



SUBJECT	Statements on Responsible Investing
SUBMITTED TO	Finance Committee
MEETING DATE	June 14, 2023
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	APPROVAL REQUESTED IT IS HEREBY RESOLVED that the Finance Committee recommends to the Board of Governors approval of the following: <ul style="list-style-type: none"><i>i.</i> the Statements on Responsible Investing (the “Statements”) in the form attached to the briefing as Appendix 1, effective June 30, 2023;<i>ii.</i> the repeal of the Endowment Responsible Investment Policy version 2.0 (April 2014), effective June 30, 2023; and,<i>iii.</i> the confirmation that the Finance Committee may approve amendments to the Statements under its delegated authority set out in Section 2.1.6 of its Terms of Reference.
LEAD EXECUTIVE	Frank Laezza, Vice-President Finance & Operations
SUPPORTED BY	Hubert Lai, K.C., University Counsel Yale Loh, Treasurer Matthew Murray, Legal Counsel Doug Cheung, Director Treasury Sarah Goold, Director Treasury Raffaella Mendel, Manager Financial Planning and Analysis, Treasury Dawn Jia, President and CEO, UBC Investment Management Graham Sheppard, UBC Investment Management

PRIOR SUBMISSIONS

The subject matter of this submission was considered by the Finance Committee on [March 22, 2023](#) (OPEN SESSION) and [September 18, 2019](#) (OPEN SESSION).

Action: Update the Statements to reflect feedback provided by the Finance Committee.

EXECUTIVE SUMMARY

This submission builds on the March 2023 Finance Committee meeting where the draft Statements on Responsible Investing (the “Statements”) were presented for discussion and feedback.

UBC’s Endowment Responsible Investment Policy was first approved in 2013 and was last updated in 2014. This document provided guidance for consideration of environmental, social and governance (“ESG”) factors in the investment decision-making process. Since 2019, UBC has undertaken additional work to refine the responsible investing approach and reflect ESG findings into UBC’s investment decision-making process to ensure it is consistent with UBC’s investment obligations. These investment obligations include the requirement to make investment decisions that a prudent person would make and the fiduciary obligations with respect to the trusts within the Main Endowment Pool (MEP). However, the financial analysis undertaken by UBC has demonstrated that ESG factors can and do present material and evolving financial impacts on the risk and return and therefore must be incorporated into decisions about individual investments and the broader investment portfolio.

UBC will continue to undertake a balanced approach to responsible investing, and investment decisions will undergo rigorous due diligence in order to ensure that the funds in the Main Endowment Pool are used in such a way as to maximize their benefits for the advancement of education and research activities at UBC.

The Statements are intended to be read in conjunction with the Endowment Policy (FM5) and the UBC Main Endowment Pool Statement of Investment Policy (“SIP”). The objectives of the proposed Statements include (1) outlining UBC’s responsible investing beliefs and values, (2) setting out responsible investing commitments to guide investment decisions carried out on behalf of UBC; and (3) making UBC’s approach to responsible investing available to the UBC community, its stakeholders, and the general public.

The Statements do not represent or create any new responsible investing obligations, commitments, targets or beliefs and values for UBC, but simply reflect the responsible investing framework and approach that was adopted in 2019. The Statements were also published for open policy consultation to the university community in early 2023, which included an invitation to the UBC community to comment and provide feedback. While feedback was minimal, it has been reviewed and considered in the final draft of the Statements. Lastly, the Statements were developed with input from SHARE, an external consultant that assisted with the development of UBC’s responsible investing framework in 2020.

At the March 2023 meeting, the Finance Committee expressed support for the substantive content of the Statements but had some questions about how the Statements are intended to align and interact with the SIP and FM5.

In response to this feedback, the Statements have been edited to include an express reference to the SIP. Further, proposed edits to the SIP have been prepared by UBC Investment Management to expressly reference the Statements, including setting out responsibilities for oversight and reporting around the responsible investing commitments set out in the Statements. The proposed edits to the SIP and the proposed Statements, were presented for discussion and comment at the UBC Investment Management’s Governance & HR Committee Meeting on May 4, 2023. The committee was supportive of the Statements and proposed changes to the SIP.

UBC Treasury and UBC Investment Management have planned a full revision cycle for the SIP which will result in recommendations relating to the SIP as a whole to be presented to UBC in November 2023. This schedule will allow UBC Investment Management’s Board to follow its normal process of reviewing and recommending revisions to the SIP to UBC. With this process, UBC recognizes that there will be a period where the Statements are in effect, but the proposed changes will not be included in the approved SIP. The administration considers this reasonable as the principles regarding Responsible Investing in the current SIP align closely with the principles and values outlined in the Statements. The proposed revisions to the SIP are included in the supplemental materials in the appendices for illustrative purposes. As such, the administration recommends moving forward with the approval of the Statements at the June 2023 board meeting.

The Statements are a full replacement of the Responsible Investment Policy version 2.0 (April 2014), which was approved by the Board of Governors. Accordingly, a resolution of the Board of Governors is needed to repeal the Responsible Investment Policy version 2.0 (April 2014).

Given that the Statements are intended to be read and considered in conjunction with the SIP, the Board of Governors is also asked to delegate authority to the Finance Committee to approve amendments to the Statements similar to delegated authority set out in Section 2.1.6 of the Finance Committee’s Terms of Reference: *to invest money belonging to UBC and which is available for investment, including approving the Statements of Investment Policies and Procedures.*

APPENDICES

1. DRAFT Statements on Responsible Investing (June 2023)

SUPPLEMENTAL MATERIAL (optional reading for Governors)

1. Endowment Responsible Investment Policy version 2.0 (April 2014)
2. Blacklined draft UBC Endowment Statement of Investment Policy, showing the proposed changes to the SIP to reflect that statements against the approved SIP dated March 1, 2022
Note: anticipated to be presented for approval in November 2023, and may include further changes
3. DRAFT Main Endowment Pool Statement of Investment Policy

**The University of British Columbia
Statements on Responsible Investing
June 30, 2023**

1. Purpose, Scope, and Background

1.1 The purpose of these statements is to:

- (a) outline UBC's responsible investing beliefs and values;
- (b) set out responsible investing commitments to guide investment decisions carried out on behalf of UBC; and
- (c) make UBC's approach to responsible investing available to the UBC community, its stakeholders, and the general public.

1.2 These statements are intended to guide investment decisions and strategies for all funds in the Main Endowment Pool ("**Main Endowment Pool**").

1.3 UBC will make investment decisions in a manner that is consistent with UBC's obligations to make investments that a prudent person would make¹, UBC's fiduciary obligations with respect to the trusts within the Main Endowment Pool, and UBC's obligations set out in the Endowment Policy (FM5) ("**Investment Obligations**").

1.4 UBC has delegated responsibility for portfolio asset mix design and investment implementation to UBC Investment Management Trust Inc. ("**UBC Investment Management**"). UBC Investment Management carries out its responsibilities in accordance with the objectives and benchmarks approved by UBC's Board of Governors as detailed in the Main Endowment Pool Statement of Investment Policy. UBC Investment Management must consider UBC's Investment Obligations, beliefs, values, and commitments set out in these statements in carrying out its responsibilities and report to UBC on its progress towards the responsible investing commitments set out in these statements.

