Investment Policy

Version 3.3 – February 4, 2022

CHRISTIAN SCHOOL FOUNDATION

Charitable Registration No: 872708367 RR0001

1. Introduction

1.1 The Christian School Foundation (the Foundation) is a federally incorporated public foundation with charitable status whose purpose is to financially support its member schools. It's Mission: ***We draw Christian schools and donors together to expand the influence of Christ in our culture.***

1.2 The purpose of this policy is to set forth the general guidelines under which the assets of the Foundation are managed by the Board of Directors. The Board of Directors shall not be limited to investments authorized by laws for Trustees, provided such investments are reasonable, prudent and show good judgement and keen discernment under the circumstances and do not constitute, either directly or indirectly, a conflict of interest.

1.3 The long-term success of the management of Foundation funds is enhanced by the input and monitoring of this activity by competent/qualified individuals and professionals. Such individuals can provide broad guidance and oversight that would be difficult to develop within the Foundation Board of Directors as a whole. Therefore, an Investment Committee (the Committee) is appointed and made up of individuals with investment knowledge and functions as follows:

   a. Adheres to the committee mandate as well as the Foundation's Conflict of Interest & Loyalty Policy
   b. Provides all committee minutes and regular performance reports to the board
   c. Is accountable to the Foundation Board of Directors
   d. Makes use of outside professional investment managers/advisors as its default practice.

1.4 The Foundation's Board of Directors has delegated routine decision making on investment matters to the Committee as noted in the committee mandate.

2. Investment Objectives

2.1 The Foundation's investment objectives are:

   a. ensure safety of capital, assuming this is to primarily mean taking on no more risk than necessary to ensure impact is still realized at school level
   b. realize a competitive return on investments in order to produce adequate earnings to cover projected or expected distributions to member schools
   c. provide operating revenue (as part of management fees assessed) and preserve the value of the gifted capital where Funds have been established as permanent/in-perpetuity endowments
   d. make sound and secure investments that will be in keeping with prudent and professional portfolio management

e. earn a reasonable return relative to the expected lifespan of each particular Fund Account
f. invest the funds in a manner that is in keeping with the time frame the funds are to be utilized

3. Risk

3.1 Attitude to risk

The Foundation relies on investment returns in part to fund the making of gifts and grants to its member schools. A key risk to the long-term sustainability of the Foundation is inflation, and the assets should be invested to mitigate this risk over the long term.

3.2 Assets

As a public foundation we have the option to invest in the following ways:

a. Fixed Income: GIC's with institutions of high quality - Canadian, Provincial and Municipal bonds and treasury bills - Investment grade corporate bonds- Real return bonds - High yield bonds - Pooled fixed income funds
b. Equities: Canadian and Foreign high-quality equities - Mutual Funds, Segregated Funds and Pooled funds - Exchange traded funds - Index Funds
c. Balanced funds, third party or self-developed
d. Alternative Investments: Mortgages and mortgage pooled funds – Secured Promissory Notes or Loans (secured) with credible organizations
   Promissory Notes or Loans (unsecured) with credible organizations where underlying placement includes significant level of diversification. ***See Appendix 1.***
e. Real Estate
f. Life Insurance, cash value and lifetime (life to 100) life insurance policies with ownership assigned to the Foundation

When possible and viable, assets would be invested via a Custodian to help mitigate the risk of institutional fraud. In order to reduce volatility and exposure, the Committee will ideally utilize multiple investments within a pool (i.e. diversified). Therefore, the investment pools are expected to utilize differing investments and allocations, providing diversification.

Consistent with its Mandate, the Committee will make as part of its default practice the use of third-party managers for the placement of investment assets.

Special circumstances may exist from time to time which may warrant deviation on a temporary basis from the standard investment guidelines. Any deviation from standard guidelines requires Board approval. ***See Appendix 2***

3.3 Currency

The base currency of the investment portfolio is the Canadian dollar.

