Investment Policy

For Internal Use Only

BCSPCA
SPEAKING FOR ANIMALS

THE BRITISH COLUMBIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Approved by the Board of Directors on September 23, 2023

BC SPCA INVESTMENT POLICY

OUR MISSION: To protect and enhance the quality of life for domestic, farm and wild animals in British Columbia.

Purpose:
The purpose of this Investment Policy is to outline the investment principles and guidelines of the Society and define the investment management structure and monitoring procedures for the investment portfolio. This document is to be read in conjunction with the Statement of Investment Beliefs, included in Appendix A.

Scope:
The Investment Policy ("Policy") applies to the investment portfolio ("the portfolio") of The British Columbia Society for the Prevention of Cruelty to Animals "the BC SPCA" or "the Society." The investment portfolio is defined as the long-term investment mandate of the BC SPCA. The following items are not within the scope of this Policy:

- The short-term investment mandate(1) which may include:
  - Monies held for operating cash flows in the Society's bank accounts or GICs,
  - the investment of the Society's Operating Reserve Fund in low-risk investment products, such as GICs or short-term bond products
  - the investment of monies for capital projects where capital preservation is the primary risk management objective in low-risk investment products, such as GIC or short-term bond products,
- and other real assets such as land, building, equipment and supplies.

(1) As of August 2023, the investment portfolio (or long-term investment mandate) is approximately $20 million, and the short-term mandate is approximately $80 million. Within the short-term mandate, 17% is held in bank chequing and savings accounts and 83% is in GICs. Viewed together, the Society is taking a prudent approach by holding the majority of its investable assets in GICs as it approaches a variety of significant capital projects.

Definitions:
Key terms are defined throughout, as required.

Investment Governance:
Responsibility for the review and approval for the Investment Policy rests with the Board of Directors ("Board"). The Board seeks recommendations from the Finance and Audit Committee on the establishment of and revisions to the Policy, the appointment and removal of investment managers and other advisors, monitoring of performance, ensuring policy compliance and annual reporting. This Policy may be changed or modified by the Board of Directors at their request. Any such change shall be promptly communicated to the investment managers and advisors.

A more extensive list of roles and responsibilities of the Board, the Finance & Audit Committee and the Chief Financial Officer is found in Appendix B.

The Board and their appointed advisors shall consider investments decisions as a "prudent investor" would, evaluating investments in terms of their impact on overall portfolio return and risk and exercising the degree of care, diligence, and skill that a person of ordinary prudence would exercise in dealing with the property of another person.

The Board members and their appointed advisors who possess, or because of their profession or business ought to possess, a particular level of knowledge or skill relevant to their responsibilities to the Society, shall employ that particular level of knowledge or skill in the interest of the Society.

Tax Considerations:
All investments are subject to legislative requirements under the Income Tax Act ("ITA"). The Society is incorporated under the Prevention of Cruelty to Animals Act and registered as a charity under the ITA. Subsequently, the Society's investment income and capital gains are not subject to income tax.

Risk and Return Objectives:
This Policy is designed to ensure an appropriate balance between the Society's return objectives and its risk tolerance. The nature of the investment requirements may change over time, and accordingly will be reviewed by the Board from time to time in accordance with the objectives of the Society.

The expected rate of return of the investment portfolio is based on the investment objectives, time horizon and risk tolerance.

Primary Investment Objective:
The primary investment objective is to generate additional income from surplus cash, while preserving the inflation-adjusted capital value of the portfolio. The Board has established a return objective of 6%, gross of investment management fees. It is understood that returns may be well above or below this objective in any given year, depending on the capital market environment. Achievement of this objective is evaluated over a rolling 4-year basis.

Secondary Investment Objective:
The secondary investment objective is to exceed by 1% (net of fees) over rolling 4-year periods the returns that would have been achieved by passively investing in the benchmarks, weighted according to the target allocations detailed below.

Risk Acceptance:
As a long-term investor, the Society's intent is to preserve capital and exceed market benchmarks. As a long-term investor, the Society will expect the portfolio to be impacted by cyclical market dynamics. While the BC SPCA's long-term target return objective of 6%, gross of fees, and exceeding passive benchmarks by 1%, there will be annual market cycles, both positive and negative, during which the portfolio may outperform or underperform our objectives. The Board recognizes and accepts that a moderate level of investment risk is required to achieve a moderate level of investment return.

