investment performance of the Pool and each Manager relative to the objectives of the Policy and the Managers' mandates;
 - (d) the Pool's holdings;
 - (e) the fees and expenses incurred in managing the Pool; and
 - (f) compliance with this Policy.

Such a review shall be undertaken on the IMANT Board's behalf quarterly through the IMANT Investment Committee. Following such review, the IMANT Investment Committee shall take action as it deems prudent and appropriate.

- 13.3 The IMANT Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board of Governors.

SECTION 14 - POLICY REVIEW

- 14.1 This Policy shall be reviewed at least annually by the IMANT Board in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:

- (a) changes in the payout rate of the Pool by the University;
- (b) revisions to the expected long-term relationship between risk and reward on key asset classes;
- (c) practical operation of IMANT, the Managers, the Pool and other matters set out in this Policy;
- (d) changes in applicable legislation;
- (e) recommendations by the IMANT President; and
- (f) all changes to this Policy are to be recommended by the IMANT Board to the Board of Governors and approved by the Board of Governors.

The University of British Columbia (UBC)
Sustainable Future Pool

Statement of Investment Policies
and Procedures

April 1, 2019

Table of Contents

SECTION 1 - PURPOSE	1
SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA.....	1
SECTION 3 - POOL GOVERNANCE	4
SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS	8
SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION	10
SECTION 6 - PERMITTED INVESTMENTS	14
SECTION 7 - PORTFOLIO CONSTRAINTS - DIVERSIFICATION AND LIQUIDITY	16
SECTION 8 - LOANS AND BORROWING	<u>1819</u>
SECTION 9 - VOTING RIGHTS.....	<u>1920</u>
SECTION 10 - VALUATION OF INVESTMENTS	<u>1920</u>
SECTION 11 - RELATED PARTY TRANSACTIONS	20
SECTION 12 - CONFLICTS OF INTEREST	<u>2021</u>
SECTION 13 - MONITORING.....	22
SECTION 14 - POLICY REVIEW.....	<u>2223</u>

SECTION 1 - PURPOSE

- 1.1 The University of British Columbia (the “**University**”) has established the Sustainable Future Pool (the “**Pool**”) as one pool of funds within the University’s endowment (the “**Endowment**”) to support specific aspects of the University’s charitable activities in perpetuity.
- 1.2 This document constitutes the Statement of Investment Policies and Procedures (the “**Policy**”) applicable to the assets that make up the Pool.
- 1.3 The purpose of this Policy is to define the governance structure for the Pool, and formulate the principles, guidelines and monitoring procedures to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”) and in particular Section 57 of the Act. This Policy is supplementary to the Act.

SECTION 2 - POOL OVERVIEW, OBJECTIVES, STRATEGIC ASSET ALLOCATION POLICY AND PERFORMANCE CRITERIA

Overview

- 2.1 The University’s Board of Governors (the “**Board of Governors**”) passed a resolution at its February 15, 2016 meeting to establish the Pool.
- 2.2 The Pool is a pool of funds, which at the time of the Pool’s establishment are primarily the University’s monies which the University has chosen to endow. The Pool may also include donor contributions which are primarily in the form of endowed trust funds, which stipulate that the contribution(s) for each fund not be spent. In both cases, the Pool is meant to support specific aspects of the University’s charitable activities in perpetuity. The primary sources of cash to the Pool will be:
 - (a) leasing revenues from real property;
 - (b) donated funds in cash or kind; and
 - (c) investment returns.

2.3 Investment returns are an important funding source and helps maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by the University. Endowment funds have an indefinite liability stream, with expectations that the charitable activities supported by each endowment fund within the Pool will benefit in perpetuity. Maintaining the purchasing power of the Pool's capital against inflation is essential in order to protect the purchasing power of the funds within the Pool in perpetuity.

Pool Objectives

2.4 The Pool has two objectives:

- (a) maximize the rate of return at an appropriate level of risk in order to:
 - (i) honour the wishes of the donors of endowed funds;
 - (ii) provide cash flows and capital appreciation that are sufficient to support the Pool's current spending objectives plus inflation and expenses; and
 - (iii) preserve the capital and purchasing power of each endowment fund within the Pool in order to provide the same level of support in perpetuity; and
- (b) incorporate non-financial objectives to materially lower CO₂ emissions, including the objective of reducing or excluding investments in companies that own fossil fuel reserves.

