

1.0 Introduction

1.1 Preamble

The Vancouver Public Library Foundation (VPLF) was formed in 1997 to enhance Vancouver Public Library (VPL) programs and services. VPL has been dedicated to meeting the lifelong learning, reading and information needs of Vancouver residents for more than 100 years. Last year, VPL patrons borrowed nearly 9.5 million physical and digital items including books, ebooks, movies, music and magazines. Across its 21 [locations](#), VPL is the most-visited major urban library per capita in Canada. The VPL Foundation is proud to support the Library's success in providing services, programs and cultural & learning spaces to children, families and adults throughout the city.

1.2 Vancouver Public Library Foundation Goals

Enable Discovery

- Elevate the cause of the Vancouver Public Library in the hearts and minds of Vancouverites;
- Enhance the shared goals of the VPL and VPL Foundation, together with the mission and vision of the VPL, by raising awareness and the presence of Vancouver Public Library within the philanthropic community.

Enable Investment

- Enlarge the donor base and become a charity of choice for giving in Vancouver;
- Enhance relationships of the Library and Foundation to increase giving;
- Build partnerships for the net benefit of the Library, the Foundation, donor organizations and the community.
- Manage donations to ensure that they are being optimized for the maximum benefit of the Library.

1.3 About Vancouver Public Library

Vancouver Public Library is a destination, a community, a facilitator, a resource, an innovator and an enabler. And free – always free.

Vision

An informed, engaged, and connected city.

Mission

A free place for everyone to discover, create, and share ideas and information.

- VPL provides more than 10,000 programs, attended by more than 250,000 participants each year;
- VPL collections are offered in 17 languages; programs are regularly delivered in Mandarin, Cantonese, Tagalog, Vietnamese, Spanish, French, and in American Sign Language.
- All of VPL's 21 branches are highly visited, with annual foot traffic averaging 6.5M. Branch traffic at Central Library increased by nearly 20% since the opening of new community spaces on Levels 8 & 9.

2.0 Purpose

2.1 The Investment Policy ("Policy") governs the investment process for the Foundation's investment portfolio, including investment objectives, asset allocation, permitted investments, and review procedures.

2.2 The Policy governs the investment process through the following:

- Stating the Foundation's objectives and guidelines for the investment of endowed and non-endowed assets.
- Setting forth a diversified investment structure with target asset mix ranges.
- Managing the overall level of risk and liquidity in accordance with the objectives.
- Establishing criteria to monitor, evaluate, and compare the performance relative to appropriate benchmarks.
- Defining suitable investments.
- Complying with best fiduciary practices including all applicable laws, rules and regulations.

3.0 Short-Term Funds

The Foundation holds and manages temporary and non-endowed funds for charitable purposes such as capital campaigns. For non-endowed, short term funds, the primary objective is liquidity and capital preservation. These funds are to be invested in short term instruments with short maturity terms corresponding to the time when the funds will be needed.

4.0 Long-Term Funds

Long-term funds consist of two different types of funds.

- a. Permanent Endowed Funds – a perpetual fund where annual distribution consists of a combination of income and/or capital gains, encroachment of capital will not be allowed. The distribution quota would be decided annually by the Board.
- b. Time Specific Endowed Funds - where capital and income are to be disbursed over a finite period of time.

4.1 Funds will be set up in accordance with donor wishes or at the Board's direction.

5.0 Risk/Return Objectives

5.1 The Foundation funds will have a variety of purposes and as a result, the investment objectives and risk tolerance around those funds will vary.

5.2 The Foundation will use two primary factors to determine risk tolerance.

- The probability of a permanent risk of loss within an investment
- Volatility of the rate of return

6.0 Performance Expectations

6.1 The investment portfolio is based upon a total return approach, which would include interest, dividends and capital appreciation.

