



KSA Sustainable Investment Policy

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

ADOPTED JULY 2017

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1 GENERAL

1.1 Purpose

This Investment Policy Statement applies to the medium to long term non-endowed assets held by the Kwantlen Student Association (the “Organization”). The purpose of this Investment Policy Statement (“the Statement”) is to outline the procedures and policies to effectively manage and monitor these investment assets. The assets will be managed in accordance with all applicable legal requirements.

Any investment manager (“the Manager”) or any other agent or advisor providing services in connection with the Fund shall accept and adhere to this Statement.

1.2 Background

The Kwantlen Student Association is a non-profit organisation incorporated under the Society Act, independent of Kwantlen Polytechnic University. The KSA actively seeks out ways to enhance campus life; to ensure that your academic rights are upheld; to lobby KPU, the provincial government, and other external organisations to ensure the best possible conditions for students; to deliver student services to enhance your experience and success at KPU; and to be responsible stewards of resources.

2 RESPONSIBILITIES

2.1 Board of Directors

The Board of Directors is responsible for the management all accumulated assets of Kwantlen Student Association. The Board determines:

- the necessary Reserve Funds for the organization
- the purpose of each Fund;
- the appropriate balances to be maintained in each Fund;
- the procedure for allocation of the current year surplus earnings or deficits to the Funds;

and authorizes withdrawals from or transfers between funds.

2.2 Finance Committee

The Finance Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents or advisors. In particular, the services of a custodian (the “Custodian”) and of one or more investment managers (the “Manager”) are retained.

The Finance Committee will have an active role to:

- maintain an understanding of legal and regulatory requirements and constraints applicable to the Fund;
- on an annual basis, review the Fund’s Statement of Investment Policies and make appropriate recommendations to the Board;
- provide regular reports to the Board;
- formulate recommendations to the Board regarding the selection, engagement or dismissal of professional investment managers and advisors;
- formulate recommendations to the Board regarding Managers’ mandates
- oversee the Fund and the activities of the Managers, including the Managers’ compliance with their mandates, the investment performance of assets managed by each Manager and the performance of the Fund as a whole;
- ensure that the Managers are apprised of any amendments to their mandates; and
- inform the Managers of any significant cash flows.

2.3 Investment Managers

The Manager is responsible for:

- Selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- Providing the Board with quarterly reports of portfolio holdings and a review of investment performance and future strategy;
- Attending meetings of the Board at least once per year to review performance and to discuss proposed investment strategies;
- Informing the Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation; and
- Advising the Committee of any elements of this Statement that could prevent attainment of the Fund’s objectives.

3 FUND OBJECTIVES

3.1 Investment Objectives

The overall investment objectives of the Fund are to:

- preserve capital;
- provide income to support programs that are consistent with the vision of the Organization.

At minimum, the Organization needs to meet the regulatory requirement of the Canada Revenue Agency (CRA) disbursement quotas.

3.2 Cash Flow and Liquidity Requirements

The organization intends on continuing to generate annual fee revenue from its membership to sustain sufficient cash flow requirements to meet all short term financial obligations of the Organization.

Cash required in the short term is to be invested in shorter term securities.

3.3 Risk Tolerance

“Risk” is defined as the magnitude of changes (both increases and decreases) in the value of an investment portfolio over time, i.e. volatility.

It is the downward movements in the value of a non-profit portfolio that can be cause for concern as it can impair the organization’s ability to meet short-term community obligations. The amount of downward movements that a non-profit organization can tolerate in the value of its investment portfolio is a function of its time horizon, spending policies and the risk tolerance of its Board and constituents.

Asset mix guidelines are the numerical translation of a non-profit organization’s risk tolerance and return expectations. Arriving at the correct asset mix is key to long-term investment success. The asset mix of a non-profit portfolio must strike a balance between the organization’s immediate financial needs and its desire to preserve capital in the long run, for use by future generations.