Return Objective

2.5 The Pool has a long term target investment return objective of 6.15% (the "**Return Objective**"). The Return Objective is comprised of an annual spending rate calculated over the rolling 36 month average market value, an inflation assumption of 2% and Pool expenses, all as approved by the Board of Governors.

Strategic Asset Allocation Policy and Investment Policy Portfolio Benchmark

2.6 The Pool maintains a strategic asset allocation where the Pool’s assets are invested in the asset classes listed under the heading “Component Asset Classes” in the percentages listed under the heading “Percentage Of Pool At Market Value” as set out in the following table (“**Strategic Asset Allocation Policy**”) and reviewed against the performance of the funds listed under the heading “Investment Policy Portfolio Benchmarks” (the “**Benchmarks**”):

Component Asset Classes	Percentage of Pool at Market Value			Investment Policy Portfolio Benchmarks
	<i>Policy Allocation</i>	Range <u>Minimum</u> <u>Maximum</u>		<u>Index Name</u>
Bonds & Cash	30%	25%	35%	FTSE TMX Canada All Government Bond Index
Global Low CO ₂ Emission Equities	70%	65%	75%	MSCI World Net Index (CAD)

2.7 The Strategic Asset Allocation Policy is expected to meet the Return Objective within a suitable risk reward framework. The spending levels and funding requirements must recognize current asset class return expectations.

Performance Criteria

2.8 The criteria for evaluating the Pool’s performance are:

- (a) financial performance, with the goals of:
 - (i) meeting the Return Objective; and
 - (ii) meeting the returns which would have resulted from passive investments in the market indices set out in the Benchmarks on the basis of the

weighting of the component asset classes set out in the Strategic Asset Allocation Policy;

- (b) CO₂ emissions, with the goals of:
 - (i) the Pool's investment portfolio having materially lower CO₂ emissions than the Benchmarks; and
 - (ii) reducing or excluding investments in companies which own fossil fuel reserves,

(the “**Performance Criteria**”).

SECTION 3 - POOL GOVERNANCE

Structure Overview

- 3.1 The University's Board of Governors (the “**Board of Governors**”) is responsible for the overall management of the Endowment, including the Pool. The Board of Governors has established a governance structure and delegated certain responsibilities and powers for investing the funds in the Pool to the University of British Columbia Investment Management Trust Inc. (“**IMANT**”).
- 3.2 IMANT acts through its Board of Directors (the “**IMANT Board**” and each director on the IMANT Board a “**Director**”). The IMANT Board has appointed an investment committee (the “**IMANT Investment Committee**”) and a President and CEO of IMANT (the “**IMANT President**”). The IMANT Board has delegated specific responsibilities to the IMANT Investment Committee and to the IMANT President to assist in carrying out duties with respect to the day-to-day management, administration and investment of the Pool.
- 3.3 Any external investment managers who assist with the management of the Pool (the “**Managers**”) or fiduciary providing services in connection with the management and investment of the Pool shall accept and comply with this Policy.

Board of Governors

3.4 The Board of Governors is responsible for:

- (a) appointing and removing the Directors;
- (b) approving this Policy and any changes to this Policy; and
- (c) receiving and reviewing reports from the IMANT Board, including monitoring the performance of the Pool against the Performance Criteria.

IMANT Board

3.5 The IMANT Board shall, with recommendations from the IMANT Investment Committee:

- (a) establish, adopt and maintain this Policy;
- (b) review the Policy at least annually, and confirm it or recommend amendments for approval by the Board of Governors as needed;
- (c) establish, recommend for approval by the Board of Governors and maintain the Strategic Asset Allocation Policy for the Pool and risk tolerance levels;
- (d) establish and approve overall Manager structure for the Pool;
- (e) establish and approve all operating and administrative policies and procedures for the Pool including:
 - (i) the IMANT Code of Conduct and its conflict of interest policies;
 - (ii) the IMANT Statement of Signing Authorizations;
 - (iii) the IMANT Statement of Investment Authorities (“**Statement of Investment Authorities**”); and
 - (iv) the IMANT Leverage Guidelines (the “**Leverage Guidelines**”);

- (f) delegate specific responsibilities to the IMANT President to assist with the day-to-day management and administration of the Pool. Notwithstanding this delegation of authority, the IMANT Board shall ensure oversight of the IMANT President's compliance with this Policy;
- (g) rely on independent experts as required for certain aspects of the Pool's operations;
- (h) monitor the Pool's investment performance and asset class returns to ensure continued appropriateness of the long term Strategic Asset Allocation Policy;
- (i) advise the Board of Governors if the long term Strategic Asset Allocation Policy, Performance Criteria and the Return Objective are not in alignment; and
- (j) carry out other duties as delegated by the Board of Governors from time to time.