2. Responsible Investing Considerations

2.1 Environmental, Social, and Governance ("**ESG**") factors may present material and evolving impacts on the risk and return of a given investment and/or the investment portfolio.

2.2 Incorporation of relevant and material ESG factors into UBC's investment decision-making process is consistent with UBC's Investment Obligations. UBC will undertake a balanced approach to responsible investing, and investment decisions undergo rigorous due diligence in order to ensure that the funds in the Main Endowment Pool are used in such a way as to maximize their benefits for the advancement of education at UBC, including educational and research activities carried on by UBC which benefit society generally.

2.3 UBC's approach to responsible investing will continue to develop as investment strategies, data, and research regarding ESG factors evolve. UBC will continue to advocate the beliefs and values

¹ Section 57 of the *University Act*, RSBC 1996, c.468

set out in these statements to its peers and the wider community and push for improved responsible investing practices.

2.4 UBC is committed to responsible investing and recognizes that how UBC invests and how it exercises its stewardship responsibilities, may affect UBC's reputation.

2.5 The following statements reflect key values and areas of focus for UBC that relate to responsible investing, all of which are to be considered and balanced when making investment decisions:

- (a) **Public Policy & Advocacy:** UBC believes it has an important role in publicly advocating for action on environmental stewardship, human rights, and best practice integration of ESG factors.
- (b) **Investor Engagement:** UBC believes that investor engagement is the most effective way to guide change and to enhance long-term sustainability and improve the risk profile of UBC's investment portfolios. UBC may consider other responsible investing strategies, including screening and divestment, in a manner that is consistent with these statements and UBC's Investment Obligations.
- (c) **Environment:** UBC believes that the climate emergency poses a significant risk to our planet and poses material systemic risks to financial markets in which UBC invests. Further, UBC has undertaken due diligence to support its belief that a commitment to eliminate investment portfolio exposure to companies that extract or process fossil fuels is in the best long-term financial interests of the trusts within the Main Endowment Pool.
- (d) **Social:** UBC believes that business practices are an important criterion for considering investments. The key areas of focus for UBC are: human rights, labour standards, workplace health and safety, and diversity, equity, and inclusion. UBC continues to explore and conduct due diligence with respect to best practices for implementation of this belief in a manner consistent with UBC's Investment Obligations.
- (e) **Governance:** UBC believes that corporate governance practices should reflect diversity in board structure and composition, reasonable executive pay, strong shareholder rights, ethics, and controls against bribery and conflicts of interest.

3. Responsible Investing Commitments

3.1 UBC has made the following responsible investing commitments:

- (a) **Endowment Fund Carbon Emissions:** UBC is committed to reducing the carbon emissions of the Main Endowment Pool's equity holdings by 45% by 2030 (using 2019 as its base year) and endeavors to reduce the carbon emissions of other asset classes in its investment portfolio by the same amount on the same timeline to the extent they can be reasonably measured. This aligns with targets set in UBC's Climate Action Plan 2030 to reduce emissions from extended impact sources by 45% by 2030. It is recognized that carbon emission measurement frameworks may evolve over time and should be reviewed periodically to determine best practice.

- (b) **Divestment of Fossil Fuels:** UBC is committed to eliminating all portfolio exposure in its Main Endowment Pool to companies that extract or process fossil fuels by 2030.
- (c) **Alignment with Responsible Investing Frameworks:** UBC Investment Management, on behalf of UBC, is a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and is committed to implementing a responsible investing approach that is consistent with the PRI framework. UBC is also committed to continue adopting other recognized standards, where appropriate, to guide investment decision-making.
- (d) **Transparency and Disclosure:** UBC endorses the recommendations of the Task Force on Climate-Related Financial Disclosure and is committed to regularly producing reporting on its climate-related financial information.
- (e) **Advocacy and Leadership:** UBC is committed to strengthen advocacy and leadership in the responsible investing space including collaboration with like-minded investors and organizations, and leveraging influence to drive positive change.

4. Review

- 4.1 UBC will review these statements at least every three years to ensure that these statements remain consistent with UBC's Investment Obligations, and to take into account improvements in responsible investing practices.

University of British Columbia

Endowment Responsible Investment Policy version 2.0

The first version of this policy was approved on June 4, 2013. This second version has been in development since July 2013. It will be submitted to the Board of Governors for approval in April 2014.

This policy strictly focuses on the University Endowment, as the University Pension Plans have different governance structures including their own Boards.

1. Background

On June 4, 2013, the UBC Board of Governors approved a responsible investment strategy to guide management of its endowments and working capital funds. The strategy was articulated around three commitments:

1.1 Direct investment in environmental and social projects. Since 2010, the University has invested \$382 million in climate change/greenhouse gas reduction projects and in student housing projects. These direct investments exemplify the University's leadership on environmental and social issues and its unique approach focused on demonstration as part of its original "University as a Living Laboratory" concept. They are the largest investments of their kind in Canada.

1.2 Good governance. The University's Investment Management Trust (IMANT) has joined the Canadian Coalition for Good Governance. IMANT has also committed to more formally emphasize the importance of environmental, social and governance (ESG) principles as one of the criteria in the selection of its fund managers.

1.3 Continuous improvement. The University has assembled a special task group within the Board of Governors to review the rapidly evolving investment landscape and recommend further changes to the full Board.

The task group has worked on clarifying the University's fiduciary responsibilities, reviewing investment best practices in this rapidly evolving area and recommending to the Board a policy statement that addresses how UBC will apply the available investment practice options to foster responsible investment while meeting its fiduciary duty to donors and its fiscal obligation to the institution.

2. Context

UBC's responsible investment policy should be considered in the broad context of its Vision to "*... create an exceptional learning environment that fosters global citizenship, advances a civil and sustainable society, and supports outstanding research to serve the people of British Columbia, Canada and the world.*" As an expression of the University community, this vision embraces social responsibility; it guides and tests the University's actions in all spheres of activity, including learning and practice.

2.1. Learning: UBC is a teaching and research leader in many areas of social or environmental interest. As an example, UBC's Centre for Interactive Research in

Sustainability, UBC's Clean Energy Research Centre and the success of UBC's renowned bio-diversity researchers are evidence of the University's contribution to sustainability. The University supports a large multidisciplinary research effort dedicated to developing sustainable mining practices and policies for sustainable resource development. UBC researchers are also involved in many aspects of social and economic sustainability, from developing good fisheries practice around the world to helping reduce the burden of HIV/AIDS locally and globally. This research involves thousands of UBC faculty and students, and has been supported by hundreds of millions of dollars in external funding in recent years.

- 2.2. Practice.** As the core of a large and growing community, the University has seized the opportunity to demonstrate leading activities in ESG behaviour on campus. Examples include UBC's large scale energy demand reduction and supply diversification strategies such as: the University's commitment to a 33% GHG reduction target, its \$150 million investment in Clean Tech demonstrations, and the massive expansion of on-campus student housing.

