



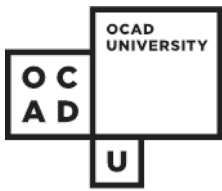
# Statement of Investment Policies and Guidelines for OCAD University

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# Section 1: Background

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## 1. OCAD University: Statement of Investment Policies and Guidelines

- OCAD University (the University) will maximize opportunities to use its Endowment and Restricted Funds (together, the “Funds”) to further its objective as set out in section 3 of the Ontario College of Art & Design University Act, 2002 and within the restrictions of the Funds.
- The purpose of the Investment Portfolio is to support teaching, research, professional practices in Art & Design and provide scholarships and financial assistance to students.
- The University takes a long-term view of its investment approach, informed by the need for financial sustainability.
- The University will be open and transparent regarding its investment holdings and to the extent possible and practical, will publish annually, on its website, complete details of these holdings.
- The Board of Governors will consider appropriate consultation of relevant constituencies, in its discretion, in making material changes to this policy.

## 2. Description of the OCAD University Funds

This Statement of Investment Policies and Guidelines (“SIPG”) applies to all Funds invested by the University.

The Endowed Funds consist of externally or internally restricted contributions received by the University where the endowment principal is required by the donor or the Board of Governors, where applicable, to be maintained permanently. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board, where applicable.

The Restricted Funds consist of externally or internally restricted contributions received by the University where the principal and investment income is to be used for specific purposes as specified by the donor or the Board where applicable.

## 3. Purpose of the Statement of Investment Policies and Guidelines

The Board has prepared this SIPG to address the manner in which the Funds shall be invested. Professional management of the assets entrusted to the University is essential to its mission.

The SIPG is intended to:



- a) Define and assign the responsibilities of all involved parties
- b) Establish the investment objectives, principles and guidelines for the Funds
- c) Specify the long-term asset mix of the Funds and provide guidelines within which the Investment Manager(s) may formulate and execute investment decisions
- d) Establish a basis for evaluating investment results of the Funds

#### 4. **Investment Philosophy**

OCAD University's investment philosophy is to seek long-term risk-adjusted returns through active, or a combination of active and passive, investing undertaken by Investment Managers in a manner aligned with Section 3.3: Support for Environmental, Social and Governance Principles and with the OCAD University Core Guiding Principles and Responsible Investment Guidelines, as outlined in Appendix B to this SIPG.

## **Section 2: Fund Governance: Roles and Responsibilities**

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### 1. **Responsibilities of the Board**

The OCAD University Board of Governors is entrusted as a fiduciary of the Endowed and Restricted Funds.

The Board has the ultimate responsibility for the governance, overall management of, and decision-making authority, for the Funds. In fulfilling its responsibilities, the Board may delegate certain duties and responsibilities to committees of the Board, including the Investment Committee in fulfilling its fiduciary responsibilities.

### 2. **Responsibilities of the Investment Committee**

The Investment Committee is a standing committee constituted by the Board of Governors under the By-Laws of the University, and is charged with the responsibility for:

- a) Overseeing the University's investment activities, including achieving the University's objectives of investing and managing its funds, particularly Endowed and Restricted Funds
- b) Developing appropriate investment policies and objectives
- c) Monitoring investment performance against investment objectives and guidelines



- d) Determining and monitoring any deviation from policy within the approved asset mix ranges
- e) Making recommendations to the Board concerning the engagement and termination of Investment Managers, consultants providing performance measurement/investment advice and investment custodians
- f) Recommending any changes to the endowment spending guidelines for the Funds
- g) Reviewing, at least annually the significant risks and uncertainties that may affect the University's investment policies and practices, and
- h) Maintaining an understanding of legal and regulatory requirements and constraints applicable to the Funds.

At each regular meeting of the Investment Committee, Management will provide a summary of all investable assets it manages on behalf of the University (as distinct from investment assets then being managed by an Investment Manager), as well as a summary of the investment strategies followed by it for such investing. The Investment Committee will consider the merits of placing all or a portion of such assets with one or more Investment Managers on at least an annual basis and bring a recommendation to the Board in that regard. Any recommendations to the Board should take into consideration the Terms of Reference of the Restricted Cash Fund #1 previously approved by the Board of Governors on March 16, 2020, as may be amended from time to time. For clarity, these assets do not include operating capital that Management administers in the day to day operations of the University.