Bonds are typically less volatile than stocks. The asset mix of a risk-averse organization or one with immediate income needs from the portfolio will favor bonds over stocks. The asset mix of a more risk-tolerant organization, focused on growing its endowment assets will favor stocks over bonds.

The asset mix guidelines below were arrived at after careful consideration of organization’s investment time horizon, risk tolerance, return expectations, cash flow and liquidity needs.

Asset Class	Minimum	Strategic	Maximum
Money Market	0%	5%	15%
Fixed Income	35%	40%	65%
Equities	35%	55%	65%
Canadian equities	25%	38%	40%
Non-Canadian Equities	10%	17%	25%

Portfolio risk can also be substantially reduced over the long term by ensuring that the portfolio is well diversified by industry group and by geographic region. Taking a conservative approach to security selection, with quality being a key criterion, can reduce company specific risk.

The List of Permitted Investments in Section 4 and the security specific Risk Guidelines in Section 5 also attest to the Organization’s risk tolerance.

3.4 Taxation

The Organization is non-taxable.

4 AUTHORIZED INVESTMENTS

Outlined below are the general investment criteria as understood by the Committee.

4.1 Socially Responsible Investments (SRI)

- 1) The Organization aims to incorporate socially responsible investing considering Environmental Social and Governance (ESG) criteria as a constraint for the Portfolio. The Investment Manager shall use a reputable means of screening for socially responsible organizations, such as the Sustainalytics screening process.
- 2) Preference is to invest in companies that apply the following attributes:
 - a) adherence to a high level of corporate governance;
 - b) effective and transparent environmental practices;
 - c) respect for communities in which they do business, whether local or abroad;
 - d) equitable and progressive employment practices;
 - e) progressive human rights practices;
 - f) produces safe products; and
 - g) excellent customer relations.
- 3) The Organization will not invest in companies whose primary line of business includes:
 - a) tobacco;
 - b) alcohol;
 - c) nuclear weapons;
 - d) military;
 - e) pornography;
 - f) gambling business;
 - g) employing child labour;
 - h) supporting unfair labour practices
 - i) supporting unfair business practices
 - j) Natural resource pipelines;
 - k) Oil extraction and refining;
 - l) Coal extraction and refining;
 - m) Methane gas extraction and refining;
 - n) Chemical manufacturing; and
 - o) Mining

4.2 List of Permitted Investments

- (a) Short-term instruments:
 - Cash;
 - Demand or term deposits;
 - Short-term notes;
 - Treasury bills;
 - Bankers acceptances;
 - Commercial paper; and
 - Investment certificates issued by banks, insurance companies and trust companies.

- (b) Fixed income instruments:
 - Bonds;
 - Debentures (convertible and non-convertible); and
 - Mortgages and other asset-backed securities.

- (c) Canadian equities:
 - Common and preferred stocks;
 - Income trusts; and
 - Rights and warrants.

- (d) Foreign equities:
 - Common and preferred stocks;
 - Rights and warrants; and
 - American Depository Receipts and Global Depository Receipts.

- (e) Pool funds, closed-end investments companies and other structured vehicles in any or all the above permitted investment categories are allowed.

4.3 Derivatives

The Fund cannot use derivatives for speculative trading or to create a portfolio with excess leverage.

4.4 Pooled Funds

With the approval of the Committee, the Manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the Manager, provided that such pooled funds are expected to be operated within constraints reasonably like those described in this mandate. It is recognized by the Committee that complete adherence to this Statement may not be entirely possible; however, the Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.

5 RISK GUIDELINES

All allocations are based on market values. All ratings are at time of purchase.

5.1 Cash and Cash Equivalents

At least R1, using the rating of the Dominion Bond Rating Service (“DBRS”) or equivalent.