This responsible investment policy is therefore just one of many interconnected ways in which UBC can and does influence a global shift toward responsible corporate and industry practices with maximum impact and minimal cost.

3. Investment Policy development

- 3.1 Fiduciary responsibility** dictates that UBC invest and act solely in accordance with the requirements of its donors in accordance with the common law investment standards for trustees. Given its modest size, the UBC Endowment is primarily invested through pooled funds provided by external investment managers, rather than through direct ownership of individual securities. By investing through pooled funds, UBC is best able to diversify its investment risk and minimize external management fees and administrative costs. Investment diversification and cost minimization are critically important strategies utilized by the Endowment to achieve investment returns that meet or exceed existing spending needs and ensure the preservation and real growth of the Endowment's capital value.
- 3.2 Best practices** suggest that incorporating ESG factors in the investment process is prudent and aligned with UBC's social commitment. Within the limits faced by an investor in externally managed pooled funds, UBC will incorporate ESG factors into its investment process through these options:
- 1. Manager selection.** The integration of ESG factors in the investment process will be an additional criterion in the selection and retention of investment managers. The University expects all public equity managers to have incorporated formal ESG factors in the management of their portfolios within 3 years.
 - 2. Investor engagement.** Because UBC does not directly invest in companies, proxy voting is delegated to its investment managers. IMANT will encourage the fund managers to incorporate into their proxy voting guidelines policies that encourage issuers to increase transparency of their ESG policies, procedures and other activities. IMANT will expect the investment manager of an active mandate to consider shareholder proposals on ESG issues on a case-by-case basis. Given that meaningful summaries of proxy votes requires significant

resources, the University will provide disclosure of proxy voting for Canadian equity investments.

3. **Direct Engagement.** The endowment portfolio management structure does not make direct engagement with companies a practical option for IMANT. However, when there is significant exposure through the endowment to a particular company, industry or nation that is facing a material ESG issue, IMANT will express its concerns to the endowment investment managers and encourage them to engage directly with the issuer where appropriate;
4. **Collective Engagement.** IMANT will, on a selective basis, engage issuers, regulators, and industry groups through third parties where we believe a collective approach to engagement will be more effective than direct engagement.

3.3 **Divestment** or screening is an option through which investors may express their dissatisfaction with the environmental, social or governance practices of a company, industry or a nation with the aim of influencing these practices. This option may be more symbolic than effective, especially for relatively small investors such as UBC, and carries the risk of unintended consequences. This option will therefore only be considered when all five of the following criteria are met:

1. **Proven social, political, economic or environmental rationale.** Such a rationale must be supported by a body widely seen as competent and objective, such as the Canadian Coalition for Good Governance or a research or policy institute generally accepted as impartial and credible. Such an assessment does not preclude the University to take a different position on an issue.
2. **Reasonable evidence that divestment is an effective way to achieve the desired outcome.** This would be most compelling if divestment changes the behaviour of an offending company or industry. Divestment from a sector should not facilitate investment opportunities for less responsible investors, nor should it drive investment to countries and regions with weak or nonexistent regulatory regimes or ESG standards. Finally, since divestment would significantly impair, if not preclude UBCs ability to engage, the choice to divest should be demonstrably superior to our engagement.
3. **Absence of alternative policies** that are as effective at a lower cost, or more effective at the same cost. Implementation of divestment programs may be expensive for an endowment of the size of UBC. Costs of divesting activities include administrative and management resources, investment management fees, and reduced diversification.
4. **Consistency with the University's legal obligations as trustee.** The UBC Board of Governors endorses the incorporation of ESG principles into its investment policy, subject to its primary fiduciary responsibility of acting in the best interest of the University and its stakeholders. When considering divestment, the University must consider the interest of its multiple stakeholders, which include students, faculty, staff, alumni, donors, the government and taxpayers.
5. **Consistency with its other University relationships.** Any divestment proposal should be mindful of all the University's activities, of its public nature and of its ultimate accountability to the people of British Columbia.

4. Advisory Committee

In order to assess and recommend areas of engagement and to examine requests for action from its stakeholders, the University will set-up a Responsible Investing Policy Committee advisory to the Board of Governors.

An appendix to this policy outlines the mandate and composition of the Committee as well as the necessary thresholds required for the Committee to be petitioned by various University stakeholders.

5. Continuous improvement

The University, through the UBC Board of Governors, commits to a review of its existing Responsible Investment Policies at least every three years (and more often if justified by rapid industry changes) in the context of its fiduciary duty to manage the endowment in the best interests of the University.

Terms of Reference for the Responsible Investment Policy Committee

1. Purpose

The Responsible Investment Committee is a working group mandated to advise the Finance Committee of the Board of Governors on matters of responsible investment policy. The Committee is created by and responsible to the Board of Governors of the University of British Columbia.

2. Membership

The Committee shall consist of 9 members, excluding the ex officio members, including:

- The Chair of the Finance Committee of the Board
- 5 Members of the UBC Board of Governors appointed by the Chair of the Board in consultation with the Chair of Finance; one of which will be elected by Faculty, one elected by Staff, and one elected by Students
- 1 Member of the UBC Alumni Association Board of Directors
- 1 Member of the IMANT Board of Directors (independent)
- The Vice-President, Finance, Resources and Operations.

Ex Officio Members

- The Chair of the UBC Board of Governors
- The President and Vice-Chancellor of the University
- The Chancellor of the University

3. Mandate and Procedures

The Committee shall review and recommend policies to the Finance Committee of the Board of Governors that reflect evolving Responsible Investment policies and practices from peer academic institutions or from policy group that the University has subscribed to or considers as relevant.

The Committee shall periodically review IMANT's implementation and conformity with the RI and ESG policies approved by the University.

The Committee shall also review Responsible Investment proposals received from the Finance Committee of the Board or from University stakeholders as specified in Section 4.

4. Proposals from University Stakeholders

The Committee will review Responsible Investment proposals that have broad support from University stakeholders.

For the purpose of review of a proposal, University stakeholders will be defined in the following constituencies:

- Students
- Faculty
- Staff
- Alumni

Any qualified Responsible Investment proposal will require:

- The specific actions proposed
- In the case of a divestment proposal, a comprehensive case for divestment including:
 1. A proven and overwhelming social, political, economic or environmental rationale supported by a body widely seen as competent and objective;
 2. Reasonable evidence that divestment is an effective way to achieve the desired outcome;
 3. Illustration that the request is consistent with its other University relationships or a further argument to align other University academic activities with the request;
 4. The demonstration of a lack of alternative policies as effective at a lower cost or more effective at the same cost;
 5. Consistency with the University's legal obligations as trustee.
- In the case of a divestment proposal, evidence of support from at least 2 Constituencies via:
 - A referendum by the students of The University of British Columbia (as a system) that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes.
 - A referendum by the Faculty (across both campuses) that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes
 - A referendum by the Staff (across both campuses) that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes
 - A written request from the Alumni Association Board.

