



BOARD OF GOVERNORS
Investment Committee

Monday, June 1, 2020

11:30 a.m. – 1:30 p.m.

[Video Conference](#)

PUBLIC [+1.888.240.2560](tel:+18882402560) (US Toll Free) Meeting ID: 971 172 137

Members: Stephanie Chow (Chair), Doug Allingham, Mitch Frazer, Ferdinand Jones, Thorsten Koseck, Mark Neville, Maria Saros, Steven Murphy

Staff: Becky Dinwoodie, Cheryl Foy, Andrew Gallagher

Guests: Leila Fiouzi and Connor Glassco (PH&N)

AGENDA

| No. | Topic | Lead | Allocated Time | Suggested Start Time |
|-----|--|------------|----------------|----------------------|
| | PUBLIC SESSION | | | |
| 1 | Call to Order | Chair | | |
| 2 | Agenda (M) | Chair | | |
| 3 | Conflict of Interest Declaration | Chair | | |
| 4 | Minutes of Public Session of Meeting of February 19, 2020* | Chair | | |
| 5 | Chair's Remarks | Chair | | |
| 6 | Investment Review | | | |
| 6.1 | Fourth Quarter Investment Review* (U) | PH&N | 20 | 11:35 a.m. |
| 6.2 | Annual ESG Report* (U) | PH&N | 20 | 11:55 a.m. |
| 7 | Annual Board Report* (M) | Cheryl Foy | 10 | 12:15 p.m. |
| 8 | Other Business | Chair | | |
| 9 | Adjournment (M) | Chair | | 12:25 p.m. |
| | BREAK | | 5 | |
| | NON-PUBLIC SESSION (material not publicly available) | | | 12:30 p.m. |
| 10 | Call to Order | Chair | | |
| 11 | Conflict of Interest Declaration | Chair | | |
| 12 | Minutes of Non-Public Session of Meeting of February 19, 2020* (M) | Chair | | |

D – Discussion

M – Motion

P – Presentation

U – Update

* Documents attached

| No. | Topic | Lead | Allocated Time | Suggested Start Time |
|-----------|--|----------------|----------------|----------------------|
| 13 | Investment Review | | | |
| 13.1 | Fourth Quarter Investment Review – Portfolio Components* (U) | PH&N | 35 | 12:35 p.m. |
| 13.2 | Annual Investment Manager Performance Review (D) | Andy Gallagher | 10 | 1:10 p.m. |
| 14 | For Information | | | |
| 14.1 | COVID-related Investment Information* | PH&N | | |
| 15 | Other Business | Chair | | |
| 16 | <i>In Camera</i> Session | Chair | 10 | 1:20 p.m. |
| 17 | Termination (M) | Chair | | 1:30 p.m. |

Becky Dinwoodie, Secretary

BOARD OF GOVERNORS
Investment Committee

Minutes of the Public Session of the Meeting of February 19, 2020
ERC 3023, 11:50 a.m. – 12:25 p.m.

Members: Stephanie Chow (Chair) (*videoconference*), Doug Allingham, Ferdinand Jones, Thorsten Koseck, Mark Neville, Maria Saros (*videoconference*), Steven Murphy

Staff: Becky Dinwoodie, Cheryl Foy, Andrew Gallagher

Guests: Leila Fiouzi and Connor Glassco (PH&N)

1. Call to Order

The Chair called the meeting to order at 11:53 a.m.

2. Agenda

Upon a motion duly made by F. Jones and seconded by M. Saros, the Agenda was approved as presented.

3. Conflict of Interest Declaration

There was none.

4. Minutes of Public Session of Meeting of November 20, 2019

Upon a motion duly made by T. Koseck and seconded by D. Allingham, the Minutes were approved as presented.

5. Chair's Remarks

The Chair welcomed the members to the first committee meeting of 2020. She reminded members to ask confidential questions during the non-public session.

6. Investment Review

6.1 Third Quarter Investment Review

L. Fiouzi reviewed the portfolio's performance during the third quarter. The portfolio's investment account approximately was at approximately \$28.3m and cash account was at approximately \$485,000. The cash account is composed of realized gains, interest and dividends. L. Fiouzi noted the performance was -0.56% below benchmark during the last quarter and +0.74 since inception. Having an allocation in the market neutral equity fund during a buoyant market negatively affected the performance of the portfolio. She also noted that the investment management fees are 36 basis points.

Shortly after the last meeting, the committee decided to remove the market neutral equity fund from the portfolio. L. Fiouzi reviewed the updated asset allocation and discussed the characteristics of the mortgages fund. The total distributions for 2019 were \$950,084. A committee member asked if PH&N could report on the distributions for previous years to allow for a comparison.

6.2 Statement of Investment Policies (SIP) Amendments

L. Fiouzi provided a high-level overview of the proposed amendments to the SIP. She clarified that there is an Offering Memorandum for the real estate fund and would be happy to provide it to the committee. L. Fiouzi explained the reasoning for removing the section in 5.2 relating to derivatives. The committee discussed revising the language to remove the reference to Canadian in section 5.1. There was also a discussion about the allocation of 15% to mortgages. L. Fiouzi advised that mortgages are an inherently illiquid asset class and PH&N is conscious to not have more in mortgages than in liquid bonds. There was also a discussion regarding the recommended range (0-20) and whether it would be best to have the full allocation now or to wait. L. Fiouzi advised that she would support the SIP being changed to the range of 0-20%, which would allow the committee to make the decision down the road.

A friendly amendment was proposed to remove “Canadian” from section 5.1(e). L. Fiouzi clarified that Direct Real Estate Equity should be defined as “commercial investment grade income-producing real estate.”