6.2 Achievement of the investment objectives for Short-Term and Long-Term Funds will be monitored by management quarterly, reviewed by the Board at least annually. Long-Term Fund returns will also be evaluated on a rolling five-year cycle based on an after fees rate of return.

6.3 Short-Term Funds

Achieve a rate of return similar to that of prevailing GIC and/or treasury-bill rates.

6.4 Long-Term Funds

Achieve a rate of return which exceeds inflation by 3.5% annually on an after fees basis.

7.0 **Asset Allocation**

7.1 **Strategic Asset Allocation for Short-Term Funds**

Cash and Cash Equivalents will be invested in investment grade highly liquid debt investments with remaining maturity dates of a year or less.

Short-Term Investment Portfolio	Lower Limit	Strategic Allocation	Upper Limit
Fixed Income	80%	100%	100%
Cash	0%	0%	20%

7.2 **Strategic Asset Allocation for Long-Term Funds**

Refer to Appendix for Long-Term Fund Manager Investment Policy Statement

Long-Term Investment Portfolio	Lower Limit	Strategic Allocation	Upper Limit
Equities	40%	60%	80%
Fixed Income	20%	40%	60%
Cash	0%	0%	10%

8.0 **Permitted Investments**

8.1 Subject to other provisions of this Policy, the Foundation Act and By-laws, and the Income Tax Act (Canada), the Fund may be invested in any or all of the following types of investments:

- Listed common stocks, convertible debentures, warrants, installment receipts, special warrants or preferred securities;
- real estate investment trusts ("REITs") and/or income trusts that do not expose the Fund to third party liability exposure;
- investment grade bonds, mortgage-backed securities, asset-backed securities, debentures, mortgages, notes or other debt instruments of governments, government agencies, or corporations;
- guaranteed investment contracts or equivalent of insurance companies, trust companies, banks or other eligible issuers, having a DBRS credit rating of R1 middle or equivalent;
- bankers' acceptances, term deposits or similar instruments issued or unconditionally guaranteed by major trust companies or banks;
- cash, or money market securities issued by governments, government agencies or corporations;

- mutual, pooled or segregated funds and limited partnerships which may invest in any or all of the above instruments or assets; and
- exchange-traded funds.

8.2 The following instruments are approved vehicles for deposits:

Instruments	Liquidity – Maximum number of days required to convert to cash	Penalty - Subject to Penalty if redeemed prior to maturity
Bank obligations · Certificates of deposit · Bankers acceptances · Bank notes	5 days 5 days 5 days	Yes No No
Government securities · Canadian treasury bills · U.S. treasury bills	5 days 5 days	No No
Money market funds with assets greater than \$250 million	5 days	No
Short term deposits	5 days	No

- Investments in securities with underlying leverage risk or esoteric structures are specifically excluded and are not permitted under these investment guidelines.
- There is a prohibition on borrowing on margin for investment purposes.

9.0 Fund Management

- The Board shall employ competent external professional investment Managers. The Board shall make such Manager changes from time to time as they deem in the best interest of the Fund and its beneficiaries.
- The selection of Managers will be made in a prudent manner taking into account the following criteria: philosophy, process, people and performance (long-term).
- The Board shall apportion Fund assets to one or more Managers in a structure considered appropriate to implement the foregoing asset allocation.
- The Board may also direct the Manager to hold cash equivalents on a short term basis, either to meet payments or as directed by the Board pending allocation to one or more of the Managers.
- Subject to this Policy, the Board shall grant full discretion of investment to the Managers subject to their individual Mandate guidelines.
- Portfolios will be rebalanced to long-term strategic asset allocation ranges no less than annually.

10.0 Loans and Borrowing

- 10.1** No part of the Fund shall be loaned to any person, partnership or organization unless it is undertaken in the context of an approved investment mandate and qualify as a permitted investment.
- 10.2** The Managers may not pledge, hypothecate, or otherwise encumber in any way, the assets of the Fund, except to the extent that temporary overdrafts occur in the normal course of business.
- 10.3** The Managers shall not borrow on behalf of the Fund.
- 10.4** For mortgage investments, 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.