Support for a Responsible Investment proposal must be collected during one academic year and delivered to the office of the Planning and Liaison Manager for the Board of Governors, which shall include authentication of signatories. Upon validation, a Responsible Investment proposal will be submitted to the Responsible Investment Committee within 90 days.

5. Meetings and Quorum

The Responsible Investment Committee shall meet as soon as practical after the date on which a valid Responsible Investment proposal is submitted. The Committee will review the proposal in accordance with these Terms of Reference and will make a recommendation to the Finance Committee of the Board within 180 days.

The Committee shall report to the Board at least once each year and shall review its Terms of Reference every three years, recommending changes to the Board's Governance Committee.

Attendance by at least 50% of the members of the Committee with a majority of attendees being members of the Board is required to establish quorum.

University of British Columbia (UBC)

Main Endowment Pool

Statement of Investment Policy

~~March 1, 2022~~
[date]

Draft for UBC Board of Governors

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1. Purpose

- 1.1. The University of British Columbia (the “**UBC**”) has established the Main Endowment Pool (the “**Pool**”) as one pool of funds within UBC’s endowment (the “**Endowment**”) to support specific aspects of UBC’s charitable activities in perpetuity.
- 1.2. This document constitutes the Statement of Investment Policy (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 and guidelines to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”), the Income Tax Act (*Canada*) (the “**ITA**”), all amended from time to time, and with any restrictions imposed by the Government of Canada and Province of British Columbia. This Policy is supplementary to the Act and the ITA.
- 1.4. UBC’s Board of Governors (the “**Board of Governors**”) has approved the Endowment Policy (the “**Endowment Policy**”), which sets out UBC’s policies and procedures for managing endowed funds held by UBC.
- 1.5. In accordance with the Endowment Policy, UBC has engaged UBC Investment Management Trust Inc. (“**UBC IMANT Investment Management**”) to provide investment management services in connection with the Pool under an Investment Management Services Agreement dated effective January 1, 2012 as amended and restated effective April 1, 2022 (the “**Investment Management Services Agreement**”). The Board of Governors has from time to time approved Statements of Investment Policies and Procedures which were predecessors to the Policy, and those predecessors were prepared based on an approach to governance which included the Board of Governors approval of strategic asset allocation and benchmarks for the investment of the Pool.
- 1.6. In 2021, the Board of Governors approved a shift in governance approach for the Pool, which resulted in an amendment to the Investment Management Services Agreement and this Policy. As a result of this shift, the Board of Governors approves a reference portfolio (described further in Section 4) and, ~~through the UBC Investment Management Services Agreement, UBC IMANT provides services that include design and implementation,~~ under the oversight of UBC IMANT’s Investment Management’s Board of Directors (the “**UBC IMANT Investment Management Board**”), ~~of designs and implements~~ a strategic portfolio (described further in Section 5) in accordance with a strategic asset allocation developed by UBC IMANT Investment Management for the Pool within the parameters of the Reference Portfolio (defined below) and other requirements of this Policy.
- 1.7. UBC has issued its Statements on Responsible Investing dated [INSERT DATE] (the “**Statements on Responsible Investing**”) which set out UBC’s beliefs, values, and commitments for responsible investing. UBC Investment Management must consider UBC’s beliefs, values, and commitments set out in the Statements on Responsible Investing in carrying out their responsibilities set out in this Policy.

2. Pool 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 UBC's charitable activities in perpetuity. Donated amounts have been augmented through other programs, including provincial fund matching, and endowing the proceeds from part of 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 help to maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by UBC. Endowment funds have an indefinite liability stream, with expectations that the stated 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 to protect the purchasing power of the funds within the Pool in perpetuity.
- 2.3. UBC's objective in investing the Pool is to receive investment returns at an appropriate level of risk 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 spending objectives; and
 - (c) maintain intergenerational equity by preserving the capital and purchasing power of each endowment fund within the Pool to provide the same level of support in perpetuity.
- 2.4. 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 external investment managers ("**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.

3. Return Objective and Long-Term Sustainable Spending Rate Range

- 3.1. The Pool has an expected, ten-year target nominal return objective of 5.2% (the "**Return Objective**") determined by the asset mix study carried out in 2021.
- 3.2. The Return Objective is expected to support an annual spending rate between 3.5% to 4% over a term of 15 years, adjusted for inflation and operating costs (the "**Long-Term Sustainable Spending Rate Range**").
- 3.3. The Return Objective and the Long-Term Sustainable Spending Rate Range reflect the surplus/deficit position, at the time of the most recent Asset Mix study, as measured by the Aggregate Stabilization Ratio (as defined in the UBC Endowment Management Policy).

4. Reference Portfolio and Risk Tolerance

4.1. To define a risk tolerance, a reference portfolio approach has been adopted by UBC. The reference portfolio represents a simple, low cost, passive portfolio that is designed to reflect the Pool’s long term Return Objective and risk preferences. UBC’s risk preferences were incorporated into the reference portfolio design by evaluating different combinations of passive portfolios and the resulting probability of maintaining the Long-Term Sustainable Spending Rate Range.

4.2. A reference portfolio represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns to achieve its spending objectives in a way that preserves intergenerational equity. The purpose of the Reference Portfolio is to:

- (a) express the Board of Governors’ risk tolerance, by the composition of the Reference Portfolio, and be the primary indicator of the risk and return profile for the Pool;
- (b) provide a set of broad public market investments that reflects the investment returns that can be generated by passive investments in global capital markets;
- (c) establish an investable program that can achieve a return within UBC’s Long-Term Sustainable Spending Rate Range with limited oversight and no active management; and
- (d) establish a market-based benchmark that can be used to determine the efficacy and success of active management.

4.3. The Board of Governors approve the following as the Reference Portfolio for the Pool:

Asset Class	Weight	Benchmark
Equities	70%	MSCI All Country World Total Return Index (net)
Fixed Income	30%	FTSE Canada All Universe Bond Total Return Index

(the “Reference Portfolio”).

4.4. The Reference Portfolio is expected to achieve returns within the Long-Term Sustainable Spending Rate Range. Over shorter periods of time, it is understood that returns may deviate from the return expectation over 15 years as set out in the Long-Term Sustainable Spending Rate Range. Monitoring the expected future return of the Reference Portfolio, on an annual basis, will assist UBC in identifying threats to its Long-Term Sustainable Spending Rate Range.

4.5. By design, the Reference Portfolio is not engaged in active investment management decisions and is expected to be revised less frequently than the Strategic Portfolio.

5. Strategic Portfolio and Investment Programs

5.1. ~~The Board of Governors has entered into the UBC Investment Management Services Agreement, with UBC IMANT, under which UBC IMANT is required to will~~ prepare and establish the following:

- (a) a strategic asset allocation (the “Strategic Portfolio”), which is constructed as a diversified portfolio of multiple asset classes that is expected to exceed the risk

adjusted return of the Reference Portfolio by embedding greater investment complexity and active management; and

- (b) investment programs (each an “**Investment Program**”) for investments in asset classes with similar risk profiles as the Strategic Portfolio.