IMANT Investment Committee

3.6 The IMANT Investment Committee, comprising all members of the IMANT Board, within the scope of the general investment beliefs described in Section 4, shall:

- (a) review and recommend to the IMANT Board changes to this Policy, including the Strategic Asset Allocation Policy, which are within the University's objectives and risk tolerances;
- (b) approve the following:
 - (i) sub-asset categories;
 - (ii) investment guidelines for asset classes;
 - (iii) the Leverage Guidelines;
 - (iv) Manager structures;
 - (v) Manager selection process;
 - (vi) rebalancing rules;

- (vii) proxy voting guidelines; and
- (viii) asset-liability study and portfolio review consultants upon recommendations brought forward by the IMANT President;
- (c) review and report on investment performance against the Performance Criteria;
- (d) monitor compliance with the Strategic Asset Allocation Policy;
- (e) review and report on monitoring of the Managers and compliance reports prepared by the IMANT President;
- (f) monitor, evaluate and report on performance and cost effectiveness of investment policies and strategies;
- (g) recommend to the Board of Governors for their approval the appointment and/or termination of the Custodian of the Pool's assets (the "**Custodian**"); and
- (h) carry out other appropriate duties as authorized by the IMANT Board.

IMANT President

3.7 The IMANT President, under the direction of the IMANT Board, shall:

- (a) manage the day-to-day investment activities and administration of the Pool in accordance with this Policy, the Act and the operating policies and procedures established by the IMANT Board;
- (b) recommend to the IMANT Board an appropriate long term Strategic Asset Allocation Policy and Manager structure taking into account the Return Objective. Implement the Pool's Strategic Asset Allocation Policy;
- (c) select and appoint and/or terminate the Managers within the guidelines established by the Statement of Investment Authorities;
- (d) select and recommend appointment and/or termination of the Custodian to the IMANT Board;

- (e) select and appoint and/or terminate consultants not covered by Section 3.6(b), lawyers and other service providers as required;
- (f) meet with individual investment Managers on at least an annual basis for the purpose of evaluating and monitoring the performance of individual Managers relative to agreed upon performance and risk objectives as established by the IMANT President. Oversee the Managers' compliance with this Policy;
- (g) execute agreements and mandates with the Managers, service providers and agents;
- (h) evaluate and monitor the Pool's performance against the Performance Criteria to ensure continued appropriateness of the Performance Criteria for the long term. Make recommendations to the IMANT Investment Committee for confirmation and or changes as required;
- (i) prepare reports for the IMANT Board and IMANT Investment Committee on a regular basis on the management and investment activities of the Pool; and
- (j) carry out other appropriate duties as authorized by the IMANT Board.

SECTION 4 - INVESTMENT PRINCIPLES AND BELIEFS

4.1 The IMANT Board of Directors' investment principles and beliefs form the basis for this Policy and the manner in which the Pool shall be invested, and they are:

- (a) the Pool shall be managed as a perpetual fund with no finite term basis with the prudence and standard of care that requires all fiduciaries, including the Managers, to use the same care and diligence that they would use in managing the property of another person and to apply all relevant knowledge that they possess or by reason of their profession ought to possess;
- (b) investment risk shall be managed with the same degree of prudence and care used in managing investment assets. IMANT shall manage investment risk primarily through asset mix and security diversification, Manager diversification, credit

analysis, currency management and transparent reporting. To the extent practical investment risks should be identified, quantified, managed and reported;