Upon a motion duly made by T. Koseck and seconded by M. Neville, the proposed amendment to section 5.1(e) was approved.

A second friendly amendment was proposed to change the range of alternative investments from 0-15 to 0-20.

Upon a motion duly made by D. Allingham and seconded by M. Neville, the proposed amendment to change the range to 0-20 was approved.

Upon a motion duly made by S. Chow and seconded by M. Neville, pursuant to the recommendation of PH&N, the Investment Committee recommended the proposed amendments to the Statement of Investment Policies, as amended, for approval by the Board of Governors in order to allow for investments in Direct Real Estate Equity.

6.3 Disbursement Committee Recommendation

A. Gallagher presented the disbursement recommendation. The committee discussed whether the university would be able to continue to disburse at least \$725,000 going forward. The committee noted that they would like to see the disbursement amount continue to be maintained or be increased. L. Fiouzi confirmed that the recommended amount would be a comfortable draw. There was a discussion regarding what the additional \$100,000 would be used towards. S. Murphy clarified that the disbursement

must be allocated to bursaries. There are some bursaries that have requirements that are more flexible than others.

Upon a motion duly made by F. Jones and seconded by M. Neville, the Investment Committee recommended the disbursement of up to \$725,000 from Endowment Funds for distribution as student awards in 2020-21 for approval by the Board of Governors.

7. Other Business

8. Adjournment

There being no other business, upon a motion duly made, the public session adjourned at 12:42 p.m.

Becky Dinwoodie, Secretary

DRAFT



Wealth Management
PH&N Investment Counsel

Presentation to:

Ontario Tech University

Leila Fiouzi, CFA
Vice President & Investment Counsellor

Taylor Woodward, CFA
Associate Investment Counsellor

Connor Glassco, CFA
Associate

June 1, 2020

Summary Investment Returns

March 31, 2020

| | | |
|---------------------------|-----------------------|-----------------------|
| Market Value | March 31, 2020 | April 30, 2020 |
| Investment Account | \$ 25,549,670 | \$ 27,067,277 |
| Cash Account | \$ 794,934 | \$ 534,082 |

| | Three Months (%) | One Year (%) | Three Years (%) | Five Years (%) | Since Inception (%) | April 2020 (%) |
|---|------------------|--------------|-----------------|----------------|---------------------|----------------|
| Ontario Tech University¹ | -9.63 | -5.07 | 2.73 | 3.90 | 6.61 | 6.05 |
| <i>Benchmark**</i> | <u>-10.21</u> | <u>-4.54</u> | <u>2.02</u> | <u>3.16</u> | <u>5.82</u> | <u>6.84</u> |
| Difference | +0.58 | -0.53 | +0.71 | +0.74 | +0.79 | -0.79 |
| *Inception date Aug 31, 2010 | | | | | | |
| Ontario Tech University (Cash A/C)² | 0.46 | 1.91 | 1.73 | 1.40 | 1.34 | 0.12 |
| <i>FTSE TMX Canada 30 Day T-Bill Index</i> | <u>0.46</u> | <u>1.75</u> | <u>1.32</u> | <u>0.98</u> | <u>0.96</u> | <u>0.12</u> |
| Difference | +0.0 | +0.16 | +0.41 | +0.42 | +0.38 | +0.0 |
| *Inception date Nov. 30, 2013 | | | | | | |

¹ Reflects University of Ontario Institute of Technology account.

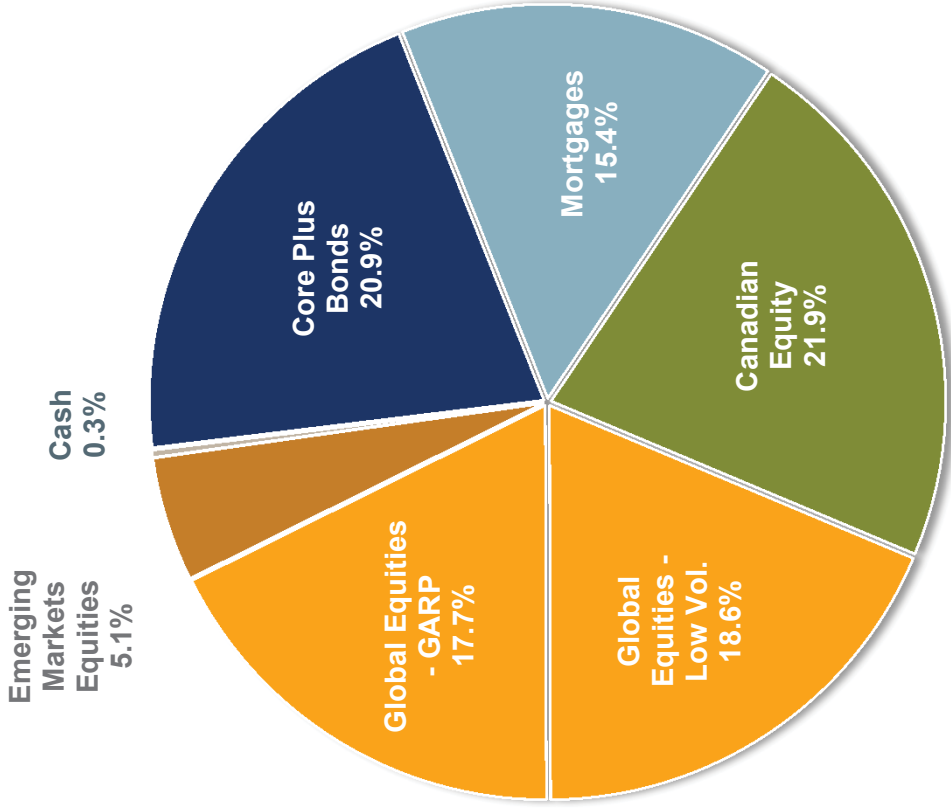
** Current Custom benchmark: 15% FTSE Canada Short Term Overall Bond Index; 20% FTSE Canada Universe Bond Index; 24% S&P/TSX Capped Composite Index; 36% MSCI World Net Index (C\$); 5% MSCI Emerging Markets Net Index (C\$).