As a standing committee of the Board, the Investment Committee shall comply with its reporting role as described in the Board Bylaws.

### **3. Responsibilities of the Investment Manager**

The Investment Manager(s) is appointed by the Board after considering the recommendation of the Investment Committee. An Investment Manager's responsibilities include, but are not limited to, the following:

- a) Adhering to the SIPG and following the recommendations of the Investment Committee
- b) Advising the Investment Committee of any recommendations to modify or deviate from the SIPG
- c) Staying informed about investment opportunities and about economic conditions in general
- d) Meeting the Investment Committee at least two times a year, providing the Investment



Committee with quarterly reports of portfolio holdings and a review of investment performance and attending further meetings if necessary, at the discretion of the Chair of the Investment Committee

- e) Providing an annual review to the Investment Committee not later than at its first presentation to the Investment Committee following the completion of the prior year, on the portfolio including a review of risk management practices. In addition, when available, reporting as to ESG (as contemplated by section 3.3) and compliance with Appendix B of the SIPG
- f) Adhering to the compliance requirements of the SIPG, as outlined in Appendix A and submitting the form by Dec 31 of each year.

#### 4. Responsibilities of Management

Management is responsible for the day-to-day operations of the Funds, including adherence to the SIPG and the supervision of employees and agents.

The University's Finance Office will be responsible for the following:

- a) Ensuring compliance with legal and University requirements
- b) Acting as the day-to-day liaison between the Investment Committee and the Investment Manager(s) and Custodian
- c) Keeping the Investment Committee informed of all material issues and developments relating to the management of the Funds
- d) Managing the cash flow available to Investment Manager(s) and advising the Investment Manager(s) of anticipated cash flows to and from the Funds, including any material developments on an interim or annual basis
- e) Ensuring the execution of contractual agreements between the University and the Investment Manager(s) and Custodians
- f) Preparing an annual fee analysis

#### 5. Responsibilities of the Custodian

The Custodian is appointed by the Investment Committee. The Custodian shall perform the duties required of it pursuant to written agreements entered into from time to time with the University and in accordance with any applicable regulation.



## Section 3: Fund Overview and Investment Implications

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### 1. Nature of the Funds

The SIPG applies to all Funds invested by the University. The portfolio may include more than one account segregated for reporting purposes but managed as a single pool in order to optimize net return and diversification of risk. The accounts included within the portfolio and managed as a single pool are to be determined by the Investment Manager in accordance with instructions provided by Management (the University's Finance Office).

### 2. Long-Term Rate of Return Goal

Funds are to be managed within the level of risk identified within the SIPG and in the context of Total Return which, for any period, is defined as the sum of income and realized and unrealized capital gains/losses from investments for that period and expressed on an annualized basis. The overriding objectives are to:

- a) Continue to achieve a ten-year annualized rate of return for the Investment Portfolio of 6-8%, prior to the calculation of applicable management, custodial or other applicable fees, while managing investment risk for the Investment Portfolio on a prudent basis through the application of appropriate risk management measures
- b) Generate sufficient income to support annual spending requirements and meet statutory requirements, provided that if such annual spending requirements would be expected to exceed the returns on the Investment Portfolio for the corresponding period, the Investment Committee should consider that and ensure that the Board has approved such an encroachment of endowment capital
- c) Protect the purchasing power of the capital base of the Funds
- d) Provide sufficient liquidity at all points in an economic cycle

### 3. Support for Environmental, Social and Governance (ESG) Principles

The University supports the [United Nations Principles of Responsible Investing initiative](#) (the "UN Principles") launched formally in April 2006. Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. It recognizes that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.



The UN backed initiative developed Six Principles of Responsible Investing. The Six Principles offer possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organization's investment strategy, approach and resources. The Principles are voluntary and aspirational.

The University delegates the investment management of its Funds to external Investment Managers who must adhere to policies and guidelines established by the Investment Committee and approved by the Board.