- (c) the Board of Governors and IMANT are committed to a long term view of the assets and liabilities of the Pool. A long term investment horizon provides opportunities to earn higher expected risk premiums from illiquid assets;
- (d) recognizing that the University is a public institution, investments and investment processes must be transparent and readily communicated;
- (e) in the long term, asset mix is the main determinant of portfolio return and risk, market timing does not consistently add value;
- (f) diversification can improve portfolio risk and return characteristics;
- (g) it is appropriate to retain Managers to invest the Pool in an efficient and cost effective manner;
- (h) in selecting the Managers, consideration of environmental, social and corporate governance (ESG) factors by the Manager in their investment decisions is an important criterion;
- (i) passive investment management should be used unless it can be demonstrated that, net of fees, active management can add value;
- (j) public equities are expected to provide higher long term returns versus bonds, albeit with higher volatility. The volatility associated with those allocations is acknowledged;
- (k) the prudent use of derivatives can help manage risk and enhance returns. Derivatives and synthetic securities may be used as a substitute for more traditional investments in order to meet Pool objectives. This includes management of asset mix, currency hedging and replication of direct investments;

- (l) in the long run, currency hedging may not add value. Strategic currency hedging however, can be implemented to mitigate overall portfolio volatility particularly over the short to medium term; and
- (m) the Board of Governors and IMANT are committed to responsible investing. IMANT incorporates environmental, social and governance (ESG) factors in its investment process to facilitate more informed investment decisions in a way that does not negatively impact the financial objectives of its investments, ~~and in selecting the Managers, consideration of ESG factors by the Manager in their investment decisions is an important criterion.~~

4.2 The investment principles and beliefs described in Section 4.1 apply at the portfolio level as well as within individual asset classes.

SECTION 5 - RETURN AND RISK EXPECTATIONS, ASSET ALLOCATION PRINCIPLES, MANAGER MANAGEMENT AND PERFORMANCE EVALUATION

Return and Risk Expectation

- 5.1 The Pool is expected to achieve over moving four-year periods a return, net of investment management fees of Managers, at least equal to the returns of the Benchmarks on the basis of the weighting of the component asset classes set out under the heading “Policy Allocation” in the Strategic Asset Allocation Policy.
- 5.2 The risk inherent in the investment strategy over the intermediate term (a five to ten year period) is three fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over the related Benchmark will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return (such return may also be negative). The primary measure of risk is the 4-

year rolling rate of investment return compared with the Return Objective. Risk expectation can be measured in several ways. The measures are:

- (a) **Standard Deviation:** The Strategic Asset Allocation Policy is expected to achieve a target standard deviation of 12% or less in nominal terms over ten year periods.
- (b) **Intergenerational Equity:** The test of intergenerational equity is the retrospective examination of the Pool regarding maintenance of the inflation-adjusted value of the Pool, balanced by an equitable distribution of the Pool's real rate of return to support the University's charitable activities in perpetuity.

5.3 The initial small size of the Pool impacts the ability to diversify investments and leads to greater exposure to equity markets. This may lead to greater volatility of returns, as compared to a larger, more diversified fund. As the Pool grows, more risk-diversifying asset classes will be introduced and the volatility and exposure to equity markets are expected to be reduced.

Asset Allocation

5.4 In identifying, reviewing and recommending changes to the long term Strategic Asset Allocation Policy that would best meet the above Pool's objectives set out in Section 2.4, consideration is to be given to:

- (a) the factors outlined in Pool Overview (Section 2);
- (b) capital preservation and the need to support the University's activities in perpetuity;
- (c) the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates;
- (d) diversification benefits obtained by the inclusion of several asset classes; and

- (e) practical considerations.
- 5.5 Over complete market cycles, the Pool's assets shall stay within the ranges and the assets set out in the Strategic Asset Allocation Policy, subject to Section 5.6(b).
- 5.6 Recognizing that buying and selling securities incurs a cost and that there is a trade-off between transaction costs and benefits, for public market securities, the Pool will be rebalanced quarterly based on the following principles:
- (a) if an asset class is above or below an asset class range set out in the Strategic Asset Allocation Policy (plus or minus 5%), the Manager must rebalance to the range. The Manager has discretion to rebalance to the mid-point or to the range. Any deviations from the asset class mid-point must be reported to the IMANT Board; or
 - (b) in periods of extreme market volatility, the above rebalancing policy may be suspended upon confirmation and approval by the Chair of the IMANT Board, with notification to the IMANT Board.
- 5.7 If the chair of the IMANT Board suspends further allocations or redemptions to or from an asset class as a result of unfavorable market conditions, the Strategic Asset Allocation Policy's asset class weights will be adjusted accordingly until such suspension is removed or the Strategic Asset Allocation Policy is amended.
- 5.8 The Benchmarks include 0% currency hedging for foreign equities.
- 5.9 The Investment Policy Portfolio Benchmark based on the Strategic Asset Allocation Policy is effective April 1, 2017.