Note: All performance is shown gross of annual investment management fees of 41 basis points



Ontario Tech University¹

Asset Mix as at March 31, 2020



¹ Reflects University of Ontario Institute of Technology account

ESG Update



Wealth Management
PH&N Investment Counsel

Responsible Investment at RBC GAM

Being an active, engaged and responsible owner empowers us to enhance the long-term, risk-adjusted performance of our portfolios

A+


Score awarded by the UN PRI for all modules in 2019*

GLOBAL RECOGNITION:

Three FundGrade A+ Awards 2020 earned in Canada in the RI category

Professional Pensions Sustainable Equity Manager of the Year 2019 Award earned by Global Equity team

RBC Global Asset Management
Leaders in responsible investment



Fully integrated ESG
(environmental, social & governance)

All investment teams integrate relevant ESG factors into their investment processes

Active stewardship

We convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors

Client-driven solutions and reporting

We align our solutions with client demand and provide transparent and meaningful reporting

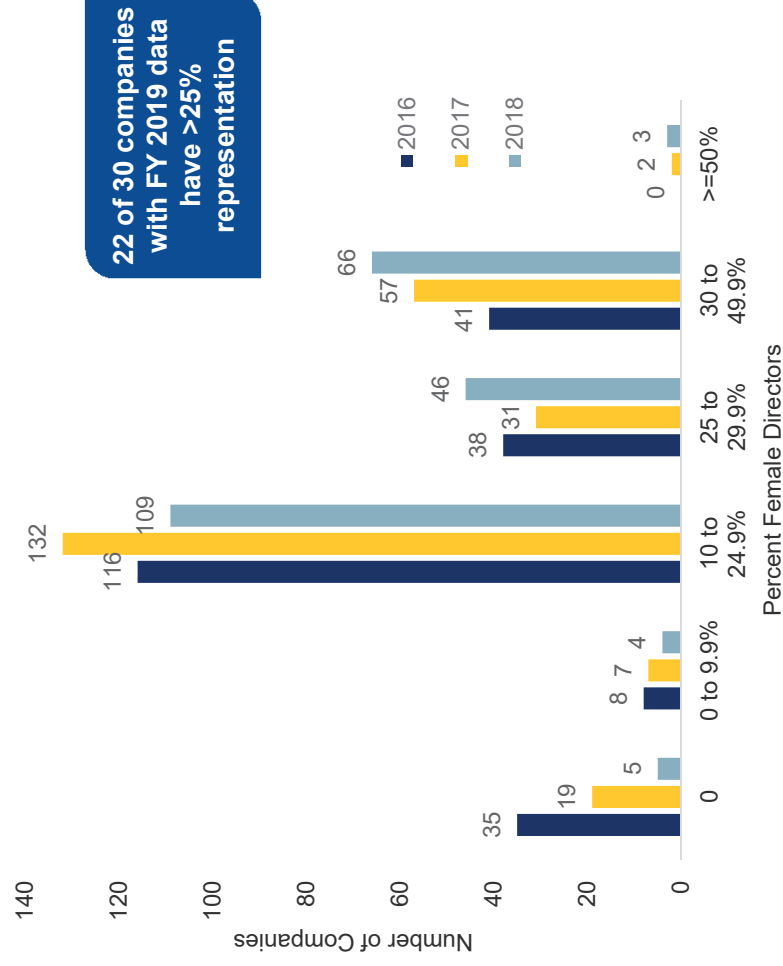
*The PRI evaluates signatories' approaches to the Principles based on its assessment methodology. As indicated in our most recent Assessment Report's [Summary Scorecard](#), the PRI gave each of our modules a score of A+.



2020 Proxy voting guideline updates

- Board Gender Diversity
- Member of Canadian 30% Club Investor Group
 - Goal: 30% women on boards and management of S&P/TSX Composite companies
- 2016 → Required one female director
- 2019 → Required two female directors
- **2020 → Require 25% female directors**
- Applying outside Canada as well¹
- Encouraging boards to adopt policies and targets

Female Directors on S&P/TSX Composite Boards (2016: n= 237; 2017: n= 248; 2018: n=233)



¹The RBC GAM Proxy Voting Guidelines apply in Canada, the United States, the United Kingdom, Ireland, New Zealand and Australia.

Bloomberg L.P. Field: PCT_WOMEN_ON_BOARD. Companies without valid field entries excluded from sample. Data as of February 2020.

Proxy voting statistics – 2019 calendar year

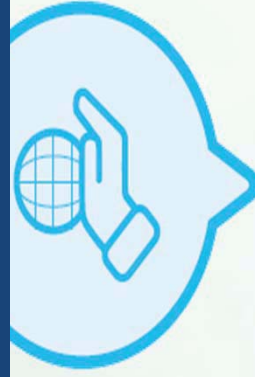
| | Canada | U.S. | Overseas | Overall |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Proposal | 3,421 | 11,044 | 17,234 | 31,699 |
| With Management | 2,933 | 9,212 | 15,504 | 27,649 |
| Against Management | 488 | 1,832 | 1,730 | 4,050 |
| % of votes AGAINST Management | 14.3% | 16.6% | 10.0% | 12.8% |

Our approach to climate change

Climate change will have impacts on economies, markets and societies, posing both risks and opportunities for investors and issuers

