DOUGLASCOLLEGE

INVESTMENT POLICY

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A. PURPOSE

The purpose of this policy and the manager mandates is to establish expectations for the investment of the College's Investable Assets (the Fund) to ensure these assets are invested in a prudent and effective manner, with investment decisions being made with the same care, skill, diligence and judgment as a reasonable investor, including the integration of environmental, social and governance factors into investment decisions. This policy establishes appropriate risk and return objectives giving consideration for Douglas' risk tolerance.

The purpose of this policy is also to document the responsible investment policy for the College's Investment Fund. Responsible investing involves evaluating both financial and non-financial factors of investment opportunities, and considering environmental, social, and governance (ESG) issues is an important part of that process. The identification and evaluation of ESG factors in the investment process allows for a more comprehensive understanding of an investment's risk and opportunities. The responsible investment policy is expected to be refined over time as Douglas College's policies and the investment industry evolve.

B. SCOPE

This policy applies to decisions made by all College employees and members of the College Board and its committees with respect to the management of the College's Investable Assets.

C. DEFINITIONS

1. **Investable Assets:** the total of the College's financial assets that are available to be invested in either the Operating Fund or the Investment Fund
2. **Investment Fund:** a diversified portfolio of cash, short-term securities, bonds, equities and any investments approved by the Board, managed by one or more external fund managers
3. **Operating Fund:** holds cash and short-term securities to meet the operating cash requirements of the College and short-term funding requirements for the College's capital projects
4. **Fund:** the total of the College's Operating Fund and Investment Fund
5. **ESG Incorporation:** includes the integration of ESG issues into investment decisions and the screening out of companies that do not meet certain ESG criteria
6. **Principles for Responsible Investment:** the United Nations-supported Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment, and PRI signatories commit to adopting the six PRI principles

D. POLICY STATEMENTS

1. As the College's investments are public funds, the primary objective is the preservation of capital. Once the primary objective has been prudently managed, the secondary objective is to maximize total return on investment—both income and capital appreciation.
2. Investments will be limited to those firms and securities that adhere to the standards outlined in the manager mandates and that meet prudent investment standards, including the integration of environmental, social and governance factors into investment decisions.
3. The Operating Fund is to be managed by College Management, and the Investment Fund is to be managed by one or more external Fund Managers.
4. The management of the Investment Fund will be consistent with the College's strategic plan and climate action strategy.

E. PROCEDURES

RESPONSIBLE INVESTMENT

The securities held in the bond and equity portfolios will not be issued by companies with ESG ratings lower than the mid-point on the ESG rating scale from the globally recognized ESG rating agency selected by College Management. This procedure will be implemented over a reasonable timeframe determined by College Management.

Each external Fund Manager will be a signatory to the Principles of Responsible Investment and integrate environmental, social and governance issues into investment decisions. Each external Fund Manager will provide College Management with quarterly reports that contain sufficient ESG information and quarterly compliance reports for College Management to monitor the compliance of the Investment Fund relative to this responsible investment policy.

College Management will review these procedures in consultation with the College Board and

its committees in accordance with the Investment Policy.

INVESTMENT OBJECTIVES

Operating Fund

1) The primary objective of the Operating Fund is to preserve the capital value of the Operating Fund, while maintaining adequate liquidity to meet the operating needs of Douglas College.

Investment Fund

1) The primary objective of the Investment Fund is to grow the capital value of the Investment Fund to exceed inflation over the long-term with a moderate level of risk.

2) The long-term return objective of the Investment Fund is to achieve rates of return over four-year moving time periods, net of investment management fees, at least equal to the rate of inflation (Consumer Price Index) plus 1.5%.

FUND TRANSFERS AND REBALANCING

At least annually, College Management will determine the potential amounts for transfer between the Operating Fund and the Investment Fund in order to maintain the Operating Fund balance at or above $25 million, being the College's minimum average cash flow requirement. Transfers into and out of the Investment Fund will be directed to or taken from the appropriate portfolio(s) as determined by College Management. Recommendations for transfer will be brought to the Audit, Finance and Investment Committee in conjunction with regular reporting on the Fund.

GOVERNANCE

Responsibility for oversight of the Fund rests with the Board, acting through the Audit, Finance and Investment Committee (Committee). This includes:

- establishing an overall investment policy, including broad asset allocation guidelines and a structure of investment management;
- appointing and removing the Fund Manager(s);
- participating in the review of the Policy annually or more frequently if necessary and ensuring the Fund Manager(s) are provided with updates to this Policy;
- monitoring the progress of the implementation of the responsible investment policy and integration of environmental, social and governance factors into investment decisions by the external Fund Manager(s) at least annually;
- monitoring compliance of the Fund with the Trustee Act of British Columbia;
- reviewing the performance of the Investment Fund and Operating Fund on a quarterly basis;

- reviewing the performance of Fund Manager(s) at least annually; and
- approving transfers between the Operating Fund and the Investment Fund.