The University's support for the UN Principles will be a key consideration in the selection of any Investment Manager and candidates for the role will be required to explain how they will manage investment selection in accordance with these principles. Moreover, the University will seek to ensure that its investments are aligned with the Core Guiding Principles and Responsible Investment Guidelines, as outlined in Appendix B to this SIPG.

#### 4. Endowment Spending Guidelines

Available spending allotments (payouts) for any fiscal year of the University are established by the Board from time to time. The spending level allows investment income to be used to support the endowment commitments. Considerations in setting the spending levels are historical total returns of the portfolio, regulatory requirements, capital preservation and post-secondary best practices. Spending associated with any incremental endowments received by the University will commence once the incremental endowment has existed for at least one full year.

## Section 4: Investment Parameters

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### 1. Permissible Investments and Investment Strategies

The permissible investments and investment strategies are directed as noted below. Where an investment has been made in a pooled fund, the parameters of the fund will prevail however in selecting any pooled fund investment the Investment Committee should seek to respect, through, the parameters of the fund selected, the permissible investments and asset mix of the SIP&G to the greatest degree possible.



General	No more than 10% of any asset class shall be invested in the securities of a single issuer (excluding the Government of Canada and Provincial Government securities rated Single A or Better by a recognized credit rating agency).
Fixed Income	Bonds rated single A or better by a recognized credit rating agency (without prior approval to deviate from the Investment Committee)
Equities	Not more than 75% of the portfolio by market value
	Not more than 15% of the International Equity (defined as equities listed in markets other than Canada or the United States) component of the equity portfolio shall be invested in Emerging Markets equities, as defined by the MSCI Emerging Markets Index.
Currency	At least 50% of the portfolio must be denominated in Canadian dollars
Derivatives	Not permitted without prior approval of the Investment Committee
Securities Lending	Not permitted without prior approval of the Investment Committee
Short Selling	Strictly prohibited within the equity portfolio

## 2. Long-term Asset Mix Policy

The long-term performance of the Funds is primarily determined by the long-term asset mix policy. The approach of broad diversification across various asset classes within the asset mix is the Board’s most important risk management and control tool. The Board will review the long-term asset mix policy annually.

With consideration to the long-term time horizon and size of the OCAD University portfolio, the overall risk tolerance level is considered to be *moderate*. This suggests the portfolio will have meaningful equity exposure to protect against inflation and to provide growth over time. Recognizing that equity investments are volatile and at times produce negative returns, the volatility of the returns and extent of potential losses will be mitigated through diversification



of the equity portfolios geographically, by style and market capitalization and through fixed income investments.

The asset classes, asset allocation targets and permissible ranges for the Funds are as follows:

Asset Class	Target	Permissible Range
Cash & Equivalents	5%	0%-20%
Fixed Income	30%	20%-45%
Canadian Equities	25%	15%-40%
U.S. Equities	25%	15%-40%
International Equities	15%	10%-25%
<b>Total</b>	<b>100%</b>	

Rebalancing of Fund asset weights will be conducted periodically by the Investment Manager in response to cashflows, or when actual asset mix weights deviate outside the permissible ranges. Each Investment Manager, operating in accordance with their approved mandate, may allocate investments within these ranges. Any investment which would breach these requirements must receive prior approval from the Investment Committee before completed by the Investment Manager.

### 3. Diversification

In this SIPG, risk is defined as the volatility of returns, and not the permanent loss of capital. The latter is dealt with through proper diversification. Through its Investment Managers, the University's Funds follow an approach of asset diversification.

Diversification of the Funds is maintained in order to:

- a) reduce the annual total return variability;
- b) reduce market and credit exposure to any single issuer and to any single component of the capital markets;
- c) reduce exposure to unexpected inflation; and,
- d) enhance the long-term risk-adjusted return potential of the Funds.



#### 4. Liquidity

The Funds are managed with a view of providing sufficient liquidity to enable the University to meet all of its future disbursement obligations. Investments are selected with consideration given to their effect on liquidity risk within the context of the investment portfolio as well as the income to be derived.

An income of 3.5%-4.0% is required on a per annum basis from the OCAD University portfolio in order to support commitments of the organization.