RBC Global Asset Management

Addressing climate change in responsible investment



Fully integrated ESG (environmental, social, & governance)

We integrate climate-related risks and opportunities in our investment process to help enhance long-term, risk-adjusted returns



Active Stewardship

We encourage issuers and regulators to consider climate mitigation and adaptation in their activities, using proxy voting, direct engagement, and collaboration with like-minded investors



Client-driven solutions and reporting

We develop solutions, drive insights and provide transparent reporting related to climate change



Our approach to GHG emissions

Achieving net-zero carbon emissions in our global operations annually

1 Set goals for our operational footprint

- Reduce greenhouse gas emissions by at least **2.5% per year, with a target of 15% by 2023**¹
- Increase our sourcing of electricity from **renewable and non-emitting sources to 90% by 2023**
- Partner with suppliers to better understand, manage and reduce our shared carbon impacts

2 Measure our environmental impacts

- **Regions** reported on:
 - Current²: Canada, US, UK/CI, Caribbean, Luxembourg, Malaysia
 - TBD: Japan, France, Australia, HK, Singapore
- **Metrics reported on GHG emissions:**
 - Scope 1: Fuels and heating oils
 - Scope 2: Purchased Electricity (location and market-based)
 - Scope 3: Travel and Supply Chain³
- **Metrics for our other environmental impacts:**
 - Waste (diversion rates, e-waste)
 - Water consumption

¹Aligned to the science-based target methodology for real estate

²These regions represent over 99% of our global floor area

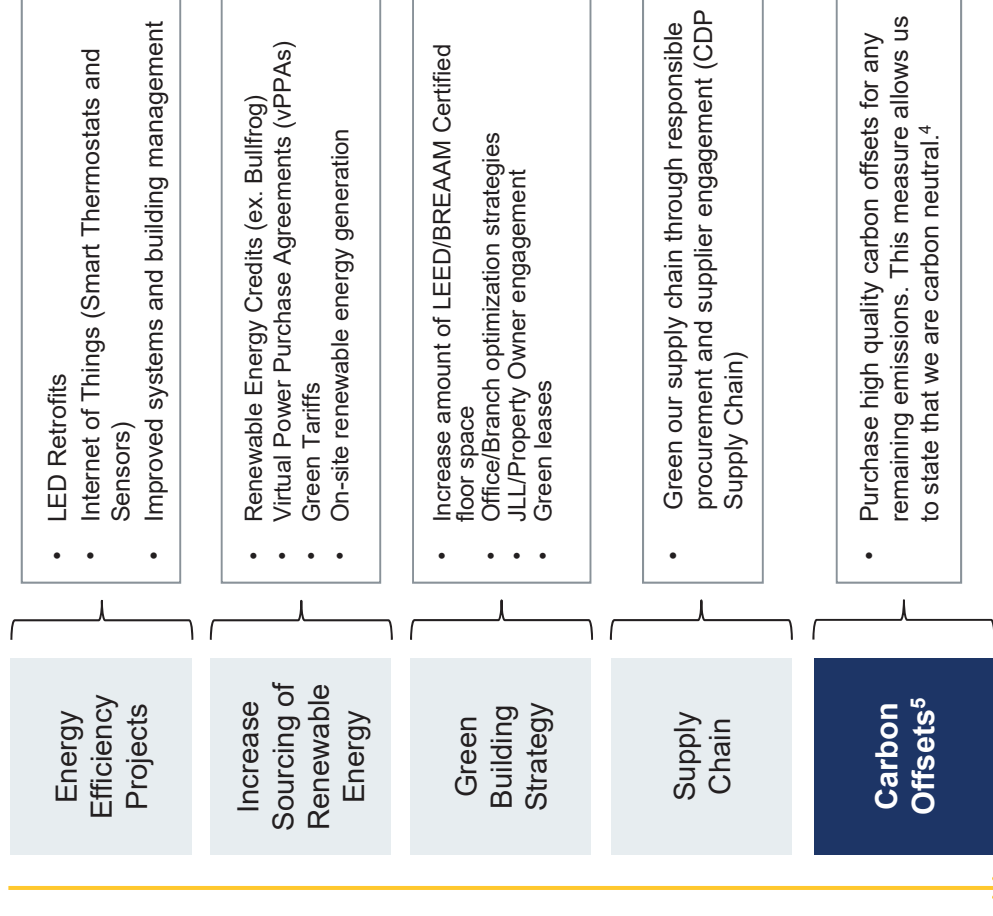
³For our Scope 3 emissions, only travel is publicly reported and offset

⁴We have been carbon neutral since 2017 (purchased offsets for FY17 in 2018)