Nature of Investments & Cashflow Management:

Projected cash flows for operating purposes or capital asset additions will be held outside this investment portfolio and may be invested in products with the primary focus of capital preservation, such as Guaranteed Investment Certificates "GICs" or short-term bond funds. Management may consider cashable, one year or multi-year investments, depending on the nature of the cash flow requirements.

Asset Allocation:

To achieve the appropriate levels of risk and return expectation, the target policy allocation, and the associated ranges for variation at any given point in time are outlined below.

Asset Managers:

Manager Style	Percent of Portfolio Market Value	Range
Balanced	80%	75%-85%
Alternative	20%	15%-25% (Note 1)
Total	100%	100%

Note 1: Reflecting liquidity constraints that may occur from time to time within the Alternative mandate that may impact rebalancing.

Rationale for Allocation Between Managers:
See *Investment Beliefs, Appendix 1.*

Manager Selection:
The BC SPCA shall employ competent external professional investment managers. The Board shall consider manager changes from time to time as they deem in the best interest of the BC SPCA. The selection of managers will be made in a prudent manner with a view to balancing risk and long-term performance. The Board shall delegate the recommendation of manager selection and the review of Mandate guidelines to the Finance & Audit Committee.

Prior to the appointment of a manager, the Finance & Audit Committee should consider (but not limited to) the following:

- consistency of investment process over time,
- success in retention of key investment personnel,
- appropriate investment philosophy,
- strong historical performance (risk and return) relative to peers and applicable,
- benchmarks, and
- reasonableness of investment management fees.

Subject to this Policy, the Board shall grant full discretion of investment to the managers subject to their individual Mandate guidelines. Appended to this investment policy will be the individual mandates for each manager.

Asset Allocation of Balanced Portfolio:

	Asset Class	Target Allocation (as a % of Balanced Portfolio)	Minimum Allocation (as a % of Balanced Portfolio)	Maximum Allocation (as a % of Balanced Portfolio)	Benchmark	Target Allocation (as a % of Total Portfolio)
1.	Short Term Bonds	25%	17.5%	32.5%	FTSE Canada Short Term Index	20%
2.	Universe Bonds	10%	5%	15%	FTSE Canada Universe	7.5%
3.	Mortgages	20%	12.5%	27.5%	Net Yield 200-250 bps	17.5%

					over term equivalent GoC bond	
Total Fixed Income		**55%**	**35%**	**75%**		**45%**
4.	Canadian Equity	22.5%	15%	30%	S&P/TSC Composite Index	17.5%
5.	Global Equity	22.5%	15%	30%	MSCI ACWI	17.5%
Total Equity		**45%**	**30%**	**60%**		**35%**
Total		**100%**				**80%** ***(Note 1)***

(Note 1: 80% balanced mandate plus 20% alternative mandate equals 100% portfolio total.

Investment Structures:
Investments may be made in any of the above asset classes either directly, or by holding units of pooled, segregated, or mutual funds investing in one or more of the asset classes.

Pooled Funds:
The Society may invest in pooled funds provided that such pooled funds are expected to be managed within constraints similar to those detailed in this Policy. The manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the manager. It is recognized that conflicts may arise between this Policy and the investment policy of the pooled fund(s). In these cases, the pooled fund policy shall prevail. However, the relevant manager is expected to advise the Finance & Audit Committee in the event that the pooled fund exhibits any significant departure from this Policy.

Any investment manager shall accept and adhere to this Policy and to the specific written guidelines ("Investment Mandate" or "Guidelines") and contracts agreed between the manager and the BC SPCA. The Mandate shall include discretion limits, diversification requirements, quality standards, performance expectations and reporting requirements.

The BC SCPA shall review the Investment Mandate and Guidelines prior to placing investments with a manager as the Pooled Fund guidelines, in particular as it relates to investment risk.

Rebalancing:
Investment managers and asset classes will be rebalanced to their target asset allocation on an ongoing basis, using cash flows in and out of the portfolio. If this is insufficient to maintain the portfolio at close to its strategic asset mix, investment managers/mandates normally will be rebalanced quarterly. The percentage deviation of the allocation from target allocation and the costs of transferring the asset is examined before determining that rebalancing is required.

If the portfolios allocation falls outside of the minimum or maximum ranges at the end of a calendar quarter, staff will request investment managers rebalance to the midpoint between the upper or lower limit and the target allocation, usually within the next quarter.