11.0 Valuation and Monitoring

Managers will be monitored through both quantitative and qualitative measures.

11.1 Valuation of Investments

- 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. For real estate, a certified written appraisal from a qualified independent appraiser, at least every year, will be used. Interim appraisals prepared by the real estate manager will be acceptable.

11.2 Monitoring Managers

Quarterly performance will be evaluated to measure progress toward the attainment of long-term expected return and adherence to investment style. It is understood that there will be periods during which performance will vary from market indices.

- 11.3** At least annually, the Foundation will review:
- a. The manager's adherence to the Policy guidelines, investment process and investment philosophy
 - b. Material changes in the manager's organization and key personnel
 - c. Comparisons of the manager's annual and annualized performance to appropriate benchmarks
 - d. Portfolio characteristics.
 - e. Each Manager shall provide a quarterly compliance report, signed by their Compliance Officer, reporting on their fund's compliance with their Mandate, or, in the case of pooled funds, with the fund policy statement, and with this Policy. In the event that the Manager is not in compliance, the Manager is required to detail promptly the nature of non-compliance and to recommend a course of action to remedy the situation.

11.4 In the event that there is any conflict between the provision of the Policy and the guidelines of the pooled funds, the guidelines of the pooled funds shall prevail.

11.5 A Manager may be terminated for any reason at the Board's discretion.

12.0 Conflict of interest

12.1 A conflict of interest, whether actual or perceived, is defined for the purposes of this Policy as any event in which the Board, the Committee, an employee of the Foundation, any Manager or delegate, the Custodian, 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 Fund or be impaired to render unbiased and objective advice to fulfill their fiduciary responsibility to act in the best interests of the Fund.

12.2 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. A written record of the conflict shall be maintained by the Board. 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.

12.3 No part of the Fund shall be loaned to any Board member, Committee member or Staff of the Foundation.

12.4 The Board 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.

12.5 Each Manager shall adopt a policy on soft dollar usage and comply with the CFA Institute's Soft Dollar Standards and report annually to the Investment Committee on soft dollar usage.

13.0 Policy Review

13.1 The Foundation will review the Policy at least annually and determine any necessary adjustments to fully and accurately express its investment goals and objectives.

14.0 Environmental, Social, Governance (ESG)

14.1 The Foundation believes that 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 encouraged to establish an ESG integration and proxy voting policy that is aligned with the mission and values of the Vancouver Public Library. ESG factors will be used by the VPLF Board in the evaluation of existing investment managers and the selection of potential investment managers.

15.0 Statement of Investment Beliefs

15.1 Diversification reduces risk. The investment process set out in this Policy is designed to enable the Foundation to consistently utilize meaningful diversification to achieve return objective during a variety of economic and market conditions.

15.2 Asset allocation is the main determinant of risk and return. The management of this portfolio is rooted in the principle that markets are reasonably efficient and that returns are determined principally by asset allocation decisions.

15.3 Effective cost management contributes to higher returns. The Foundation's investment process will endeavor to keep transaction costs and fees to a minimum. The Foundation will seek superior active managers that have exhibited the ability to achieve above benchmark returns after fees or a passive manager that can replicate the benchmark at

the lowest fees.

15.4 For the Foundation's Long-Term Funds, it is recognized that some measure of risk must be assumed to achieve VPLF's long-term investment objectives. There is an established relationship between the level of risk assumed and the expected level of return.

15.5 The discipline of regular portfolio rebalancing has been demonstrated to improve portfolio performance. Portfolios will be rebalanced within a reasonable percentage of strategic targets no less than annually.

15.6 The Foundation will remain flexible in its preference for investment mandates. Both active and passive managers can be used to attain its long-term return objective.