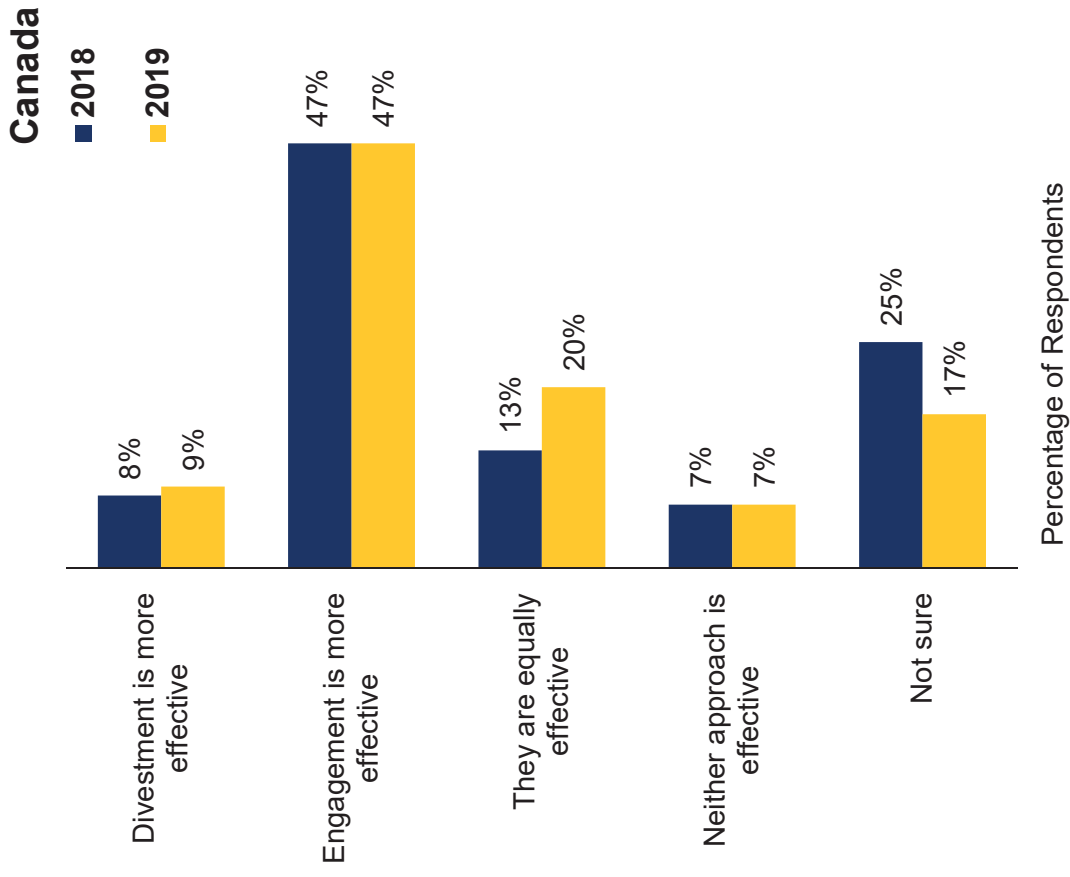
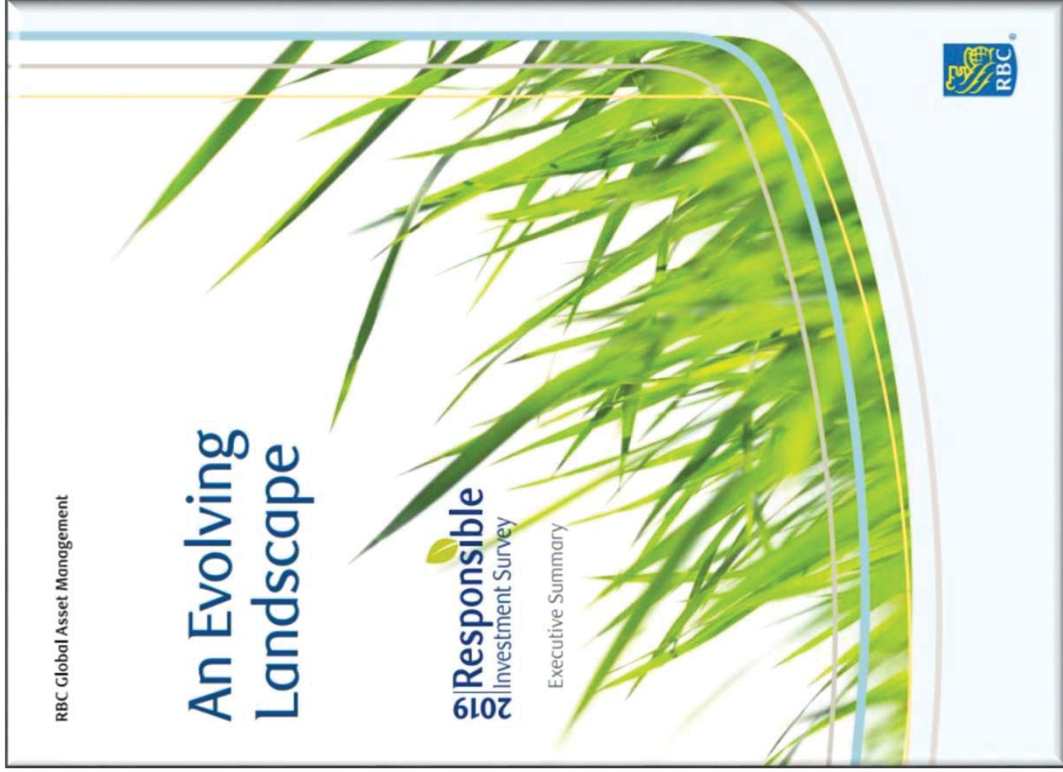
⁵In 2018, the remaining emissions were: 159,915 tCO₂e

3 Manage/Reduce emissions through suite of programs

We use a number of tactics to reduce our GHG emissions:

