

INVESTMENT GOVERNANCE POLICY

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EXECUTIVE SUMMARY

Pursuant to section 27(2)(o) of the *University Act*, the Board of Governors of Simon Fraser University has the responsibility “to administer funds, grants, fees, and endowments and other assets.” The University has established an Endowment Fund and Non-Endowment Fund. Assets of the Funds are invested to generate investment earnings that are an important source of income for a variety of University purposes. This policy establishes a governance structure for the investments in the Funds and sets out the requirements for their ongoing management.

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1.0 PREAMBLE

1.1 The Board of Governors (“Board”) of Simon Fraser University (“the University”) has the responsibility, pursuant to section 27(2)(o) of the *University Act*, “to administer funds, grants, fees, and endowments and other assets.”

1.2 The University has established an Endowment Fund and a Non-Endowment Fund (“Funds” or “Investment Funds”). Assets of the Funds are invested to generate investment earnings that are an important source of income for a variety of University purposes. The successful investment management of the Funds will have a direct effect on the ability of the University to achieve its academic and research goals.

2.0 PURPOSE

2.1 This document constitutes the Investment Governance Policy (“the Policy”) adopted by the Board and will apply to the Investment Funds. It describes the governance structure established for the investments in the Funds and sets out the requirements for their ongoing, successful investment management.

3.0 SCOPE AND JURISDICTION

3.1 This Policy applies to all of the Funds owned by the University excluding related entities and the pension plan funds.

4.0 DEFINITIONS

4.1 See Appendix A for the definitions of words used in this Policy.

5.0 POLICY

5.1 **Investment Objectives**

5.1.1 The investment management of the Funds will be made in a manner that reflects the different objectives of those Funds and will be accounted for accordingly.

5.1.2 Each Fund will be managed to balance the investment risk, return and liquidity objectives of those Funds.

(a) The primary investment return objective of the Endowment Fund is to earn, over the mid and long term, an absolute annual rate of return that exceeds the annual rate of increase in the Consumer Price Index plus the Spending Income Allocation Rate, net of investment expenses.

(b) The primary investment return objective of the Non-Endowment Fund is to earn, over the mid- to long-term, an absolute annual rate of return that exceeds the annual rate of increase in the Consumer Price Index by 3.0%, net of investment expenses.

(c) The primary risk objective of the Funds is to preserve the value of the invested capital over the differing time horizons and investment objectives of the various Funds.

5.2 **Investment Principles**

5.2.1 The Funds are to be invested in accordance with section 57 of the *University Act* which states that the University “must, when investing...make investments that a prudent person would make.”

5.2.2 The following principles will be followed in the investment of the Funds:

- (a) The selection of investments in the Funds should be made in the context of the total portfolio, with a reasonable expectation of a fair return or capital appreciation;
- (b) The investment objectives can best be achieved by investing in a diverse mix of asset classes, economic sectors and geographic markets with varied investment characteristics which will be determined by the Board with advice from the Investment Advisory Committee (“IAC”);
- (c) The Vice-President Finance and Administration (“VPFA”) will appoint and use external professional investment management for all equity and fixed income investments with the expectation that professional management can add value, relative to a static benchmark portfolio, through opportunistic security selection;

(d) Multiple investment managers may be selected to ensure investment style diversification. The advantage of retaining multiple investment managers will be

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6.1.3 The Board on the recommendation of the President, will appoint members to the IAC, pursuant to section 27(2)(c) of the *University Act*, to act in an investment advisory role to the Board (see Appendix B for terms of reference).

SFU will endeavour to include individuals from equity groups including Indigenous Committee members. SFU will intentionally seek out these members.

- 6.2.5 The selection of investment managers will be made in a prudent manner, based on criteria established and documented by the VPFA.
- 6.2.6 Each investment manager will operate under the terms of an Investment Management Agreement with the University, as agreed to with the VPFA. The agreement will include guidelines and constraints to ensure risk, return, and liquidity is controlled and the requirement to inform the VPFA of any changes in the investment manager's firm that could have a material impact on the management of the funds.
- 6.2.7 The VPFA will make any changes in the investment managers as necessary to meet the investment objectives.

6.3 **Monitoring of the Funds**

- 6.3.1 The VPFA will monitor the performance of each of the investment managers on a monthly basis as well as the overall performance of the Funds.
- 6.3.2 The VPFA will meet with the IAC on a quarterly basis and will report on the performance of the Funds and results of meetings with the investment managers since the previous IAC meeting. Any concerns about an investment manager's performance will be noted in the minutes of the IAC's meeting with the VPFA.
- 6.3.3 The VPFA will forward the minutes to the IAC meetings to the Board and to the Finance and Administration Committee.

6.4 **Conflict of Interest**

- 6.4.1 The conflict of interest guidelines for the Funds will be consistent with the University's Conflict of Interest and Conflict of Commitment Policy (GP 37). To the extent that certain situations may create a conflict of interest not covered by the Conflict of Interest and Conflict of Commitment Policy, the VPFA will establish additional guidelines as required.
- 6.4.2 All securities will be purchased through normal public market sources, unless the purchase price approximates the prevailing market price from some other recognized

8.0 RELATED LEGAL, POLICY AUTHORITIES AND AGREEMENTS

8.1 The legal and other University Policy authorities and agreements that may bear on the administration of this policy and may be consulted as needed include but are not limited to:

8.1.1 *University Act*, R.S.B.C. 1996, c. 468

8.1.2 *Freedom of Information and Protection of Privacy Act*, R.S.B.C. 1996, c. 165

8.1.3 Endowment Management Policy (GP 20)

8.1.4 Conflict of Interest and Conflict of Commitment Policy (GP 37)

8.1.5 Responsible Investment Policy (B 10.16)

9.0 ACCESS TO INFORMATION AND PROTECTION OF PRIVACY

9.1 The information and records made and received to administer this policy are subject to the access to information and protection of privacy provisions of British Columbia's *Freedom of Information and Protection of Privacy Act* and the University's Information Policy series.

10.0 RETENTION AND DISPOSAL OF RECORDS

10.1 Information and records made and received to administer this policy are evidence of the University's actions to manage investment of the Endowment Fund and the Non-Endowment Fund. Information and records must be retained and disposed of in accordance with a records retention schedule approved by the University Archivist.

11.0 POLICY REVIEW

11.1 This policy must be reviewed every five years and may always be reviewed as needed.

12.0 POLICY AUTHORITY

12.1 This policy is administered under the authority of the Vice-President Finance and Administration.

13.0 INTERPRETATION

13.1 Questions of interpretation or application of this policy or its procedures shall be referred to the President and the Chair of the Board whose joint decision will be final.

14.0 PROCEDURES AND OTHER ASSOCIATED DOCUMENTS

14.1 Appendix A contains the definitions applicable to this policy.

- 14.2 Appendix B contains the Terms of Reference of the Investment Advisory Committee.
- 14.3 Appendix C contains the Approved Categories of Investments, Divestment, and the Investment Asset Mix Ranges.