External Investment Management

- 5.10 IMANT shall retain Managers, each to manage specified portions of the Pool. The selection of a Manager shall be made in a prudent manner, applying fair and reasonable identification, evaluation and selection standards.

- 5.11 IMANT shall have a written mandate for each Manager, which describes the categories and sub-categories in which the Manager may invest, the investment guidelines and constraints in respect of that mandate, and the investment performance standards.
- 5.12 A Manager, in performing its duties, shall:
- (a) exercise the care, diligence and skill of a prudent investment manager and shall at all times act on a basis that is fair and reasonable;
 - (b) adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute or to the internal conduct guidelines established by the Manager; and
 - (c) manage its portfolio in accordance with the terms of its Investment Management Agreement with IMANT and the specific guidelines set out in this Policy.
- 5.13 IMANT shall review the performance of each Manager, and may, at its sole discretion, terminate the services of a Manager. Reasons for terminating the services of a Manager include, but are not limited to:
- (a) failure of the Manager to meet the return expectations as specified in its mandate;
 - (b) changes in personnel, firm structure, or investment philosophy, style or approach which might adversely affect the potential return or risk level of the portfolio;
 - (c) failure to adhere to the Policy or the Manager's mandate; and
 - (d) changes in the structure of the Pool which would no longer necessitate the use of the Manager's services.

Performance Evaluation

- 5.14 The Pool's performance will be evaluated against the Performance Criteria outlined in Section 2.8 and reported to the Board of Governors on a quarterly basis.

SECTION 6 - PERMITTED INVESTMENTS

- 6.1 All investments shall be made in accordance with applicable legislation and the standard of care set out in the Act, this Policy, and the guidelines approved by the IMANT Investment Committee from time to time for investment within particular asset classes.
- 6.2 The Custodian shall be a trust company registered in Canada. All public investments and assets of the Pool shall be held by the Custodian and registered:
- (a) in a name that clearly indicates that the investment is held in trust for the Pool and, where the investment is capable of being registered, registered in that name; or
 - (b) in the name of the Canadian Depository for Securities Limited, the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Pool and provides that:
 - (i) the investment constitutes part of the Pool;
 - (ii) the investment shall not at any time constitute an asset of the Custodian or nominee; and
 - (iii) records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Pool at any time.
- 6.3 From time to time, and subject to this Policy, the Pool may invest in any or all of the following asset categories and sub-categories of investments either directly or through pooled funds or other co-mingled vehicles that hold these investments:
- (a) **cash or cash equivalents**, which are limited to:
 - (i) deposits with banks or trust companies with a current term to maturity of one year or less;

-
- (ii) Canadian and foreign issuers with a current term to maturity of one year or less; and
 - (iii) floating rate notes of Canadian issuers with a current term to maturity of one year or less;
 - (b) **fixed income**, which are limited to:
 - (i) bonds, debentures, notes, or other debt instruments, including securitized investments, of Canadian, and foreign issuers;
 - (ii) mortgages and asset-backed securities; and
 - (iii) term deposits or similar instruments of trust companies and banks licensed to carry on business in Canada or the United States;
 - (c) **public equities**, which are limited to: common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights, American Depositary Receipts of non-Canadian companies, Global Depositary Receipts income trust units in limited partnerships, exchange traded funds and real estate investments trusts;
 - (d) **derivatives**, limited to:
 - (i) futures, exchange traded funds (ETFs), and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available; and
 - (ii) forward currency contracts, swap agreements and other derivative investments with financial institutions or business corporations, including investment managers. The International Swaps and Derivatives Association (ISDA) agreement may be used.
- 6.4 Pool investments in pooled funds and/or other co-mingled vehicles will be subject to the specific policies and/or guidelines of the respective pooled fund or co-mingled vehicle. In

the event of a conflict between the Policy and the specific policies and/or guidelines of the respective pooled fund and/or co-mingled vehicle, the latter's policies and/or guidelines will prevail. However, IMANT is required to advise the Board of Governors in the event the pooled fund and/or co-mingled vehicle exhibits, or may exhibit, any significant departure from this Policy.