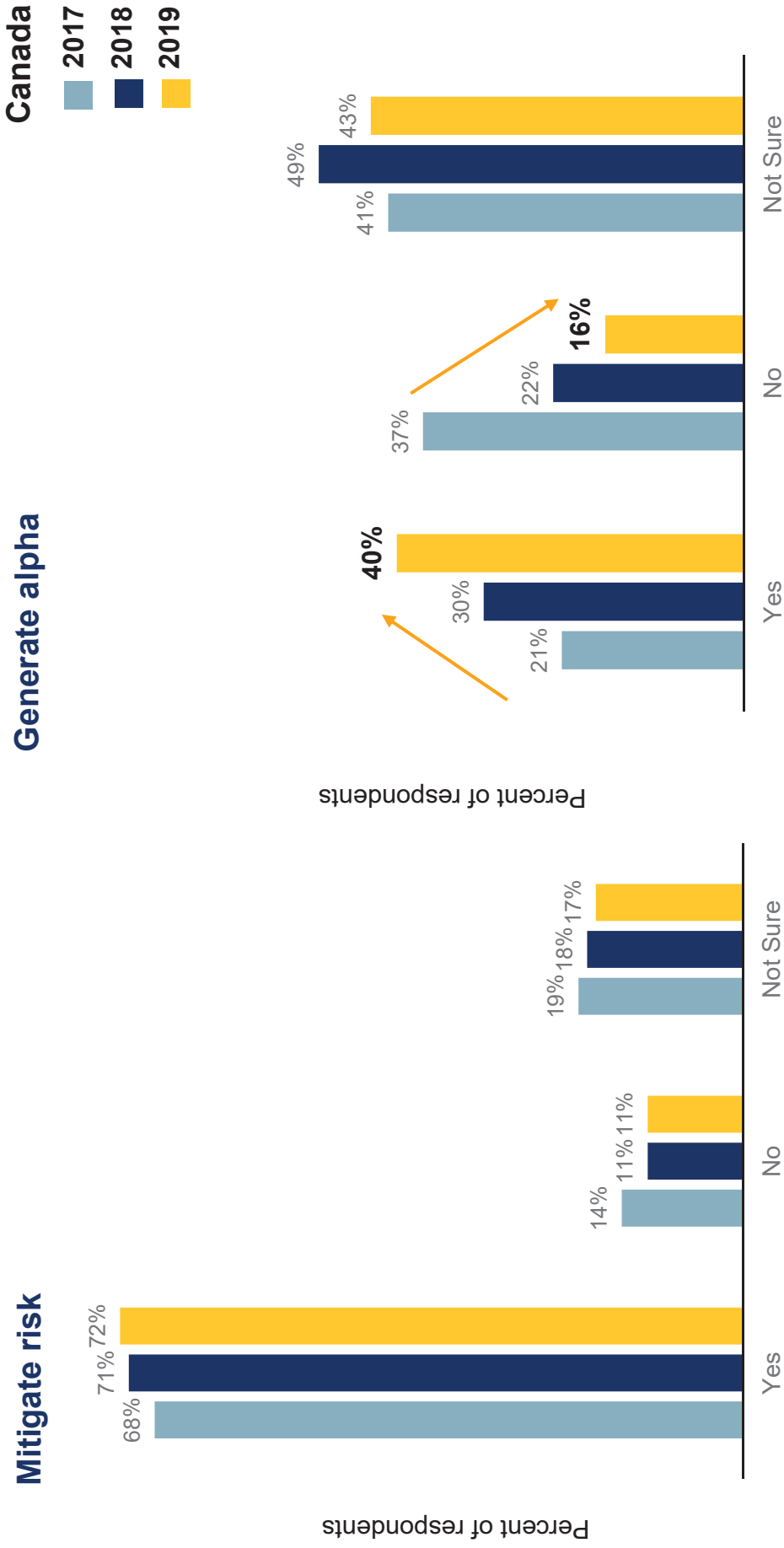


In the Fossil Fuel Free context, do you consider divestment to be more effective than engagement?



Source: RBC GAM 2019 Responsible Investing Survey

Do you believe that integrating ESG factors can help mitigate risk? Help generate alpha?