#### 5. Benchmarks

The total portfolio performance shall be measured after investment management fees on a Total Fund basis against an appropriate benchmark. The performance benchmark shall be calculated as a combination of financial market indices weighted on the basis of the normal asset mix of the portfolio as detailed in the following table:

Relevant Index	Benchmark Weighting
FTSE Canada 91-Day T-Bill Index	5%
FTSE Canada Universe Bond Index	30%
S&P/TSX Composite Index	25%
S&P 500 Index (C\$)	25%
MSCI EAFE Index (C\$)	15%
<b>Total</b>	<b>100%</b>

Performance of the Investment Managers will be assessed quarterly relative to a benchmark portfolio and to other managers with similar mandates as reported on by Morningstar Canada, where possible. Emphasis will be placed on the degree to which performance results meet performance goals. The following standard will be used in evaluating investment performance of the Investment Manager(s):



- a) Compliance with the SIPG;
- b) Performance over three- and five-year annualized periods;
- c) Reporting and communications to the Investment Committee and Board of Governors;  
and,
- d) Investment Manager's adherence to their stated investment philosophy and process.

## Section 5: Voting Rights

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Voting rights for the Funds are delegated to the Investment Manager(s). The Investment Manager(s) shall maintain a record of how voting rights for the Funds were exercised and report to the Investment Committee when votes were cast against management.

## Section 6: Fees and Expenses

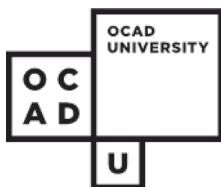
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The Investment Committee shall give consideration to the impact of administrative expenses and external management fees when establishing its long-term asset mix policy and commitments related to responsible investment. The Board receives reports on the performance of the Funds both before and after expenses throughout the year.

## Section 7: Conflict of Interest

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The University's Conflict of Interest policy will apply to the management and operations of the Funds. Each investment Manager is expected to affirm that there are no actual or potential conflicts of interest affecting its mandate on behalf of OCAD University, which will be included in its annual compliance report submission, as specified in Appendix A to this SIPG.



## Appendix A: Compliance Report

Investment Manager \_\_\_\_\_ (name of Investment Manager)  
 Compliance Report  
 for the period \_\_\_\_\_ (date)

		GUIDELINES	COMPLIED WITH POLICY YES/NO *
ASSET MIX (at Market Value)		%	
EQUITIES	CANADIAN		
	U.S.		
	INTERNATIONAL		
FIXED INCOME	FIXED INCOME		
	CASH & EQUIVALENTS		

\* If Policy not complied with, comment on specifics

The undersigned hereby confirms that throughout the reporting period noted above:

1. The management of the Funds was in accordance with all the terms, conditions and guidelines stipulated in the SIPG and Investment Management Agreement dated (together the "Policy").

If not, attached are details of what activities were outside the Policy guidelines, the consequence of such activities to the Funds, and the actions taken to remedy the situation.

2. The Funds were managed in compliance with provisions of the income tax and other legislation, as applicable, which govern the investment of assets.

If not, attached are details of any non-compliance issues.

3. The Investment Manager has complied with the Code of Ethics and Standards of Professional Conduct ("Code and Standards") of the CFA Institute. If not, attached are details of any noncompliance issues.

4. The Investment Manager and/or its professional staff are not currently under investigation by any regulatory authority.

If yes, attached are details of such investigations.

COMPLETED BY: \_\_\_\_\_



## Appendix B: Core Guiding Principles and Responsible Investment Guidelines

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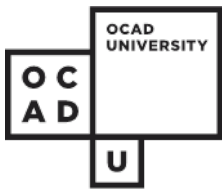
The following Core Guiding Principles and Responsible Investment Guidelines have been established to provide further guidance in respect of complying with this SIPG:

1. Responsible investing - OCAD University believes that it is important to integrate environmental, social and governance (ESG) considerations into its investment approach, and expects that investment managers acting on its behalf will incorporate ESG risks and opportunities into their respective investment decision-making processes.
2. Review and refine Guiding Principles regularly - OCAD University subjects its Investment Policy Guiding Principles to regular review and appraisal and may refine its Guiding Principles as a result of new information and understanding.
3. Divestment - Divestment is a tool through which investors may, for investment purposes, 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 and carries the risk of unintended consequences to the structure or return profile of a portfolio.