SECTION 7 - PORTFOLIO CONSTRAINTS - DIVERSIFICATION AND LIQUIDITY

- 7.1 Unless otherwise indicated, all percentages used in this Section 7 are calculated using market values.
- 7.2 IMANT shall not:
- (a) invest more than 3% of the market value of the Pool's assets in a single corporation, stock or income trust at time of purchase; or
 - (b) acquire securities of a corporation to which are attached more than 30% of the voting rights of any corporation.

Cash or Cash Equivalents

- 7.3 All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

Fixed Income

- 7.4 Fixed income assets of the Pool must meet the following requirements:
- (a) no more than 5% of the fixed income portfolio shall be invested in any one corporation or security with the exception of those issued or guaranteed by the Government of Canada or a province of Canada or an agency thereof having at least an "A" rating;

- (b) the aggregate amount of public and private debt securities in any single issuer except those issued by the Government of Canada shall not exceed 25% of the total debt outstanding by that issuer;
 - (c) not more than 25% of the fixed income portfolio shall be held in securities denominated for payment in a foreign currency;
 - (d) no more than 10% of the fixed income portfolio shall be invested in aggregate in debt securities having a “BBB” rating;
 - (e) no part of a fixed income portfolio shall be invested in a debt security having a rating lower than “BBB”, unless such security had a rating of “BBB” or higher at the time of purchase;
 - (f) ratings policies in Section 7.4(a) to (e) do not apply to mortgages; and
 - (g) mortgage investments shall be restricted to pooled mortgage funds consisting of first mortgages of industrial, residential, commercial and office properties across Canada. For a mortgage fund to be eligible, the aggregate amount of each mortgage within the mortgage fund must not exceed 75% of the appraised value of the subject real estate at the time of investment or renewal.
- 7.5 If a security’s credit rating falls below the specified level after purchase, the Manager shall recommend a course of action to the IMANT President for approval.
- 7.6 For purposes of this Section 7, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

Public Equities

- 7.7 Public equity assets of the Pool shall be diversified by stock, capitalization and industry and also by region and country.

Derivatives

7.8 Derivatives instruments may not be used to leverage the Pool or for speculative purposes. Derivative instrument assets of the Pool may be used only to:

- (a) create an asset mix position (e.g. Exchange Traded Funds) within the ranges and among the asset classes set out in this Policy;
- (b) adjust the duration of the fixed income portfolio within the ranges set out in this Policy;
- (c) replicate direct investments in the underlying assets or asset classes (e.g. indexes) allowed under this Policy so as to achieve an advantage of lower cost, transactional ease, market exposure or a Manager's skill;
- (d) manage the currency exposure of a portfolio of foreign assets; and
- (e) reduce risk as part of a hedging strategy, including market, interest rate, credit, and currency risk.

7.9 The counterparty to any derivative transaction must have a long-term credit rating of at least "A" from Standard & Poor's Corporation, "A2" from Moody's Investor Service Inc., or equivalent credit rating as rated by another nationally recognized rating organization.

Liquidity

7.10 IMANT shall maintain sufficient liquidity in the Pool to meet current operating disbursements and to avoid untimely disposal of securities.

SECTION 8 - LOANS AND BORROWING

8.1 No part of the Pool shall be loaned to any party, other than by:

- (a) purchasing securities which otherwise meet the requirements of this Policy for fixed income or cash equivalents; or

- (b) lending securities by the Custodian provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in cash or high quality liquid securities defined in the lending agreement with the Custodian and provided also that the Custodian provides a guarantee of all such loans.
- 8.2 Money shall not be borrowed on behalf of the Pool and the Pool's assets shall not be pledged or otherwise encumbered in respect thereof, except for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management.

SECTION 9 - VOTING RIGHTS

- 9.1 The IMANT Board has delegated the responsibility for exercising voting rights of the Pool's investments to the IMANT President who may either retain an external proxy voting service or delegate this responsibility to the Managers.
- 9.2 The IMANT President and Managers shall conform to the principle of voting in favour of measures that promote good social, environmental and corporate governance practices and vote against measures that do not appear to create value for shareholders. Voting of proxies shall be exercised at all times in the best interest of the University in support of its charitable activities.
- 9.3 The IMANT President and or Managers shall maintain a record of how the Pool's voting rights have been exercised.
- 9.4 It is recognized, however, that the above policy on voting rights may not be enforceable to the extent that part of the Pool is invested in pooled funds.