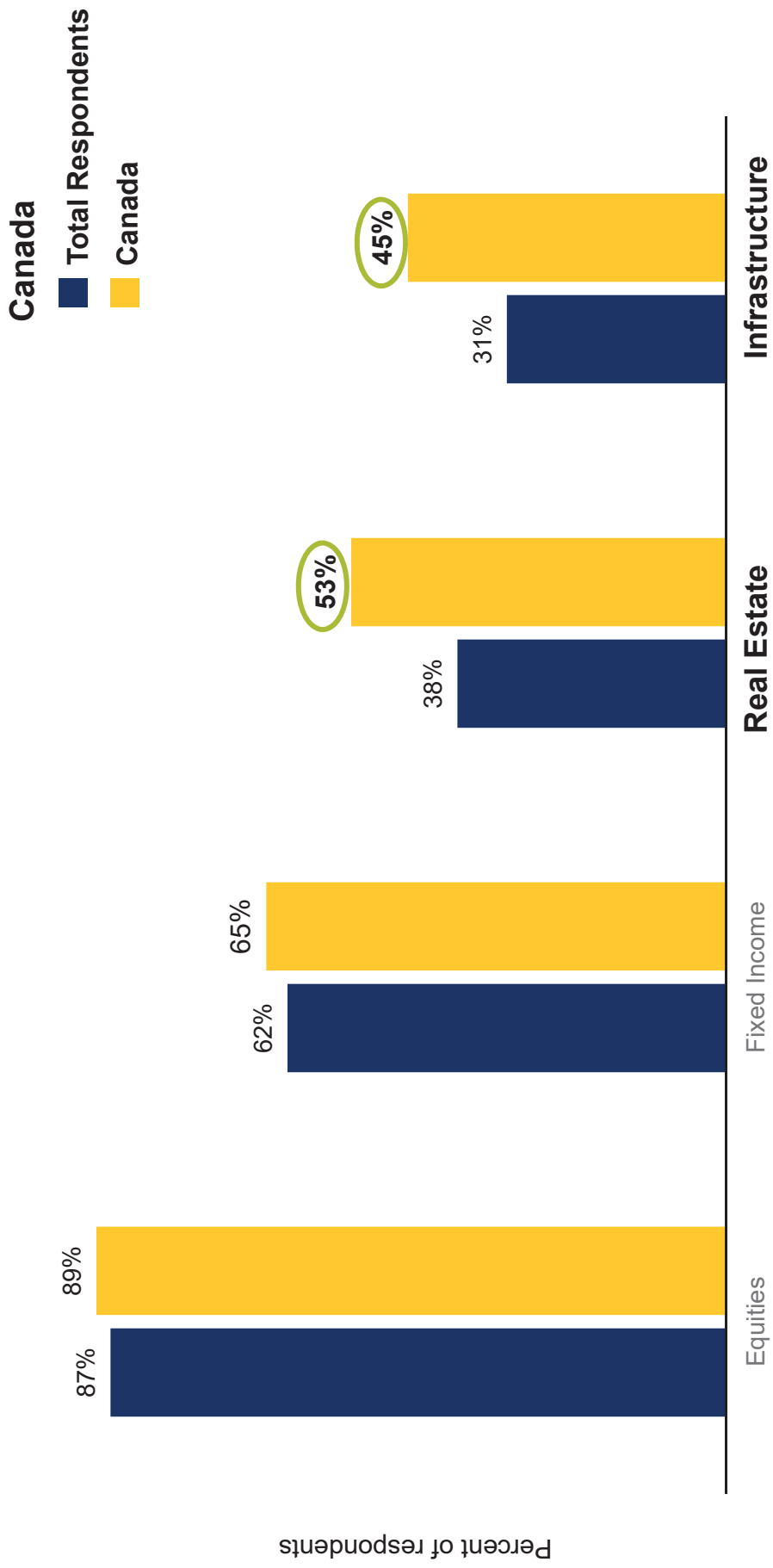


Source: RBC GAM 2019 Responsible Investing Survey



Wealth Management
PH&N Investment Counsel

For which of the following asset classes do you incorporate ESG factors into portfolio management?



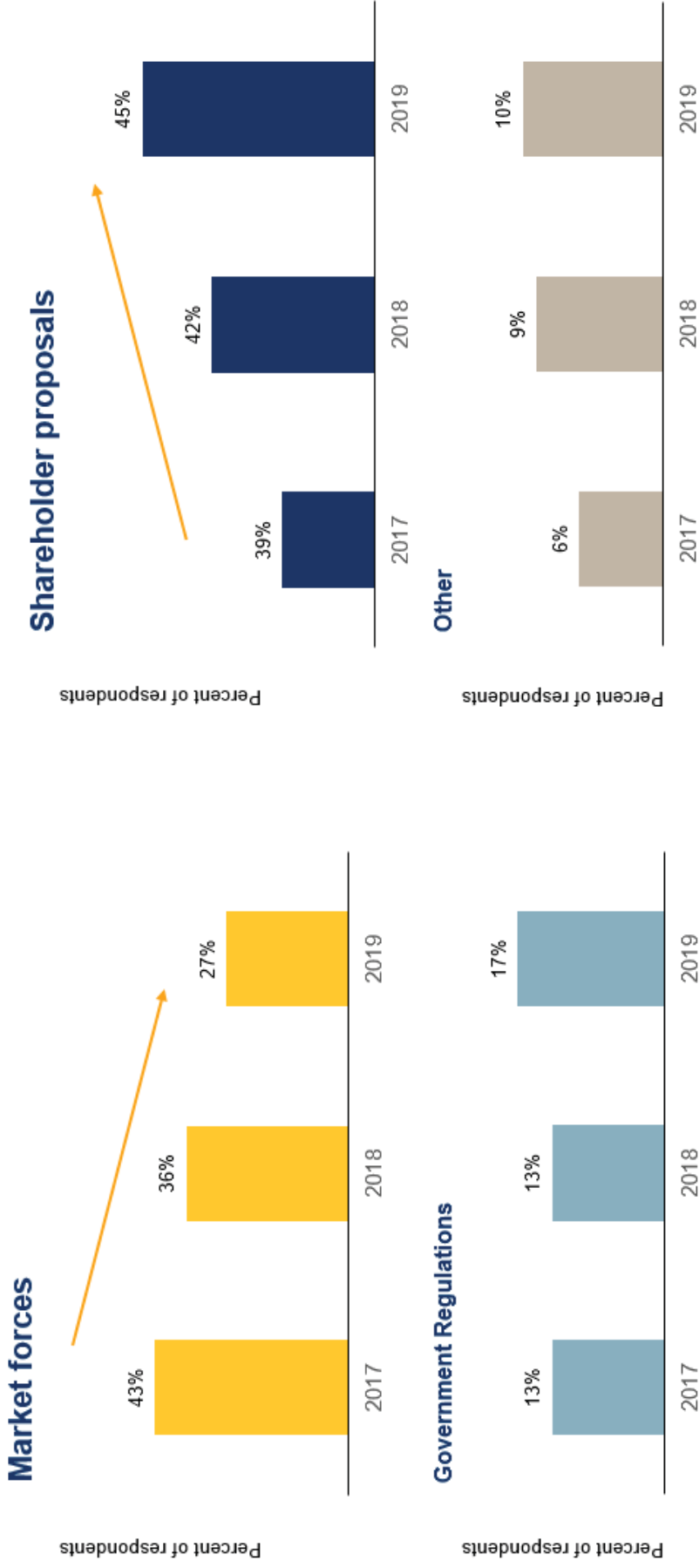
Source: RBC GAM 2019 Responsible Investing Survey



Wealth Management
PH&N Investment Counsel

What is your preferred approach to encourage gender diversity on corporate boards?