3.4 Other

See Appendix 3 and 4

4. Asset Allocation

4.1 Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to goals, risk tolerance and investment horizon. The three main asset classes – equities, fixed-income, and cash and equivalents- have different levels of risk and return, so each will behave differently over time. There is no simple formula that can find the right asset allocation for every organization; however, the consensus amount most financial professionals is that asset allocation is one of the most important decisions to be made. In other words, the selection of individual securities is secondary to the way that assets are allocated in stocks, bonds and cash and equivalents, which will be the principal determinant of investment outcomes

4.2 As the funds to be invested may have many different characteristics and end purposes, there are a number of 'investment sleeves' through which both externally and internally restricted funds can be accounted for and managed accordingly. Note: The unrestricted cash to operate the Foundation is typically held in the bank account and not considered here for investment purposes. The same is true for strictly flow-through funds/gifts.

The full range of potential investment sleeves could be described as follows*:*

a. **Short Term or No Risk Sleeve** – for funds required in two years or less where there is zero tolerance for loss of market value
b. **Intermediate Term or Medium Risk Sleeve** – for funds required between two and five years and where there is only moderate tolerance for potential loss of market value
c. **Long-term Sleeve** – for funds to be held for longer than five years but short of 'in perpetuity'
d. **Fixed term Sleeve** – where funds have been designated to be held for a specific number of years – eg. a gift designated to be distributed as a blend of capital and earnings over 25 years similar to that of an annuity – or – a gift where the principal sum is designated to be held intact for a specified period of time and thereafter a blend of capital and earnings disbursed.

e. **In Perpetuity Sleeve** – for funds designated as permanent endowments where the underlying capital can never be encroached upon for disbursement purposes.
f. **Blended Sleeve** - where funds are held at two or more well diversified placements and where ongoing returns from each form a blended rate of return calculated on a daily weighted bases and reported annually. ***See Appendix 5***

4.3 Per its Mandate, the Committee approves guidelines for the appropriate investment vehicles for each of the deposits. Safety of principal is given great consideration in all circumstances. It is possible that different sleeves have a similar investment objective for portions of their portfolio. When this is the case, funds from more than one pool may be placed in the same investment or with the same portfolio manager***.***

5. Gift Acceptance (re non-traditional/cash gifts)

5.1 At times, gifts of assets other than cash are received directly from donors**.** In addition to the importance for the Foundation staff to consult where prospect gifting circumstances are outside of what would be considered straightforward 'cash' gifts, the following guidelines also govern:

a. Publicly traded stocks or other securities are transferred in-kind to the Foundation's Brokerage Account at CIBC Wood Gundy for immediate sale. Only under special circumstances, and as supported by the Committee and approved by the Board, will transferred stocks or securities be held for a later redemption if requested by a donor.
b. Non-publicly traded securities (such as shares from privately controlled Canadian corporations) – input is sought from the donor as to preferences regarding how and when the securities can be converted to useable funds (such as when a potential buyer is found). A potential gift must be reviewed and approved prior to acceptance as these securities may present some unforeseen problems. A review should be conducted by the Committee with recommendations made to the Board as to the appropriateness of accepting any such gift.
c. Real Estate – none can be accepted until reviewed by legal counsel, considered by the Committee and approved by the Board. Details such as information about any liens, litigation and/or environmental issues, among others (i.e. ownership structure, tax information, required Environmental Phase I assessment, appraisal by registered individual, etc.) will be needed. There may not be positive cash flow for the Foundation in all cases. The goal in most cases would be to convert such donations to cash as soon as possible to minimize the management and monitoring responsibilities as well as the vulnerability to a loss in value. That said, there may be situations where it is in the Foundation's best interest to hold a property as a Real Estate Asset.
d. Gifts of Life Insurance Policies may be retained and held until the death benefit is realized (especially if requested by donor). Each gift is to be assessed independently and thoroughly to mitigate any risks and liabilities, in particular

for situations where there is the potential need to supplement premium payments in future years. A review of all foundation owned policies will also take place on an annual basis.

6. Investment Restrictions

6.1 This section to eventually be transitioned into a mandate document customized for each fund manager engaged.

6.2 The Committee will aim to not place investments in companies which are not compatible with the mission of the Foundation.

- a. Not more than 5% of any pool can be invested in one company, excepting:
  - i. There is no limit on Government of Canada securities
  - ii. Investments in mutual funds, which do not violate this standard if they include a broad base of assets in the fund.
- b. The investment policy makes no provision for the placement of funds in private investments. When such investments are donated, it shall be the practice to liquidate such gifts as soon as feasible.
- c. No warrants, options, or commodity futures.
- d. No purchases on margin, and securities will not be sold short.