16.0 Roles and Responsibilities

16.1 Board of Directors ("Board")

The Investment Policy of the Foundation is implemented under the supervision of its Board of Directors (the "Board"), which has ultimate responsibility for the approval and maintenance of the policy. The Board exercises responsibility through its Finance and Audit Committee, which will have broad discretion regarding the stewardship of the Foundation's invested funds, within the broad guidelines of the approved Investment Policy. Some of the Board's responsibilities include:

- Monitor the administration of the Foundation to ensure compliance with all applicable legislation and Policy.
- Review/approve Policy amendments, including changes to the Fund's target asset mix and ranges.
- Review/approve amendments to the Finance and Audit Committee Terms of Reference.
- Review/approve recommendations by the Finance and Audit Committee to appoint/terminate Managers, and other service providers.
- Monitor the performance of the Funds and its Managers

16.2 Finance and Audit Committee ("Committee")

In accordance with its mandate from the Board, the Finance and Audit Committee shall report on the management of the funds together with its other financial reports at each Board meeting, or upon request. Some of the Committee's responsibilities include:

- Provide advice and make recommendations on investment matters to the Board.
- Review Managers, including performance, quarterly.
- Monitor the performance and degree of compliance (with this Policy and the Mandates) of the Managers.
- Recommend to the Board on the appointment/termination of the Manager(s) and investment related service providers.

- Reviews asset allocation and investment performance of the Fund at least quarterly. Takes action necessary to ensure compliance with this Policy.
- Review this Policy at least once every year.
- Recommend Policy amendments to the Board.
- Recommend amendments to the Finance and Audit Committee Terms of Reference to the Board.

16.3 Foundation Staff ("Staff")

The Finance and Audit Committee through the Treasurer/[Executive Director] of the Foundation shall delegate to the staff of the Foundation responsibility to manage and coordinate the implementation of the Investment Policy, who shall represent the Foundation in day to day administration of the policy and in the relationship to investment manager(s) and related parties. Staff also has the responsibility of working with individual donors to the Foundation as funds are established. Some of the Staff's responsibilities include:

- Review custodial and Manager reports and summarize for the Board and Committee.
- Monitor the Fund's asset allocation and ensure that it is rebalanced according to the Policy asset mix.
- Distribute any relevant reports from the Managers, or investment related service providers the Board or Committee.
- Provide staff support to the Committee and to the Board in respect of investment matters.
- Monitor performance and compliance of investments.
- Negotiate investment management, custodial and third party service provider contracts.

16.4 Investment Manager ("Manager")

The 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 Fund. Some of the Manager's responsibilities include:

- Provide monthly statements and historical quarterly performance.
- Ability to report returns both gross and net of fees, and realized and unrealized gains/losses, and relevant portfolio characteristics.
- Provide performance evaluation reports for review by an objective third party that illustrate the risk/return profile of the manager relative to their peers.
- Provide detailed information on the history of the firm, key personnel, and fee schedule.
- Must clearly articulate the investment strategy that will be followed and document that the strategy has been adhered to over time.

- Must use a disciplined investment process.
- Must have senior professionals focused on providing responsive service.
- Must be knowledgeable in not for profit investing requirements.
- Must have the ability to assist in refining and enhancing the Policy
- Provide Foundation with formal presentation at least annually.
- Managing the Foundation's assets under its care, custody or control in accordance with the Policy objectives and guidelines set forth herein,
- Provide quarterly compliance sign off and separate written notice to Foundation Staff when compliance breaches occur
- Exercising investment discretion within the Policy objectives and guidelines set forth herein.
- Must be prepared to work with volunteer leaders

16.5 In all of the work, on behalf of the Foundation's assets, the Board, Finance and Audit Committee and Staff members shall be guided by a commitment to adhere to all legal, ethical, and operational standards required and expected of charities. In particular these individuals shall be committed to meeting the expectations of honesty, loyalty, integrity and transparency as they serve the Foundation, its donors and the Vancouver Public Library.

Appendix A