

# **Clayoquot Biosphere Trust (CBT)**

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## **STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES (SIO&G)**

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## STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES (SIO&G)

### 1. PURPOSE

#### **1.1. Objective of the Clayoquot Biosphere Trust (CBT)**

The Clayoquot Sound region of British Columbia has received international attention over volatility surrounding a divergence of views on local land-use policy, particularly forestry policy, expressed during the 1980s and early 1990s, which culminated in the arrest of over 800 people in 1993. Since this time of conflict, local First Nations and local communities have been seeking ways to build bridges and develop new models of sustainable development and conservation. One of these models was the creation of a United Nations Educational, Scientific, and Cultural Organisation (UNESCO) Biosphere Reserve in the Clayoquot Sound region.

UNESCO Biosphere Reserves are internationally recognised for promoting and demonstrating a balance between people and nature. Biosphere Reserves are in essence global laboratories for sustainable development. They combine the three functions of conservation, sustainable development, and support for research, education and training. All Reserves have legally-protected core areas (which give long-term protection to landscapes and ecosystems), buffer zones (where activities are organised so they help support the conservation objectives of the core areas), and zones of co-operation (where people work together to use the area's resources in a sustainable manner).

With the support of local First Nations, local communities, and each of the local, provincial, and federal governments, in January 2000 Clayoquot Sound became designated as the Clayoquot Sound UNESCO Biosphere Reserve (CSUBR). The CSUBR is a member of the international network of UNESCO Biosphere Reserves. The CSUBR designation acknowledges aboriginal title and rights, and does not prejudice ongoing treaty negotiations.

To mark the CSUBR designation and its intended focus on balancing conservation and sustainable development in the Clayoquot Sound Region, the federal government made a \$12 million grant to the Clayoquot Biosphere Trust.

**- CBT - SIO&G CONTINUED -**

This page is: CBT - SIO&G: Page One

## **1. PURPOSE, continued...**

### **1.2 CBT's Legal Status**

The Clayoquot Biosphere Trust (CBT), a federally registered, British Columbia incorporated, non-profit charitable organisation, is the cornerstone of the CSUBR. The CBT has a Board of Directors including representatives from local First Nations and local communities.

The CBT supports local research, education, and training that is consistent with the Biosphere Reserve's objectives of conservation and sustainable development. The CBT is responsible for both managing an endowment fund and developing guidelines for program funding from the income earned from the fund. Endowment fund income is to be used: for local research, educational and training which supports conservation and sustainable development in the Biosphere Region.

Long-term objectives of the Fund are a sustained funding base to support local projects related to research, education and training in the healthy and sustainable development of communities in the Clayoquot Biosphere Reserve. The CBT also has a mandate to support programs that enhance and promote an increased understanding of natural processes in the marine & terrestrial ecosystems, and conservation & sustainable economic development of the Clayoquot Biosphere Region. The purpose of the federal grant component of the endowment fund is to provide increased understanding and awareness of sustainable development issues, training, and skills upgrade.

The CBT is also responsible for fundraising, to increase the amount of capital in its endowment fund.

### **1.3 Amount of CBT Endowment**

The Federal Government created the CBT endowment fund in 2000 with a grant of \$12 million.

### **1.4 Ethical / Socially-Responsible Investment Requirement**

The CBT requires that its endowment fund be used for ethical and socially-responsible investment purposes that are compatible with both its mandate and that of a UNESCO Biosphere Reserve. These include;

- Reasonable efforts made to invest in companies that make sustainable development a core of corporate policies;
- Reasonable efforts made to avoid holdings in companies with poor environmental records; and
- Reasonable efforts being made to invest in companies: with exemplary labour relations records; that promote innovative technologies that improve the environment; that are not primarily dependent on fossil fuels and other non-renewable resources; and that promote community development and economic diversification.

## **2. ADMINISTRATION**

Day to day management of the CBT endowment fund will be delegated to the Investment Manager(s). The Investment Manager(s) will have full discretion in management of the fund *within* the parameters set out in the statement of investment policies established by the CBT Board of Directors. Implementation and adherence to these policies by the Investment Manager(s) is ensured by the CBT Investment Committee through the CBT Executive Director.

### **2.1 CBT Investment Committee**

- Annually, or as needed, review the investment policies of the Investment Manager(s) and make appropriate recommendations to the CBT Board of Directors;
- Hold in-camera sessions annually, or as needed, to make recommendations to the CBT Board of Directors regarding the selection, engagement or replacement of the Investment Manager(s);
- At least annually provide the Investment Manager(s) with the CBT Board of Directors' approved *Statement of Investment Objectives and Guidelines (SIO&G)* and any amendments thereto;
- Oversee the fund and monitor the activities of the Investment Manager(s);
- Through the CBT Executive Director, liaise between the CBT Board of Directors and the Investment Manager(s) for the purposes of day to day management of, and reporting on, the fund; and
- Through the CBT Executive Director, keep the Investment Manager(s) informed of cash flow / liquidity requirements.

### **2.2 Role of Executive Director**

As the CBT Board's official link to the CBT operating organisation, the Executive Director:

- Is responsible for the day to day operations of the CBT;
- Develops (after full consultation with the CBT Board and local First Nations & local communities), and then implements (after approval of the CBT Board), the 3-year CBT Business Plan, which includes budget statements and cash-flow projections for one year;
- Is the Investment Manager(s) connection to the CBT, including to the CBT Investment Committee and the CBT Board; and
- Works with and takes direction from the CBT Investment Committee, on the monitoring of performance of the Investment Manager(s).

**3. INVESTMENT MANDATE**

**3.1 Legal**

The portfolio is managed in accordance with policies, standards, and procedures that a person of ordinary prudence would exercise in dealing with the property of others.