7. Environmental, Social & Governance Considerations

7.1 Also known as Socially Responsible Investing – and will be considered together with our fiduciary responsibilities around current and future beneficiaries of the Foundation's investment assets.

7.2 The consideration of environmental, social and governance (ESG) factors that may have an impact on the financial performance of the asset pool is consistent with our fiduciary duty to our donors and member schools, in that it aims to both maximize returns and yet protect the assets from downside risks. Our Christian world-view may however rule out participation in certain investments even though they provide a good return.

7.3 The Foundation will incorporate ESG factors in its investment practices by the following means:

- a. Based on our Christian principles

  To the best of its ability, the Investment Committee will review the listing of individual investments within its asset pool on a (minimum) annual basis in light of our Christian beliefs and standards. We understand that any decision to exclude or include certain assets will always be a judgement call however, there will be obvious investments where the predominance of their products and revenue generated is from activities that we would find unpalatable. The role of the Committee is to monitor the listing of investments for performance, composition and adherence to our policies and provide feedback to the manager where, in the opinion of the committee, changes are warranted.

b. Investment/Portfolio Manager Selection

The integration of ESG factors in the investment determination process will be an additional criterion in the selection and retention of the portfolio/investment managers. Alongside financial, economic and other risks, investment/portfolio managers should weigh in relevant risks and opportunities posed by ESG factors on the value of our investment assets over both the short and long-term horizons.

c. Proxy Voting

The Committee views proxy voting to be an important component of engagement. Investment/Portfolio managers are required to provide the Committee with access to their proxy voting record, and to report on their proxy voting history on an annual basis. The Committee expects of any investment/portfolio manager to consider shareholder proposals on ESG issues on a case-by-case basis, and to support proposals where disclosure practices in the area of ESG matters need to be improved to properly assess prospects for long-term value.

d. Investment/Portfolio Manager Monitoring:

In addition to standard financial reporting, our investment/portfolio managers will be asked to report annually on their responsible investment initiatives.

8. Management, Reporting and Monitoring of Medium and Long-term Funds

8.1 The investment of funds requires specific skill and expertise. As such the use of external investment advisors or portfolio managers will be the preferred practice.

8.2 The Committee selects the fund managers to manage funds assigned to them. The investment results of each manager or advisor is compared at least annually with appropriate benchmarks for the type of manager and investment. The benchmarks are agreed upon between the Committee and each advisor at the point of hiring.

9. Approval and review

This Investment Policy Statement was prepared by the Investment Committee of the Christian School Foundation to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

Version 3.4 – approved by the Board of Directors on February 21, 2022.

Appendix to the Investment Policy

1. Since our foundation has had a long-standing investment relationship with Christian Stewardship Services, we have also to date considered a Revocable Deposit Agreement placement with Christian Stewardship Services to be an appropriate and diversified investment placement and for these purposes can be considered its own investment pool. For the record, a Revocable Deposit Agreement is an unsecured loan to charity, whereby the charity (Christian Stewardship Services) maintains a significant mortgage pool along with a managed fund with an external Fund Manager; however, Christian Stewardship Services holds title to all of the assets that make up this placement. At the same time, we understand the mortgage pool to be a relatively safe and stable placement, especially with the longer view in mind. The placement Christian Stewardship Services has with its external Fund Manager is subject to greater market volatility but does include Custodial protection.

2. To date, the Board of the Christian School Foundation has supported the use of a Revocable Deposit Agreement with Christian Stewardship Services as an appropriate investment placement.

3. The Foundation will request of Christian Stewardship Services that they notify the Foundation of any changes to their investment policy as part of their annual reviews. This critical component to satisfying the Foundation's fiduciary responsibilities is based on the recommendation from a Public Guardian & Trustee's Office lawyer that the Foundation's investment policy is not more restrictive than that of Christian Stewardship Services.

4. The Foundation will not enter into Life Income Agreements as it is not positioned to take on any debt obligations. As such, all *Charitable Gift Annuity* contracts are arranged through a third party such as Christian Stewardship Services.

5. Blended Pool: Where funds are held at both Christian Stewardship Services as well as one or more external Fund Managers (eg. Jarislowsky Fraser) and where ongoing returns from each form a blended rate of return reported annually.