5.2. The Strategic Portfolio must be:

- (a) a diversified, multi-asset class portfolio,
- (b) used to guide UBC ~~IMANT’s~~Investment Management’s implementation program; and
- (c) exhibit a level of risk that is similar to the Reference Portfolio.

5.3. Asset class allocations within an Investment Program are fungible. Government bonds and Cash are excluded from the minimum portfolio weight requirements within the Strategic Portfolio as they are held primarily for liquidity management purposes.

6. Governance

6.1. The Board of Governors is responsible for:

- (a) reviewing UBC ~~IMANT~~Investment Management reports that include:
 - (i) the performance of the Pool against the Return Objective;
 - (ii) whether the risk profile is in-line with the Reference Portfolio;
 - (iii) actual portfolio weights as compared to the Strategic Portfolio; ~~and~~
 - (iv) any changes to the Strategic Portfolio since the last report; ~~and~~
 - (v) the matters referred to in Section 1.1;
- (b) appointing and removing each director on the UBC ~~IMANT~~Investment Management Board (each a “**Director**”); and
- (c) approving this Policy and any changes to this Policy, which includes approving the following:
 - (i) the Reference Portfolio which represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns;
 - (ii) the Return Objective; and
 - (iii) the Long-Term Sustainable Spending Rate Range.

6.2. The UBC ~~IMANT~~Investment Management Board is responsible for:

- (a) overseeing and monitoring the activities of the UBC ~~IMANT~~Investment Management President & CEO and management (“**Management**” and collectively the “**UBC ~~IMANT~~Investment Management Staff**”);
- (b) approving investment beliefs to guide UBC ~~IMANT~~Investment Management Staff in the development of the implementation strategy;
- (c) reviewing the Policy, at least annually, and recommending amendments, if any, for approval by the Board of Governors;

- (d) appointing UBC ~~IMANT's~~Investment Management's President and CEO;
- (e) recommending a Reference Portfolio to the Board of Governors;
- (f) approval of the Strategic Portfolio;
- (g) approval of Investment Programs, including but not limited to ranges, risk parameters and constraints;
- (h) approving the appointment and/or termination of the custodian of the Pool's assets (the "Custodian");
- (i) approving key service providers such as an asset mix consultant;
- (j) establishing appropriate compensation programs, including performance evaluation, for UBC ~~IMANT~~Investment Management Staff; ~~and~~
- (k) monitoring and evaluating investment performance and operational cost-efficiency against objectives and benchmarks; ~~and~~
- (l) monitoring and evaluating responsible investing commitments set out in Section 9.

6.3. UBC ~~IMANT's~~Investment Management's President and CEO, with the support from Management, is responsible for:

- (a) developing and recommending a Strategic Portfolio and a Reference Portfolio to the UBC ~~IMANT~~Investment Management Board;
- (b) implementing the Strategic Portfolio;
- (c) designing and recommending the Investment Programs specifying investment objectives and operating parameters for distinct asset classes to the UBC ~~IMANT~~Investment Management Board;
- (d) actively monitoring risk-adjusted performance of the Strategic Portfolio against the relevant benchmarks and reporting on this performance to the UBC ~~IMANT~~Investment Management Board and Board of Governors on a regular basis;
- ~~(d)~~(e) actively monitoring the responsible investing commitments set out in Section 9 and reporting on those commitments to the UBC Investment Management Board and Board of Governors on a regular basis;
- ~~(e)~~(f) actively managing the Strategic Portfolio to deliver superior risk-adjusted returns;
- ~~(f)~~(g) appointing, monitoring and, when appropriate, terminating ~~external investment managers~~Managers and other external advisors, consultants, and service providers within delegated authorities established by UBC ~~IMANT~~Investment Management Board;
- ~~(g)~~(h) developing and implementing a responsible investment approach and embedding environment, social, and governance factors into its investment processes;
- ~~(h)~~(i) ensuring efficient and cost-effective day-to-day operations;
- ~~(i)~~(j) recruitment, and development of Management to support UBC ~~IMANT's~~Investment Management's mission and vision; and

(j)(k) regular reporting to the UBC [IMANT Investment Management](#) Board, the UBC Board of Governors, and other UBC stakeholders.

7. Permitted Investments, Financing and Securities Lending

7.1. The Pool may be invested in any or all of the following asset categories:

- (a) **Cash:** Investments in cash such as deposits with financial institutions, treasury bills, commercial paper, banker's acceptances, and money market securities.
- (b) **Commodities:** Investments in commodity assets such as energy, industrial metals, precious metals, agriculture, livestock, and investments with commodity attributes such as carbon credits.
- (c) **Derivatives:** Investments in derivatives such as futures and forward contracts, options, warrants, swaps, and repurchase agreements. Derivatives may be used for hedging, risk management and portfolio rebalancing, including the hedging of foreign currency exposure. Derivatives may also be used for leverage or as a cost-effective substitute for traditional investments.
- (d) **Equity:** Investments in private and public equities through common shares, income trusts, investment trusts, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), and Preferred Shares.
- (e) **Fixed Income:** Investments in public fixed income assets such as bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions. Investments in non-publicly traded fixed income assets such as senior and subordinated loans, mortgages, structured credit instruments, and investments in credit attributes such as royalties, insurance, and litigation finance.
- (f) **Real Assets:** Investments in publicly and non-publicly traded real estate and infrastructure assets.
- (g) **Investment Vehicles:** Pool investments are made indirectly or synthetically through exchange traded funds (ETFs), pooled funds, trusts, limited partnerships, mutual funds, derivatives, segregated funds or other investment vehicles.

7.2. **Borrowing:** Borrowing or providing guarantees on behalf of the Pool is permitted.

7.3. **Pledging:** UBC [IMANT Investment Management](#) may pledge, charge, or otherwise grant a security interest in assets or post margin as required to complete derivatives transactions, complete a short sale or in connection with repurchase transactions. All pledging to be done on a non-recourse basis to UBC.

7.4. **Leverage:** The Pool is permitted to invest up to 10% of its value in assets purchased through borrowing and/or by creating synthetic exposures to existing asset classes. All such forms of leverage may not result in additional debt accruing to UBC.

7.5. **Securities Lending:** Lending securities is permitted provided that a sufficient collateral coverage is always maintained in cash or high-quality, liquid securities in accordance with industry standards.