SECTION 10 - VALUATION OF INVESTMENTS

- 10.1 Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.

- 10.2 Investment in a pooled fund comprising marketable securities shall be valued according to the unit values calculated at least monthly by the Custodian of that pooled fund. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

SECTION 11 - RELATED PARTY TRANSACTIONS

- 11.1 For the purposes of this Policy, “**Related Party**” has the meaning given in the Business Corporations Act of British Columbia, but for greater certainty includes:

- (a) the University, an affiliate of the University, or a member of the Board of Governors of the University;
- (b) an officer or employee of the University;
- (c) a Director; or
- (d) IMANT staff.

- 11.2 The Pool may enter into a transaction with a Related Party only if:

- (a) the transaction is required for the operation or administration of the Pool;
- (b) the terms, conditions and monetary value of the transaction are not less favourable than market terms, conditions and value; and
- (c) the transaction does not exceed 3% of the market value of the Pool at the time of the transaction.

- 11.3 Notwithstanding Section 11.2, the Directors shall monitor transactions to ensure ongoing compliance with this Policy.

SECTION 12 - CONFLICTS OF INTEREST

- 12.1 From time to time, real or perceived conflicts of interest may arise. If any person below listed has or acquires any material interest, direct or indirect, in any matter in which the

Pool is invested, or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Pool, that person must disclose that interest to the person as follows:

- (a) any Manager, agent, or advisor to the Pool, to the IMANT President;
- (b) IMANT staff members, to the IMANT President;
- (c) the IMANT President, to the chair of the IMANT Board;
- (d) a Director, to the chair of the IMANT Board; or
- (e) the chair of the IMANT Board, to the IMANT President and the chair of the Board of Governors' governance committee.

The chair of the IMANT Board or the IMANT President, as applicable, shall then advise all members of the IMANT Board of the disclosed conflict before the next IMANT Board meeting, and the IMANT Board shall decide on an appropriate course of action prior to discussing the related business matter. Any person making a disclosure will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining Directors.

- 12.2 Every disclosure of interest under Section 12.1 shall be recorded in the minutes of the relevant IMANT Board meeting.
- 12.3 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.
- 12.4 The IMANT President shall satisfy himself or herself that an appropriate policy regarding conflicts of interest exists and is followed by any fiduciary of the Pool, including the Managers. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts Institute shall be expected to apply to such fiduciaries.

SECTION 13 - MONITORING

- 13.1 IMANT shall monitor the performance of each Manager relative to the Manager's mandate. In its analysis, IMANT shall review the portfolio holdings of each Manager and shall undertake any analysis that may be required to confirm the Manager's compliance with this Policy.
- 13.2 The IMANT Board shall review on a regular basis, as needed, and at least once a year:
- (a) the assets and net cash flow of the Pool;
 - (b) the current asset mix of the Pool;
 - (c) risk analysis and investment performance of the Pool and each Manager relative to the objectives of the Policy and the Managers' mandates;
 - (d) the Pool's holdings;
 - (e) the fees and expenses incurred in managing the Pool; and
 - (f) compliance with this Policy.

Such a review shall be undertaken on the IMANT Board's behalf quarterly through the IMANT Investment Committee. Following such review, the IMANT Investment Committee shall take action as it deems prudent and appropriate.

- 13.3 The IMANT Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board of Governors.

SECTION 14 - POLICY REVIEW

- 14.1 This Policy shall be reviewed at least annually by the IMANT Board in order to determine whether any modifications are necessary or desirable. Such review shall include but not be limited to:

- (a) changes in the payout rate of the Pool by the University;
- (b) revisions to the expected long-term relationship between risk and reward on key asset classes;
- (c) practical operation of IMANT, the Managers, the Pool and other matters set out in this Policy;
- (d) changes in applicable legislation;
- (e) recommendations by the IMANT President; and
- (f) all changes to this Policy are to be recommended by the IMANT Board to the Board of Governors and approved by the Board of Governors.