

**Public Session Minutes for the Meeting of February 21, 2018
10:00 a.m. to 10:40 a.m., ERC 3023**

Attendees: Nigel Allen (Chair), Craig Elliott (non-voting), Doug Holdway, Thorsten Koseck, Susan McGovern, John Speers (*via teleconference*), Yowsif Yakub

Staff: Becky Dinwoodie, Cheryl Foy

Guests: Leila Fiouzi and Taylor Woodward from PH&N

Regrets: Doug Allingham, Robert Bailey, Stephanie Chow

1. Call to Order

The Chair called the meeting to order at 10:05 a.m.

2. Agenda

Upon a motion duly made by Y. Yakub and seconded by D. Holdway, the Agenda was approved as presented.

3. Conflict of Interest Declaration

There were no conflict of interest declarations.

4. Chair's Remarks

N. Allen chaired the meeting in S. Chow's absence. He announced that she just welcomed a baby girl and everyone is doing well. The committee offered their congratulations.

The Chair invited everyone to introduce themselves, as it was T. Koseck's first meeting since being appointed to the Board.

5. Approval of Minutes of the Meeting of November 22, 2017

Upon a motion duly made by Y. Yakub and seconded by D. Holdway, the Minutes were approved as presented.

6. Investment Review

6.1 Third Quarter Investment Review

L. Fiouzi presented the results of the third quarter. She reminded the committee that the interest and dividend income from the long-term portfolio get transferred into the short-term portfolio. She also advised that there are no embedded fees. As of the end of December, the portfolio had a higher than usual cash allocation as it had not yet been transferred. She reviewed the allocation of the portfolio's assets and compared it to the asset allocation targets. She also reviewed the distributions for the year. Approximately \$600,000 of portfolio income transferred to cash account.

6.2 Annual Report on ESG (Environmental, Social & Governance)

L. Fiouzi delivered the ESG report. She advised that when evaluating companies, PH&N look at more than just numbers. She used the BP Horizons oil spill as an example of how ESG would have been helpful as a predictor. She also referred to the Volkswagen crisis and explained how the company was exercising poor governance practices leading up to the situation.

L. Fiouzi discussed how PH&N incorporates ESG into its portfolios. ESG is used as another measure to assess whether something is a good investment. Generally, they find that shareholder engagement is a better tool than divestment to try to effect change.

ESG integration and engagement are incorporated into all of their strategies. They do not employ norms-based screening. PH&N has not invested in cannabis stocks yet given the level of uncertainty surrounding it. L. Fiouzi also discussed PH&N's guidelines for proxy voting. A question was raised about whether PH&N has considered investing in companies that related to the production/consumption of cannabis (e.g. Doritos, greenhouses, fertilizers, etc.). L. Fiouzi discussed the difficulties of investing in those types of companies as many are not public or they are too small.

L. Fiouzi presented the 2017 RBC Global Asset Management Responsible Investing Survey Executive Summary. She pointed out the differences between European and North American investors, as well as the key reasons provided for not incorporating ESG. Gender diversity has received a lot of attention and there are varying views on how to approach improving diversity, ranging from shareholder proposals to government regulation.

6.3 Investment Learning – US Tax Reform and Impact on UOIT Portfolio

L. Fiouzi discussed the effects of US tax reform on the portfolio. She reported on the short-term positive effect on GDP growth by growing the deficit. US is exhibiting strong economic growth.

Deregulation

Much of the deregulation started happening in the Obama era. There are multiple components to deregulation:

- Legislative change
- Executive orders

- Change in enforcement
- Not adding new laws

They are not seeing any legislative change on deregulation.

Proposed Tax Cuts

There will be a short-term gain in the US. With the tax changes, Canada's corporate tax rate is now higher than that of the US and might not seem as attractive to foreign investors. The concern is that this will exacerbate inequality.

NAFTA Renegotiation

The highest probability is that there will be no change to NAFTA.

Non-Tariff Barriers

Strong growth in non-tariff trade barriers. The US is clamping down on trade on several fronts. L. Fiouzi responded to questions from the committee.

6.4 Annual Review of Statement of Investment Policies (SIP)

C. Elliott reviewed the SIP and did not recommend any substantive changes, only minor formatting changes.

7. Endowment

7.1 Annual Endowment Report & Endowment Disbursement

C. Elliott reviewed the cumulative investment income summary. He advised that there is \$2.6M available for disbursement for scholarships. Of that amount, a minimum of 3-4% of the investment value (\$500,000) must be distributed. The Disbursement Committee recommended a disbursement of 5%, up to \$750,000 for 2018-2019.

Upon a motion duly made by N. Allen and seconded by T. Koseck, pursuant to the recommendation of the Disbursement Committee, the Investment Committee recommended the disbursement of up to \$750,000 from Endowment Funds for distribution as student awards in 2018-19 for approval by the Board of Governors.

8. Other Business

9. Termination

There being no other business, upon a motion duly made by T. Koseck and seconded by Y. Yakub, the public session of the meeting adjourned at 10:59 a.m.

Becky Dinwoodie, Secretary