Should members of the “OCAD Community” (being each of the OCAD groups—students, faculty, staff, alumni, donors) have an issue with respect to specific segregated investments in the portfolio, they may prepare a submission of concern outlining the case for divestment. Before the Investment Committee will be required to consider any submission, the Committee must be provided with evidence of support for the divestment from not less than 100 OCAD Community members with at least 20 members from each of at least three different OCAD Community groups (students, faculty, staff, alumni and donors). The evidence of support must include both names and signatures as well as an attestation that the signatory has read the submission and agrees with it in full.

The Investment Committee will receive and review any expressions of concern received under this policy within a period of twelve months from receipt of a qualifying submission. The Investment Committee can extend this twelve-month period if deemed prudent. The Committee may call upon experts in investments or other relevant areas as they deem necessary. The Committee may develop its own specific criteria for assessing the submission, however general guidelines include:

- a) Consistency with existing University policies or objectives;
- b) How significant any shift in the current portfolio could have on returns and risk. This needs to take into consideration the size and role certain investments have toward the total return and risk profile of the portfolio;



- c) The legal role of the University as a trustee to act in the best interest of both the University and those affected by the performance of the portfolio;
- d) Whether the issue is better addressed using other levers available to the University; and,
- e) Other factors could include an assessment of an entity's overall ESG factors in the context of an activity under review.

The Committee will prepare its recommendations specific to the submission, for the Board of Governors who will in turn return a decision on the matter.

The University will share its investment holdings as of the end of each calendar year, where possible and practical, on the University website, annually, by [April 30] of the following year.

Submissions which meet the qualification requirements under this policy should be submitted to the Board Secretary by October 31<sup>st</sup> following the annual publication of investment holdings.

- 4. Monitoring, measuring and reporting - OCAD University, through its Investment Committee, will ensure independent monitoring, measuring and reporting of investment performance on a quarterly basis.



## Appendix C: Terms of Reference for Restricted Cash Fund #1

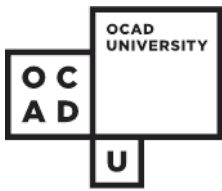
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### Whereas:

- A. The university is disposing of its 50% joint venture interest in 230/240 Richmond St. W pursuant to an Agreement of Purchase and Sale dated May 5, 2020 with the Sun Life Assurance Company (the 'transaction')
- B. The transaction sales price is \$39.375 M of which \$15,279,907 M is a capital gain (the 'capital gain').
- C. The proceeds of disposition from the transaction net of existing debt and sale transaction costs is \$31,646,535 M.
- D. As part of the university's Board of Governors (the "Board") motion approving the transaction on December 2, 2019, the Board moved that the entire net proceeds from the transaction would be purpose-restricted.
- E. The effect of the subject motion is that the net proceeds of disposition will be transferred to a restricted cash account on the asset section of the Balance Sheet and that the capital gain (\$15,279,907 M) will become an internally restricted net asset in the equity section of the Balance Sheet, the result being, as intended, that all proceeds are held in a reserve (which, for the purposes of this Terms of Reference, is hereinafter referenced as the 'Restricted Cash Fund #1')

### PURPOSE

- 1.
  - a) The primary purpose of the Restricted Cash Fund #1 is to apply the fund to the development of capital projects for the university by:
    - i) leveraging or back-stopping construction financing for university capital projects; and/or
    - ii) allocating a portion of the fund to capital project expenditures of the university; both subject to a project construction financing plan approved by the Board



- b) A secondary purpose of the Restricted Cash Fund #1 is to leverage or back-stop existing or new working capital lines of credit as may be required by the university from time to time for operating cash flow purposes and subject always to prior Board approval.

## INVESTMENT

- 2.
  - a) Unless and until otherwise approved by the Board, the balance of the Restricted Cash Fund shall be invested in low risk term deposits or pursuant to such other asset mix strategy as the Board on advice from its Investment Committee and Audit Finance & Risk Committee may approve.
  - b) Income earned by investment of the Restricted Cash Fund #1 would be applied to the university's annual operating budget to replace distributions that would otherwise have been made from the joint venture interest.