ESG and Animal Welfare Considerations:
The BC SPCA believes that animal welfare and environmental, social, and corporate governance ("ESG") factors play an important role in the investment process in mitigating risk and creating a

sustainable long-term return. Investment manager(s) are asked for their ESG Policies and the commitment to ESG is considered by the Finance and Audit Committee in the selection of potential managers.

Voting Rights:
The exercise of voting rights is delegated to the investment manager, who shall at all times act prudently and in the best interests of the fund. It is expected that in the case of pooled funds, proxies will be voted in accordance with the pooled fund guidelines in the best economic interests of all pooled fund participants.

Investment managers have the right to vote on proposals brought before shareholders at annual and special meetings through proxy voting. Voting proxies is not only a fiduciary responsibility as a shareholder; it is also a crucial way to shareholders and weigh in on important issues being brought before Boards of Directors and management. The BC SPCA believes that investment managers to push companies to adopt higher animal welfare and ESG standards through proxy voting. By recommending voting in favour of proposals that promote improvements in animal welfare, the environment and society and voting against harmful proposals, investment managers can encourage the policies and practices of the publicly traded companies they invest in.

The BC SPCA recognized that, in the case of pooled funds, investment manager proxy voting decisions are made in accordance with the pooled fund guidelines in the best economic interests of all pooled fund participants. If applicable, each manager is to report annually a statement of its policy regarding proxy votes, and any changes in such policy in the reporting period. The BC SPCA will monitor the proxy voting record of its investment managers and engage in constructive dialogue about voting outcomes.

Investment Valuations:
Investments will be valued based on their publicly traded market value at a recognized exchange where applicable. Investments in pooled funds shall be valued according to the unit values published either monthly or quarterly by the pooled fund manager. If a market valuation of an investment is not available from public trading, then a fair value, according to generally accepted industry valuation procedures, shall be used.

Conflicts of Interest:
A conflict of interest, whether actual or perceived, is defined for the purposes of this Policy as any event in which a member of the Board of Directors, the Finance & Audit Committee, an employee of the BC SPCA, any manager delegate, advisor, or any person directly related to any of the foregoing, may either benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the portfolio or be impaired to render unbiased and objective advice to fulfill their fiduciary responsibility to act in the best interests of the BC SPCA.

Should a conflict of interest arise, the person in the actual or perceived conflict, or any person who becomes aware of a conflict of interest situation, shall immediately disclose in writing the conflict to the Board Chair and Finance & Audit Committee Chair. A written record of the conflict shall be maintained by the Board of Directors. Unless determined otherwise by majority vote of the Board, any such party will thereafter abstain from decision making with respect to the area of conflict.

No part of the investment portfolio shall be loaned to any Board member, Finance & Audit Committee member or employee of the BC SPCA.

The Board, through the Finance and Audit Committee, will satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any manager appointed by the Board. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute applies to each manager.

Loans and Borrowing:

No part of the portfolio shall be loaned to any person, partnership or organization unless it is undertaken in the context of an approved investment mandate. The managers may not pledge, hypothecate, or otherwise encumber in any way, the assets of the portfolio, except to the extent that temporary overdrafts occur in the normal course of business. The managers shall not borrow on behalf of the portfolio.

The managers responsible for investment decisions shall assess the solvency of borrowers and adequacy of collateral for loans by reference to published credit ratings and/or by their own analysis. The manager's analysis should include all material factors relevant to assess the ability of the borrower to repay the loan, to discharge interest obligations on the specified payment dates and to survive periods of financial adversity. New investments may not be made in debt obligations which are in default of principal or interest.

Monitoring:

An overall analysis of the portfolio performance will be reviewed by management and the Finance & Audit Committee at least quarterly including:

- the rate of return, gross and net of investment management fees,
- equity and fixed income returns compared to the benchmark in each asset class,
- alternative returns compared to the stated long-term target (10-12% net of fees)
- comparison to industry averages/medians,
- comparison to BC SPCA's primary and secondary investment objectives.
- measure of risk of the portfolio as shown by standard deviation of returns, and asset allocation compared to target allocation.

The performance objectives are outlined in each manager's Mandate. The performance of each manager will be evaluated at least annually on the basis of results achieved over rolling four (4) year periods. The failure of a manager to meet its objectives (quantitative or qualitative) may lead to the manager's termination.