8. Risk Management and Oversight

- 8.1. UBC ~~IMANT~~Investment Management will compare the risk level of the Strategic Portfolio against the Reference Portfolio periodically to confirm the modelled risk of the Strategic Portfolio is consistent with the Reference Portfolio.
- 8.2. UBC ~~IMANT~~Investment Management employs an active management approach with the objective of earning higher returns than the Reference Portfolio. The Pool's investment portfolio is comprised of a diversified mix of external, actively managed investment funds, guided by the Investment Program ranges and constraints within the Strategic Portfolio. Given the active management approach of the Pool, it is understood that the risk level of the investment portfolio may, at times, deviate from the risk level of the Reference Portfolio to provide UBC ~~IMANT~~Investment Management flexibility and discretion to implement the Strategic Portfolio actively.
- 8.3. UBC ~~IMANT~~Investment Management will carry out the following risk mitigation mechanisms:
- (a) minimum and maximum Investment Program weights within the Strategic Portfolio;
 - (b) active risk limits approved by UBC ~~IMANT~~Investment Management Board;
 - (c) other constraints approved by UBC ~~IMANT~~Investment Management Board for each Investment Program; and
 - (d) ongoing monitoring of performance by the UBC ~~IMANT~~Investment Management Board.

9. Responsible Investing

- 9.1. The Board of Governors and UBC ~~IMANT~~Investment Management are committed to responsible investing ~~which incorporates the following principles as set out in the investment decisions: Statements on Responsible Investing.~~
- 9.2. UBC's fiduciary duties to the endowed trusts within the Pool, which includes the duty to act in the financial interests of those trusts, is of paramount importance in decision-making; ~~regarding responsible investing.~~
- ~~(-) sustainability through the incorporation of best practices in Environmental, Social and Governance ("ESG") considerations are relevant factors in making financial decisions regarding investments, as further described in Section 9.2; and~~
 - ~~(-) active ownership and engagement is part of responsibility investing, as further described in Section 9.3.~~

~~9.5-9.3. ESG considerations have the potential to impact investment risks and returns. As a manager-of-managers, UBC ~~IMANT~~Investment Management works collaboratively with Managers ~~that to~~ analyze and understand both the threats and opportunities driven by environmental impacts, social considerations and governance structures. The ESG criteria against which responsible investing in a manner consistent with the Statements on Responsible Investing. UBC Investment Management's evaluation of Managers will ~~be evaluated~~ include: criteria that reflect the Statements on Responsible Investing.~~

- ~~(-) Environmental factors, including (but not limited to) climate risk, greenhouse gas emissions, air and water pollution, resource depletion, deforestation and land use;~~
- ~~(-) Social considerations, including (but not limited to) diversity, labour standards, workplace health and safety and consumer protection; and~~
- ~~(-) Governance practices, including (but not limited to) shareholders rights, conflicts of interest, board structure, board diversity, corruption and executive compensation.~~

~~9.9. Active ownership is a cornerstone of implementing responsible investing in practice. UBC IMANT will actively engage with Managers to obtain evidence of ESG integration in investment decision-making. Managers are evaluated with respect to the steps that they take to effect responsible corporate behaviour through proxy voting and direct industry contact. Collectively, UBC IMANT participates, with other like minded institutions and organizations that promote responsible investing by influencing corporations, governments, and regulators.~~

~~UBC Investment Management will provide reports to UBC regarding implementation of responsible investing commitments described in the Statements on Responsible Investing, with specific reporting on the following topics:~~

~~reduction of carbon emissions of investments;~~

~~progress towards divestment from companies that extract or process fossil fuels;~~

~~progress towards consistency with the United Nations-supported Principles for Responsible Investment;~~

~~climate related financial information; and~~

~~9.4. activities relating to advocacy and leadership related to responsible investing.~~

10. Custody

10.1. 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.

11. Valuation of investments

- 11.1. Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.
- 11.2. 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 monthly.
- 11.3. 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.

12. Code of Conduct

- 12.1. All persons involved in management of the Pool must adhere to a code of conduct that complies with the CFA Institute Code of Ethics and Standards of Professional Conduct, or an equivalent or higher standard than that of the CFA Institute.

13. Conflict of Interest

- 13.1. From time to time, real or perceived conflicts of interest may arise. If any person listed below 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 UBC IMANT Investment Management President;
 - (b) Management, to the UBC IMANT Investment Management President;
 - (c) the UBC IMANT Investment Management President, to the chair of the UBC IMANT Investment Management Board;
 - (d) a Director, to the chair of the UBC IMANT Investment Management Board; or
 - (e) the chair of the UBC IMANT Investment Management Board, to the UBC IMANT Investment Management President and the chair of the Board of Governors' Governance Committee.
- 13.2. The chair of the UBC IMANT Investment Management Board or the UBC IMANT Investment Management President, as applicable, shall then advise all members of the UBC IMANT Investment Management Board of the disclosed conflict before the next UBC IMANT Investment Management Board meeting, and the UBC IMANT Investment Management 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.

- 13.3. Every disclosure of interest shall be recorded in the minutes of the relevant UBC ~~IMANT~~Investment Management Board meeting.
- 13.4. 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.
- 13.5. The UBC ~~IMANT~~Investment Management President shall satisfy herself or himself 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.

14. Related Party Transactions

- 14.1. 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) UBC, an affiliate of UBC, or a member of the Board of Governors of UBC;
 - (b) an officer or employee of UBC;
 - (c) a Director; or
 - (d) UBC ~~IMANT~~Investment Management Staff.
- 14.2. 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.
- 14.3. 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 14.2(c) until the remaining balance of the loan is less than 3% of the Pool. At that time, this section becomes void and Section 14.2(c) returns to force.

15. Policy Review

- 15.1. This Policy shall be reviewed at least annually by the UBC ~~IMANT~~Investment Management Board to determine whether any modifications are necessary or desirable.

University of British Columbia (UBC)

Main Endowment Pool

Statement of Investment Policy

[date]

Draft for UBC Board of Governors

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1. Purpose

- 1.1. The University of British Columbia (the “**UBC**”) has established the Main Endowment Pool (the “**Pool**”) as one pool of funds within UBC’s endowment (the “**Endowment**”) to support specific aspects of UBC’s charitable activities in perpetuity.
- 1.2. This document constitutes the Statement of Investment Policy (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 and guidelines to manage the Pool’s assets in accordance with the University Act of British Columbia (the “**Act**”), the Income Tax Act (*Canada*) (the “**ITA**”), all amended from time to time, and with any restrictions imposed by the Government of Canada and Province of British Columbia. This Policy is supplementary to the Act and the ITA.
- 1.4. UBC’s Board of Governors (the “**Board of Governors**”) has approved the Endowment Policy (the “**Endowment Policy**”), which sets out UBC’s policies and procedures for managing endowed funds held by UBC.
- 1.5. In accordance with the Endowment Policy, UBC has engaged UBC Investment Management Trust Inc. (“**UBC Investment Management**”) to provide investment management services in connection with the Pool under an Investment Management Services Agreement dated effective January 1, 2012 as amended and restated effective April 1, 2022 (the “**Investment Management Services Agreement**”). The Board of Governors has from time to time approved Statements of Investment Policies and Procedures which were predecessors to the Policy, and those predecessors were prepared based on an approach to governance which included the Board of Governors approval of strategic asset allocation and benchmarks for the investment of the Pool.
- 1.6. In 2021, the Board of Governors approved a shift in governance approach for the Pool, which resulted in an amendment to the Investment Management Services Agreement and this Policy. As a result of this shift, the Board of Governors approves a reference portfolio (described further in Section 4) and UBC Investment Management, under the oversight of UBC Investment Management’s Board of Directors (the “**UBC Investment Management Board**”), designs and implements a strategic portfolio (described further in Section 5) in accordance with a strategic asset allocation developed by UBC Investment Management for the Pool within the parameters of the Reference Portfolio (defined below) and other requirements of this Policy.
- 1.7. UBC has issued its Statements on Responsible Investing dated [INSERT DATE] (the “**Statements on Responsible Investing**”) which set out UBC’s beliefs, values, and commitments for responsible investing. UBC Investment Management must consider UBC’s beliefs, values, and commitments set out in the Statements on Responsible Investing in carrying out their responsibilities set out in this Policy.