All respondents



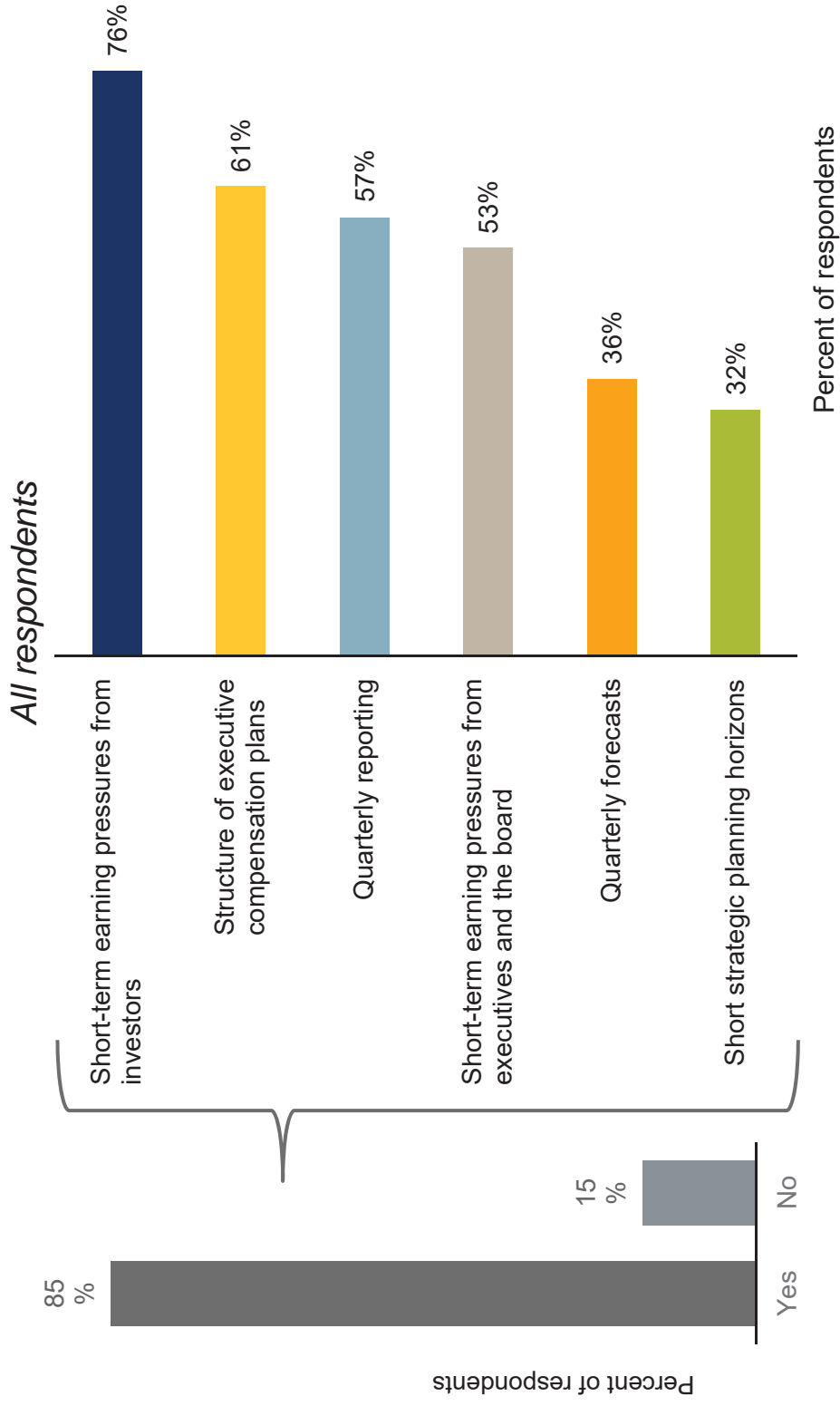
Source: RBC GAM 2019 Responsible Investing Survey



Wealth Management
PH&N Investment Counsel

Do you think corporations are too focused on short-term financial results?

What do you think is causing that short-term focus?

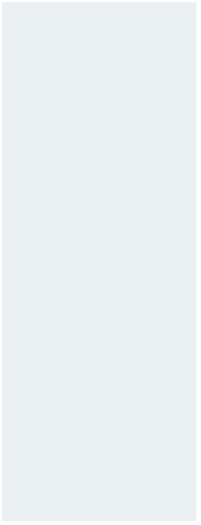


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Wealth Management
PH&N Investment Counsel



Investment Committee

2019-2020 Annual Report

2019-2020 Work Plan

MANDATE-DRIVEN PRIORITIES

Investment

- Quarterly investment reviews
- Portfolio performance management
- Investment learning on topical subjects
- PH&N annual report on ESG
- Statement of Investment Policies & Asset Class Management
- Procedures (annual review)
- Annual Investment Manager performance review
- Endowment disbursement recommendation & receipt of annual Endowment Report
- Review of Endowment Policy

Accomplishments

Terms of Reference

- Recommended update to committee Terms of Reference.

Investment Reviews

- PH&N Investment Manager (“PH&N”) provided the Committee with detailed reporting & review on a quarterly basis.

Investment

- Reviewed & recommended amendments to Statement of Investment Policies & Asset Class Management Procedures to allow for investment in direct real estate equity.

Responsible Investment Policy

- the Committee received & reviewed PH&N’s annual report on ESG

Accomplishments

Portfolio Performance Management

- Portfolio and Investment Manager review conducted by Mercer.

Endowment

- Recommended disbursement of up to \$725,000 from the Endowment Funds to be distributed as student awards in 2020-21.

Investment Learning

- PH&N delivered educational presentations on several topics, including:
 - Core Commercial Real Estate
 - COVID-19
 - ESG

Future Planning

Review of Quarterly Investment Reports

- Continue to analyse investment reports, and make timely reallocations to maximize portfolio effectiveness.

Investment

- Conduct annual performance review of Investment Manager.
- Continued timely educational sessions for the Committee.