The annual review of the performance of the Fund Manager(s) should, as a minimum, consider the following factors as issues for further review and explanation by the Fund Manager(s):

- Performance results, which over a reasonable period of time, are below the stated investment objectives;
- Change in personnel, firm structure, investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio;
- Failure to implement the responsible investment policy in accordance with the timeline determined by College Management or appropriately integrate environmental, social and governance factors into investment decisions and/or
- Failure to adhere to this Policy, the Fund Manager's mandate or the investment management agreement.

Responsibilities of College Management are:

- ensuring the Fund is in compliance with the Trustee Act of British Columbia;
- managing the Operating Fund in accordance with its mandate;
- managing the Cash Mandate of the Investment Fund;
- recommending the appointment and removal of the Fund Manager(s);
- reviewing the Policy annually or upon request by the Committee, and recommending policy changes to the Board;
- ensuring external Fund Manager(s) are reporting on the progress of the implementation of the responsible investment policy and the integration of environmental, social and governance factors into investment decisions;
- reviewing and updating the mandates and providing them to the Fund Manager(s) annually;
- reviewing the performance of the Investment Fund and Operating Fund on a quarterly basis;
- reviewing the performance of Fund Manager(s) at least annually;
- recommending the potential amounts for transfer between the Operating Fund and the Investment Fund;
- re-balancing between the Fund Managers and mandates within the Investment Fund at least annually; and
- assisting the Committee with the administration, governance and oversight of the Fund as delegated by the Committee.

Responsibilities of the independent investment consultant are:

- providing a review of the Investment Fund and the external Fund Managers within the Investment Fund at least annually;
- reviewing the Policy and the mandate(s) at least annually;
- meeting with the Committee as requested; and
- providing advice on investment issues, such as asset allocation, manager selection and re-balancing, as requested.

Responsibilities of the external Fund Managers are:

- managing their respective portfolios within the Investment Fund in accordance with their mandate and their investment management agreements;
- implementing the responsible investment policy in accordance with the timeline determined by College Management, if applicable;
- integrating environmental, social and governance factors into investment decisions;
- being a signatory to the Principles for Responsible Investment (PRI);
- providing College Management and the Investment Consultant with quarterly investment reports that contain sufficient ESG information and quarterly compliance reports for College Management to monitor the compliance relative to this Policy, including how environmental, social and governance factors were integrated into investment decisions;
- promptly notifying College Management and the Investment Consultant of any significant changes in their personnel, firm structure, investment philosophy, style, approach or policies, or compliance breaches;
- meeting with College Management and the Committee at least annually;
- providing feedback on their mandate as requested;
- exercising all voting rights acquired through the Fund's investments in the best interests of the Fund and providing a written summary of all voting matters annually, if applicable; and
- adhering to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute or equivalent standards.

ASSET MIX CONSTRAINTS

Investment Fund

The policy asset mix and constraints for the Investment Fund are as follows:

Asset Class	Minimum	Maximum	Policy Asset Mix
Cash/Short-Term Securities	30%	90%	80%
Bonds	0%	45%	0%
Canadian Equities	5%	25%	10%
U.S. Equities	5%	25%	10%

CONFLICTS OF INTEREST

Any person providing services to the Fund must notify the Chair of the Committee in writing as soon as any actual or perceived conflict of interest arises. Conflicts of interest specifically include, but are not limited to, the selection of investments and the determination of the actual asset mix between investments.

Where an actual or perceived conflict of interest arises or may exist, the person with such conflict may not act with respect to any matter for which such conflict exists unless the Chair of the Committee expressly requests. The Chair of the Committee will report all conflicts of interest to the Board.

FUND MANAGER REPORTING AND MEETINGS

The external Fund Manager(s) shall provide quarterly reports to the College Management and shall meet with College Management and the Committee at least annually. The reports and presentations will include:

- A market commentary.
- A comparison of returns compared to the investment objectives in their mandate.
- Attribution analysis of the reasons for value-added compared to the Fund Manager objectives, if applicable.
- Update on any significant changes to the firm's ownership, structure or investment personnel.
- Sufficient ESG information for College Management to monitor the compliance relative to this Policy.
- Commentary on how environmental, social and governance factors were integrated into investment decisions.
- A statement of compliance with all restrictions in their mandate.
- A review of historical investment decisions and future investment strategies.

F. LINKS TO SUPPORTING FORMS, DOCUMENTS, WEBSITES, RELATED POLICIES

- Board Policy

G. RELATED ACTS AND REGULATIONS

- *College and Institute Act [RSBC 1996]*, c. 52
- *Trustee Act [RSBC 1996],* c. 464

H. RELATED COLLECTIVE AGREEMENT CLAUSES

- n/a