**3.2 Performance Expectations**

The Investment Manager(s) must preserve the real value of the fund AND beat the composite of indexes that reflects the level of risk the CBT expects to take. The Investment Manager(s) are expected to rank above the median in rankings of other managers handling similar type of mandates or other reasonably comparable universe of managers. Performance for these comparisons will be over a five (5) year moving average.

**3.3 Risk- Reward Considerations**

- Preserve the original value of the federal government’s (\$12 million) contribution, with income (including interest, dividends and realised capital gains) added to the capital to the extent necessary that it will maintain, over time, a value at least equal to the original sum of the fund, plus inflation;
- Adhere to the requirements of the Fund as determined by relevant legislation (e.g. the *Income Tax Act*), and policy set by the Board of Directors;
- Maintain a level of cash flow and liquidity that is adequate to meet the ongoing costs of administration and program delivery;
- Generate growth in the real value of assets held in the fund with due attention to risk management consideration;
- Larger, pooled funds will be given close consideration, as they often generate superior investment returns, while limiting risk exposure;
- Reflect the values embodied in the objectives of a UNESCO Biosphere Reserve;
- Minimise the administrative costs of managing the funds.

**3.4 Asset Allocation (For Performance Measurement)**

<b>Asset Class</b>	<b>Minimum %</b>	<b>Maximum %</b>
Cash and Equivalents	0	20
Fixed Income	40	60
♦ Canadian	40	60
♦ Foreign	0	10
Equities	40	60
♦ Canadian	20	30
♦ Foreign	20	30

### **3. INVESTMENT MANDATE, continued...**

#### ***3.5 Mandated Disbursement Requirement***

The endowment fund must be managed in full compliance with the *Income Tax Act*. Of particular importance, are the disbursement requirements. As the \$12 million endowment fund is a grant from the federal government, this portion of the fund has no legal disbursement requirements. However, any additions to the fund through fundraising or other means will have a mandated annual disbursement requirement of 80% of the receipted donations received in the preceding year.

#### ***3.6 Anticipated Cash / Return on Investment Requirements***

The CBT's Board of Directors must at all times have a two-year business plan, which they will update annually. This plan will specify, among other things, the cash flow requirements for a given year. This information, plus the annual inflation rate factor, influences the desired annual rate of return for the investment. The CBT Investment Committee, through the Executive Director, will instruct the Investment Manager at least annually on the anticipated cash requirements for the CBT.

The Investment Committee's choice of an asset mix and investment strategy of the Investment Manager will not be directly influenced by short-term cash requirements, but such requirements will lead the Investment Committee to consider the relationship between current and anticipated spending and protecting the long-term value of the CBT endowment.

In any given calendar year period, any income or capital gains above and beyond a \$1 million threshold is to be reinvested back into the Trust's portfolio to protect the Trust against periods of capital depreciation.

#### ***3.7 Tax***

All interest, dividend and capital gains resulting from the investment of the portfolio assets are tax exempt.

#### ***3.8 Draw-Downs on Capital***

In the event that low returns on the investment prevent the Society from meeting its disbursement requirements, the CBT Board of Directors, on advice from the CBT Investment Committee, is authorised to withdraw up to a maximum of 5% (cumulative over a period of up to three years) of the total Trust capital.

#### **4. PERMITTED INVESTMENTS**

- Canadian bonds should have a minimum rating of BBB-- as established with a recognised Canadian bond-rating agency at time of purchase, and be liquid. Non-Canadian bonds should be issued by a government, government agency or corporation having a minimum rating of BBB or equivalent as established with a recognised bond rating agency at time of purchase; and should be liquid;
- Individual equity holdings or equities held within equity funds should be listed on a major developed market stock exchange;
- Reasonable efforts will be made to avoid holdings in equities & non-government bonds of companies with poor environmental records;
- Reasonable efforts will be made to invest in equities & non-government bonds of companies that make sustainable development a core of corporate policies; and
- Reasonable efforts will be made to invest in equities & non-government bonds of companies: with exemplary labour relations records; that promote innovative technologies that improve the environment; that are not dependent on fossil fuels and other non-renewable resources; and that promote community development and economic diversification.

#### **5. MANAGER STRUCTURE**

As a general guideline, the investment of the Trust capital will be:

- Directed toward larger, pooled funds, with the objective to take advantage of the often superior investment returns that large pooled funds experience, while limiting risk exposure to fund assets through allocation to a broader, more diverse, asset profile;
- Invested with regard to total return; and
- Invested in perpetuity, although the CBT requires that it can, on thirty (30) days notice, completely withdraw the fund from the Investment Manager(s), with full transferability and without penalty.

#### **6. MONITORING**

The Investment Manager will provide to the Investment Committee, on a quarterly basis: (i) a compliance statement, signed by a senior executive, confirming that the CBT Fund is in compliance with the terms of the Statement of Investment Objectives and Investment Mandate and that the Manager and its employees abide by standards of professional conduct; (ii) a report on investment performance, including fund return versus its benchmark, detailed asset class returns versus their benchmarks and the return on a median fund to which the CBT Fund is comparable, and (iii) transactions for the quarter and a listing of the end-of-period holdings in the CBT Fund.



**7. CONFLICTS OF INTEREST**

- No loans will be made to any member of the CBT Board of Directors, or to any member of the CBT Investment Committee, or to any member of any other Committee established by the CBT Board, or to any CBT staff member.

**8. EXERCISE OF VOTING RIGHTS**

Voting rights attached to the securities held by the Trust are delegated to the Investment Manager. The Investment Manager, will exercise such rights in a manner as to most likely protect the interest of the Trust and to further the mandate of the Trust and that of a UNESCO Biosphere Reserve.

At the request of the CBT Board of Directors or Investment Committee, the Investment Manager will provide the voting record of the Trust.

**- END -**