Qualitative concerns that may lead to a manager's termination may include (but not limited to) the following:

- reputation or ethics,
- investment management personnel,
- investment process, and
- poor record of service.

Policy Review Process:

This Policy will be reviewed at least annually by the Finance and Audit Committee and upon request of the Board of Directors or Finance and Audit Committee at any time.

In determining whether changes in the Policy are required, the Board or Finance & Audit Committee will consider whether there has been:

- a fundamental change in the time horizon, income requirements or risk tolerance of the Society,
- significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic, political, and social factors,

- shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended to the Board or Finance & Audit Committee by any other manager or service providers.
- a significant increase in the costs of overall portfolio management.
- applicable changes in Legislation,
- changes in best practices around ESG and responsible investing, and
- animal welfare considerations as determined by the Society.

Version Control:

Recommended by:	Finance & Audit Committee	Aug 24, 2023
Approved (Revised)	Board of Directors	Sept 23, 2023
Approved (Original)	Board of Directors	Apr 24, 2004
Monitoring	Finance & Audit Committee	Annually

Appendix A; Statement of Investment Beliefs

Preamble:
The Statement of Investment Beliefs serves as a guide for the management of the portfolio for the BC SPCA This will be reviewed by the Finance & Audit Committee every year, or more frequently if required.

Primary Investment Objective:
The primary investment objective is to generate additional income from surplus cash, while preserving the inflation-adjusted capital value of the portfolio. The Board has established a return objective of 6%, gross of investment management fees. It is understood that returns may be well above or below this objective in any given year, depending on the capital market environment. Achievement of this objective is evaluated over a rolling 4-year basis.

Secondary Investment Objective:
The secondary investment objective is to exceed by 1% (net fees) over rolling 4-year periods the returns that would have been achieved by passively investing in the benchmarks, weighted according to the target allocations detailed below.

Investment Belief	Investment Policy Implication
Risk and Return There is a relationship between risk and return. Specifically: • Seeking higher returns generally requires taking on higher risk. These risk and return relationships are more predictable over the longer term. • Equity investments will provide greater returns than fixed income investments, although with greater volatility. • Over the long run, equity returns will exceed the rate of inflation. • Fixed income will generally provide lower returns than equities, however, offer diversification, liquidity, more predictable income from interest and/or dividends, capital preservation and less volatility than equities, reducing overall portfolio risk. • Alternative investments such as private debt, infrastructure, real estate, and	Asset mix will be the key driver towards the Fund meeting its objectives. Eliminating risk is generally not possible or desirable for funds that require growth. Belief in an equity premium over bonds is based on longer term trends. As this equity premium may not be realized in the near term, an understanding of the impact of disappointing results relative to key risk measures for the Fund is central to setting asset mix. Thus, asset mix will be heavily influenced by the investment horizon of each Fund.

private equity offer the potential for improved returns and/or reduced risk relative to public equities and fixed income. • The long-term strategic asset allocation decision is the most important factor in determining investment risk and return. Long-term is considered to be five toten years.	
Diversification Diversification within and across asset classes can reduce risk over the long term without compromising expected returns and is a prerequisite to prudent fund management.	Asset mix should be purposefully allocated across investments that provide distinct risk and return characteristics in various economic environments, which when combined provide an efficient risk/return profile. Emphasizing diversification throughout the portfolio is also a recognition that it is very difficult to predict which asset classes, countries and sectors will outperform in any given period. Seeking out new asset classes, including non-traditional asset classes, is consistent with the focus on diversification. As return and risk objectives and outlooks can change over time, the continued appropriateness of the asset mix policy should be reviewed periodically.
Currency Hedging With respect to foreign investments, foreign currency exposure can provide diversification benefits that will generally reduce overall portfolio risk.	Exposure to foreign currencies should generally not be hedged.
Tactical Asset Allocation Market timing is not seen as an effective strategy for generating consistent returns.	A disciplined rebalancing protocol around the strategic asset mix should be adopted to ensure that portfolio risk does not drift materially above or below the intended level.
Liquidity In general, higher risk-adjusted returns can be achieved by holding less liquid investments. A long investment horizon permits a higher allocation to less liquidinvestments.	A portion of the portfolio includes endowed funds. Endowment funds are required to be held permanently, thus allowing an allocation to less liquid investments. However, endowments must retain sufficient liquidity to ensure stable funding for their annual required disbursements.