5.2 Fixed Income

- (a) Maximum holdings of the fixed income portfolio by credit rating are:
 - Not more than 10% of the market value of the portfolio is invested in the debt issues of a singular issuer, except for securities fully guaranteed by the Government of Canada or by a Province having an “A” rating or higher.
 - No greater than 10% of the portfolio is invested in bonds with a credit rating of “A” or lower, with a minimum initial rating of “BBB+” by Dominion Bond Rating Service (DBRS) or equivalent rating agency.

- (b) Maximum holdings of the fixed income portfolio by issuer:
 - 0% for asset-backed securities;
 - 0% for mortgages or mortgage funds;
 - 0% for bonds denominated for payment in non-Canadian currency; and
 - 15% for real return bonds.

- (c) All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS), Standard & Poors’ or Moody’s and are at time of purchase.

5.3 Equities

- (a) No one equity holding shall represent more than 15% of the market value of the assets of a single pooled fund.

- (b) There will be a minimum of 30 stocks in each equity (pooled fund) portfolio.

- (c) No more than 5% of the market value of an equity portfolio (pooled fund) may be invested in companies with a market capitalization of less than \$100 million at the time of purchase

- (d) No borrowing is permitted except as a temporary measure to allow orderly redemption of units.

6 PERFORMANCE EXPECTATIONS FOR FUND

The Fund is expected to earn a pre-fee rate of return in excess of the benchmark return over the most recent five-year rolling period. Return objectives include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly and will be calculated as time-weighted rates of return. The benchmark is composed of:

6.1 Asset Mix, Ranges and Benchmark

Asset Class	Asset Mix	Benchmark	Target/Weight
Money Market	0-15%	<i>FTSE TMX Canada 30 Day T-Bill Index</i>	5%
Fixed Income	35-65%	<i>FTSE TMX Canada Universe Bond Index</i>	40%
<i>Canadian Equities</i>	25-40%	S&P/TSX Index	38%
<i>Non-Canadian Equities</i>	10-25%	S&P 500 Index	17%
Total	100%	Combined Benchmark	100%

7 REPORTING & MONITORING

7.1 Investment Reports

Each quarter, the Manager will provide a written investment report containing the following information:

- Portfolio holdings at the end of the quarter;
- Portfolio transactions during the quarter; and
- Rates of return for the portfolio

7.2 Monitoring

At the discretion of the Committee as required, the Manager will meet with the Committee regarding:

- the rate of return achieved by the Manager;
- the Managers future strategies and other issues as requested

The Manager will also report to the Committee, on a timely basis, if the portfolio is outside of the risk guidelines.

7.3 Annual Review

It is the intention of the Organization to ensure that this Statement is continually appropriate to the Organization's needs and responsive to changing economic and investment conditions. Therefore, the Finance Committee shall review the Investment Policy Statement annually.

8 STANDARD OF CARE

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

The Manager will manage the assets with the care, diligence and skill that an investment Manager of ordinary prudence would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

9 CONFLICT OF INTEREST

All fiduciaries shall disclose the particulars of any actual or potential conflicts of interest with respect to the Fund. This shall be done promptly in writing to the Chair of the Board of Directors of the Organization. The Chair will, in turn, table the matter at the next Board meeting. It is expected that no fiduciary shall incur any personal gain because of their fiduciary position. This excludes normal fees and expenses incurred in fulfilling their responsibilities if documented and approved by the Board.

10 PROXY VOTING RIGHTS

Socially Responsible Investment factors such as Environmental Social and Governance (ESG) principles shall be considered in the proxy voting process, and shareholder engagement using ESG principles shall be encouraged.

- (a) Proxy voting rights on Fund securities are delegated to the Manager.
- (b) The Manager maintains a record of how voting rights of securities in the Fund were exercised.
- (c) The Manager will exercise acquired voting rights in the best interests of the unit holders of the Fund.

11 ACKNOWLEDGEMENT

This Statement has been approved by the Board on behalf of:

Signature

Name

Title

Date

Signature

Name

Title

Date