2. Pool 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 UBC’s charitable activities in

perpetuity. Donated amounts have been augmented through other programs, including provincial fund matching, and endowing the proceeds from part of 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 help to maintain the purchasing power of the original contributions. The spending commitment/liability stream is a function of the current spending rate approved by UBC. Endowment funds have an indefinite liability stream, with expectations that the stated 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 to protect the purchasing power of the funds within the Pool in perpetuity.
- 2.3. UBC's objective in investing the Pool is to receive investment returns at an appropriate level of risk 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 spending objectives; and
 - (c) maintain intergenerational equity by preserving the capital and purchasing power of each endowment fund within the Pool to provide the same level of support in perpetuity.
- 2.4. 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 external investment managers ("**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.

3. Return Objective and Long-Term Sustainable Spending Rate Range

- 3.1. The Pool has an expected, ten-year target nominal return objective of 5.2% (the "**Return Objective**") determined by the asset mix study carried out in 2021.
- 3.2. The Return Objective is expected to support an annual spending rate between 3.5% to 4% over a term of 15 years, adjusted for inflation and operating costs (the "**Long-Term Sustainable Spending Rate Range**").
- 3.3. The Return Objective and the Long-Term Sustainable Spending Rate Range reflect the surplus/deficit position, at the time of the most recent Asset Mix study, as measured by the Aggregate Stabilization Ratio (as defined in the UBC Endowment Management Policy).

4. Reference Portfolio and Risk Tolerance

- 4.1. To define a risk tolerance, a reference portfolio approach has been adopted by UBC. The reference portfolio represents a simple, low cost, passive portfolio that is designed to reflect the Pool's long term Return Objective and risk preferences. UBC's risk preferences were incorporated into the reference portfolio design by evaluating different

combinations of passive portfolios and the resulting probability of maintaining the Long-Term Sustainable Spending Rate Range.

4.2. A reference portfolio represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns to achieve its spending objectives in a way that preserves intergenerational equity. The purpose of the Reference Portfolio is to:

- (a) express the Board of Governors’ risk tolerance, by the composition of the Reference Portfolio, and be the primary indicator of the risk and return profile for the Pool;
- (b) provide a set of broad public market investments that reflects the investment returns that can be generated by passive investments in global capital markets;
- (c) establish an investable program that can achieve a return within UBC’s Long-Term Sustainable Spending Rate Range with limited oversight and no active management; and
- (d) establish a market-based benchmark that can be used to determine the efficacy and success of active management.

4.3. The Board of Governors approve the following as the Reference Portfolio for the Pool:

Asset Class	Weight	Benchmark
Equities	70%	MSCI All Country World Total Return Index (net)
Fixed Income	30%	FTSE Canada All Universe Bond Total Return Index

(the “Reference Portfolio”).

4.4. The Reference Portfolio is expected to achieve returns within the Long-Term Sustainable Spending Rate Range. Over shorter periods of time, it is understood that returns may deviate from the return expectation over 15 years as set out in the Long-Term Sustainable Spending Rate Range. Monitoring the expected future return of the Reference Portfolio, on an annual basis, will assist UBC in identifying threats to its Long-Term Sustainable Spending Rate Range.

4.5. By design, the Reference Portfolio is not engaged in active investment management decisions and is expected to be revised less frequently than the Strategic Portfolio.

5. Strategic Portfolio and Investment Programs

5.1. UBC Investment Management will prepare and establish the following:

- (a) a strategic asset allocation (the “Strategic Portfolio”), which is constructed as a diversified portfolio of multiple asset classes that is expected to exceed the risk adjusted return of the Reference Portfolio by embedding greater investment complexity and active management; and
- (b) investment programs (each an “Investment Program”) for investments in asset classes with similar risk profiles as the Strategic Portfolio.

5.2. The Strategic Portfolio must be:

- (a) a diversified, multi-asset class portfolio,

- (b) used to guide UBC Investment Management’s implementation program; and
 - (c) exhibit a level of risk that is similar to the Reference Portfolio.
- 5.3. Asset class allocations within an Investment Program are fungible. Government bonds and Cash are excluded from the minimum portfolio weight requirements within the Strategic Portfolio as they are held primarily for liquidity management purposes.

6. Governance

- 6.1. The Board of Governors is responsible for:
- (a) reviewing UBC Investment Management reports that include:
 - (i) the performance of the Pool against the Return Objective;
 - (ii) whether the risk profile is in-line with the Reference Portfolio;
 - (iii) actual portfolio weights as compared to the Strategic Portfolio;
 - (iv) any changes to the Strategic Portfolio since the last report; and
 - (v) the matters referred to in Section 9.4;
 - (b) appointing and removing each director on the UBC Investment Management Board (each a “**Director**”); and
 - (c) approving this Policy and any changes to this Policy, which includes approving the following:
 - (i) the Reference Portfolio which represents the amount of investment risk that UBC, as the governing fiduciary, is willing to bear in the pursuit of investment returns;
 - (ii) the Return Objective; and
 - (iii) the Long-Term Sustainable Spending Rate Range.
- 6.2. The UBC Investment Management Board is responsible for:
- (a) overseeing and monitoring the activities of the UBC Investment Management President & CEO and management (“**Management**” and collectively the “**UBC Investment Management Staff**”);
 - (b) approving investment beliefs to guide UBC Investment Management Staff in the development of the implementation strategy;
 - (c) reviewing the Policy, at least annually, and recommending amendments, if any, for approval by the Board of Governors;
 - (d) appointing UBC Investment Management’s President and CEO;
 - (e) recommending a Reference Portfolio to the Board of Governors;
 - (f) approval of the Strategic Portfolio;
 - (g) approval of Investment Programs, including but not limited to ranges, risk parameters and constraints;
 - (h) approving the appointment and/or termination of the custodian of the Pool’s assets (the “**Custodian**”);

- (i) approving key service providers such as an asset mix consultant;
- (j) establishing appropriate compensation programs, including performance evaluation, for UBC Investment Management Staff;
- (k) monitoring and evaluating investment performance and operational cost-efficiency against objectives and benchmarks; and
- (l) monitoring and evaluating responsible investing commitments set out in Section 9.