Specialist vs. Balanced Manager Structure A specialist manager structure offers benefits over a balanced manager structure, including the potential to hire the best manager for each asset class and greater flexibility to replace underperforming funds.	 The benefits of a specialist versus balanced manager structure must be weighed against the additional complexity, cost and oversight responsibilities associated with a specialist manager structure.
Active vs. Passive Markets are efficient to varying degrees, and short term deviations from long term fundamentals can occur. Skilled managers can provide higher returns and/or reduced risk relative to passive (index-like) exposure to the market. Broader, less constrained mandates afford greater opportunities for managers with skill and conviction to add value.	 Active management should be adopted in most asset classes. However, the benefits of active management should be weighed against the incremental costs relative to passive exposure. Constraints on active managers should be limited to those needed to ensure appropriate risk exposure. Global (World, ACWI) mandates are preferred over combinations of US, International and Emerging Markets equity mandates.
Monitoring Proper monitoring of investment managers is an important and complex process requiring more than simply reviewing investment returns. Even highly skilled managers will have periods of underperformance. Risk levels vary significantly between investment managers.	 Investment managers should be monitored regularly for changes in ownership, investment process and key investment personnel, and for investment performance against relevant peer groups and indices. Investment performance should be evaluated over a reasonably long time frame (at least 4 years) and should be reviewed with an understanding of the manager's style biases and how these relate to the market environment. In evaluating and selecting investment managers, consideration should be given not only to the level of returns, but also to the amount of risk taken to achieve those returns. For this purpose, absolute risk is of greater importance than tracking error. For equity managers, the primary measure of risk is the volatility of overall fund returns. Tracking error versus the relevant index is of secondary importance.
Fees and Expenses Fees and expenses can have a significant	 Fees and expenses need to be effectively

influence on the long-term financial health of the Fund.	managed so that a greater proportion of investment returns passes through to the Fund.
Environmental, Social, and Governance (ESG) Environmental, social, and corporate governance (ESG) factors play an important role in the investment process in mitigating risk and generating a sustainable long-term return	Existing and prospective new managers are required to integrate ESG considerations into their investment process and to provide regular updates on their ESG exposures and practices. In evaluating and selecting new investment managers or retaining existing managers, consideration will be given to how ESG factors are integrated into the manager’s investment process and to their resulting ESG exposures.

Appendix B – Summary of Investment Oversight Responsibilities

	The Board of Directors	The Finance & Audit Committee	The Chief Financial Officer/Management	Investment Managers
Establishment of and revisions to the Investment Policy	Receive recommendations from the Finance & Audit Committee for discussion and approval. (Minimum review: tri-annually.)	Receive the Investment Policy for robust discussion and analysis and recommend Policy changes to the Board for approval. (Minimum review: tri-annually.) (Note: The Committee may delegate analysis to an Investment Working Group of Committee members and advisors.)	Prepare the Investment Policy and any ongoing revisions. May engage the support of an independent investment advisor. (Minimum review: annually.)	
Appointment and Termination of Investment Managers	Receive recommendations from the Finance & Audit Committee for discussion and approval.	Receive manager change recommendations for discussion and analysis and recommend Policy changes to the Board for approval.	Provide analysis and recommendations to Finance & Audit Committee and Board	Inform Management promptly of any change in investment process, personnel or other significant changes.
Monitoring the Performance of the Investment Portfolio and its Managers		Review investment performance at least semi-annually. Monitor manager personnel, consistency of investment philosophy and process, discipline in portfolio construction and record of service.	Review quarterly. Summarize investment performance for the Finance & Audit Committee semi-annually, including 3-month, 1-year and rolling 4-year returns compared to benchmark, market value of assets of each manager and breakdown of asset classes for each manager.	Provide quarterly statements of investment returns for three-month, one-year and annual for the most recent four years. Report on portfolio's adherence with ESG guidelines.
Proxy voting	Review annual	Review annual	Review proxy voting	Receive

	report on Proxy Voting strategy from Management.	report on Proxy Voting strategy from Management.	record at least annually.	Management recommendations. Share proxy voting records at least annually. Share proxy voting Policy.
Other		Provide advice and make recommendations on investment matters to the Board.	Rebalancing transactions Investment-related Cashflow Projections Monitor Investment Mandate and Investment Policy Compliance Negotiate investment management and investment advisor contracts.	Each manager has full authority, acting within the constraints placed within its Mandate and within this Policy, to manage all aspects of the investment of its portion of the portfolio.