6.3. UBC Investment Management’s President and CEO, with the support from Management, is responsible for:

- (a) developing and recommending a Strategic Portfolio and a Reference Portfolio to the UBC Investment Management Board;
- (b) implementing the Strategic Portfolio;
- (c) designing and recommending the Investment Programs specifying investment objectives and operating parameters for distinct asset classes to the UBC Investment Management Board;
- (d) actively monitoring risk-adjusted performance of the Strategic Portfolio against the relevant benchmarks and reporting on this performance to the UBC Investment Management Board and Board of Governors on a regular basis;
- (e) actively monitoring the responsible investing commitments set out in Section 9 and reporting on those commitments to the UBC Investment Management Board and Board of Governors on a regular basis;
- (f) actively managing the Strategic Portfolio to deliver superior risk-adjusted returns;
- (g) appointing, monitoring and, when appropriate, terminating Managers and other external advisors, consultants, and service providers within delegated authorities established by UBC Investment Management Board;
- (h) developing and implementing a responsible investment approach and embedding environment, social, and governance factors into its investment processes;
- (i) ensuring efficient and cost-effective day-to-day operations;
- (j) recruitment, and development of Management to support UBC Investment Management’s mission and vision; and
- (k) regular reporting to the UBC Investment Management Board, the UBC Board of Governors, and other UBC stakeholders.

7. Permitted Investments, Financing and Securities Lending

7.1. The Pool may be invested in any or all of the following asset categories:

- (a) **Cash:** Investments in cash such as deposits with financial institutions, treasury bills, commercial paper, banker’s acceptances, and money market securities.

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 - (c) **Derivatives:** Investments in derivatives such as futures and forward contracts, options, warrants, swaps, and repurchase agreements. Derivatives may be used for hedging, risk management and portfolio rebalancing, including the hedging of foreign currency exposure. Derivatives may also be used for leverage or as a cost-effective substitute for traditional investments.
 - (d) **Equity:** Investments in private and public equities through common shares, income trusts, investment trusts, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), and Preferred Shares.
 - (e) **Fixed Income:** Investments in public fixed income assets such as bonds, debentures, notes, asset-backed securities, and term deposits or similar instruments with financial institutions. Investments in non-publicly traded fixed income assets such as senior and subordinated loans, mortgages, structured credit instruments, and investments in credit attributes such as royalties, insurance, and litigation finance.
 - (f) **Real Assets:** Investments in publicly and non-publicly traded real estate and infrastructure assets.
 - (g) **Investment Vehicles:** Pool investments are made indirectly or synthetically through exchange traded funds (ETFs), pooled funds, trusts, limited partnerships, mutual funds, derivatives, segregated funds or other investment vehicles.
- 7.2. **Borrowing:** Borrowing or providing guarantees on behalf of the Pool is permitted.
- 7.3. **Pledging:** UBC Investment Management may pledge, charge, or otherwise grant a security interest in assets or post margin as required to complete derivatives transactions, complete a short sale or in connection with repurchase transactions. All pledging to be done on a non-recourse basis to UBC.
- 7.4. **Leverage:** The Pool is permitted to invest up to 10% of its value in assets purchased through borrowing and/or by creating synthetic exposures to existing asset classes. All such forms of leverage may not result in additional debt accruing to UBC.
- 7.5. **Securities Lending:** Lending securities is permitted provided that a sufficient collateral coverage is always maintained in cash or high-quality, liquid securities in accordance with industry standards.

8. Risk Management and Oversight

- 8.1. UBC Investment Management will compare the risk level of the Strategic Portfolio against the Reference Portfolio periodically to confirm the modelled risk of the Strategic Portfolio is consistent with the Reference Portfolio.
- 8.2. UBC Investment Management employs an active management approach with the objective of earning higher returns than the Reference Portfolio. The Pool's investment portfolio is comprised of a diversified mix of external, actively managed investment funds, guided by the Investment Program ranges and constraints within the Strategic Portfolio. Given the active management approach of the Pool, it is understood that the risk level of

the investment portfolio may, at times, deviate from the risk level of the Reference Portfolio to provide UBC Investment Management flexibility and discretion to implement the Strategic Portfolio actively.

- 8.3. UBC Investment Management will carry out the following risk mitigation mechanisms:
- (a) minimum and maximum Investment Program weights within the Strategic Portfolio;
 - (b) active risk limits approved by UBC Investment Management Board;
 - (c) other constraints approved by UBC Investment Management Board for each Investment Program; and
 - (d) ongoing monitoring of performance by the UBC Investment Management Board.

9. Responsible Investing

- 9.1. The Board of Governors and UBC Investment Management are committed to responsible investing as set out in the Statements on Responsible Investing.
- 9.2. UBC's fiduciary duties to the endowed trusts within the Pool, which includes the duty to act in the financial interests of those trusts, is of paramount importance in decision-making regarding responsible investing.
- 9.3. As a manager-of-managers, UBC Investment Management works collaboratively with Managers to analyze and understand both the threats and opportunities driven by responsible investing in a manner consistent with the Statements on Responsible Investing. UBC Investment Management's evaluation of Managers will include criteria that reflect the Statements on Responsible Investing.
- 9.4. UBC Investment Management will provide reports to UBC regarding implementation of responsible investing commitments described in the Statements on Responsible Investing

10. Custody

- 10.1. 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.

11. Valuation of investments

- 11.1. Marketable securities shall be valued by the Custodian no less frequently than monthly at their market value.
- 11.2. 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 monthly.
- 11.3. 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.

12. Code of Conduct

- 12.1. All persons involved in management of the Pool must adhere to a code of conduct that complies with the CFA Institute Code of Ethics and Standards of Professional Conduct, or an equivalent or higher standard than that of the CFA Institute.

13. Conflict of Interest

- 13.1. From time to time, real or perceived conflicts of interest may arise. If any person listed below 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 UBC Investment Management President;
 - (b) Management, to the UBC Investment Management President;
 - (c) the UBC Investment Management President, to the chair of the UBC Investment Management Board;
 - (d) a Director, to the chair of the UBC Investment Management Board; or
 - (e) the chair of the UBC Investment Management Board, to the UBC Investment Management President and the chair of the Board of Governors' Governance Committee.
- 13.2. The chair of the UBC Investment Management Board or the UBC Investment Management President, as applicable, shall then advise all members of the UBC Investment Management Board of the disclosed conflict before the next UBC Investment Management Board meeting, and the UBC Investment Management 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.

- 13.3. Every disclosure of interest shall be recorded in the minutes of the relevant UBC Investment Management Board meeting.
- 13.4. 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.
- 13.5. The UBC Investment Management President shall satisfy herself or himself 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.

14. Related Party Transactions

- 14.1. 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) UBC, an affiliate of UBC, or a member of the Board of Governors of UBC;
 - (b) an officer or employee of UBC;
 - (c) a Director; or
 - (d) UBC Investment Management Staff.
- 14.2. 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.
- 14.3. 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 14.2(c) until the remaining balance of the loan is less than 3% of the Pool. At that time, this section becomes void and Section 14.2(c) returns to force.

15. Policy Review

- 15.1. This Policy shall be reviewed at least annually by the UBC Investment Management Board to determine whether any modifications are necessary or desirable.