

# Tumbler Ridge Community Forest Corp.



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		<b>Implementation Date:</b>		<b>July 1, 2019</b>	
<b>Subject:</b>	<b>Investment Policy</b>	<b>Last Reviewed/Update Date:</b>		July 4, 2019	
<b>Approval:</b>	<b>Original signed by</b>	<b>Author:</b>		Duncan McKellar	

## 1. Purpose

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The Board of Directors of the TRCFC (the “Board”) is responsible for determining and monitoring the investments of the Corporation. An Investment Policy Statement (“IPS” or “Policy Statement”) provides broad objectives, performance expectations and guidelines for the investment management of the Corporation. The Board has determined that the most prudent and responsible direction for the oversight of the Fund is to appoint an Investment Manager.

This Investment Policy Statement applies to the assets (the “Fund”) accumulated by the Tumbler Ridge Community Forest Corporation.

The purpose of this Policy is to establish investment principles and guidelines appropriate for the purposes for which the Fund is maintained. The policy will clarify the assets to which the policy applies, identify the investment objectives, and outline the responsibilities associated with the investment management of the Fund. It will also provide guidance to the Board and the Investment Manager regarding the investing, monitoring, and reporting of the Fund.

## 2. Scope

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This policy applies to Directors and the Operations Manager for TRCF. This policy includes components typically or often required for directors and managers but does not provide an exhaustive, comprehensive list of procedures for all situations. The TRCF will update policies as required.

### a. Investment Objectives

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The long-term objective of the Fund is to provide a balance of capital growth and investment income. The fund will be structured to provide reasonable assurances of meeting its capital preservation requirements, liquidity and the cost of inflation. Within the Fund it is also a key goal to minimize downside risk with optimizing the portfolio’s return while achieving all other investment objectives.

Diversification, across and within asset classes, geographic regions and economic sectors will be a key factor in which the Board expects the portfolio to avoid undue risk of large losses over long time periods. The objective is to also maintain adequate liquidity to

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ensure annual cash flow requirements are met. It would be expected that the majority of the holdings within the portfolio would be invested in vehicles which would be able to be liquidated within a relatively short amount of time.

## b. Investment Parameters and Permitted Categories of Investments

### Cash and Equivalents

All cash instruments shall have a minimum rating of R-1 (High) or equivalent credit rating by the Dominion Bond Rating Service (DBRS) or other credit rating services.

### Fixed Income

All individual fixed income securities will have a minimum rating of A- by DBRS or an equivalent rating by another recognized rating agency. The maximum amount allowable per investment grade non-government fixed income security will be the greater of 10% of the portfolio or 15% of the cash and fixed income portfolio.

### Equities

Equity investments will be primarily invested in mid-large capitalization common stocks listed on major North American or international stock exchanges. Investments in the equity securities of any single issuer will be limited to 10% of the overall portfolio or 15% of the equity portion of the portfolio. The equity portion of the portfolio will be diversified across multiple sectors.

### Derivatives

The use of derivatives, including the writing of options, is not permitted.

### Leverage

The following leveraging investments or strategies will not be permitted:

- The purchase of securities on margin.
- Short selling or similar transactions.
- The borrowing of money, pledging or any other action that encumbers the assets of the Fund.
- The Board or its agents shall not borrow on behalf of the fund except for the payment of refunds, benefits, grants or administrative costs of the Fund, to the extent that governing regulations or legislation permits such borrowing.

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## c. Voting Rights

Responsibility for exercising and directing voting rights acquired through the Corporation's investments shall be designated to the Investment Manager, who shall at all time exercise such rights in a prudent manner with the best interests of the Corporation.

## d. Investment Policy Statement Review

The Board shall review the Policy Statement at least annually and will make any appropriate changes considering, but not limited to, the following factors:

- Governance changes
- Changes in the Corporation's mandate
- Changes in general economic conditions
- Applicable changes in legislation
- Needs for liquidity, regularity of income and preservation of capital
- Changes in expectation of long-term returns and risks associated with the different asset classes of investments.
- Changes to risk tolerance

## 3. Prerequisites

It is the responsibility of all TRCF Directors and management staff to act in good faith in following the intent of this policy.

## 4. Conduct

A conflict of interest arises when one of the individuals involved in managing or supervising the Fund and who is governed by these guidelines receives a benefit from any asset held by the Fund. This includes a benefit accruing from any transaction or any or proposed agreements or contracts made by the fund, or any other benefit that accrues other than that agreed to, such as direct compensation from managing or supervising the Fund or by virtue of member an employee or Director of the Company.

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These guidelines apply to the Corporation, the Directors of the Corporation, the Investment Managers and any employee or agent retained by any of the foregoing to provide services relating to the Corporation's investments.

Any persons listed above shall not knowingly permit their interest to conflict with their duties and powers in respect to the Company's investments. Any such person shall disclose any direct or indirect material association, material interest or involvement in aspects relating to his or her role with regard to the Corporation's investments that would result in any potential or actual conflict of interest.

The person involved in the conflict shall disclose the nature and extent of the conflict to the Board in writing or request to have it entered in the minutes of the meeting of the Board, upon first becoming aware of the conflict. The disclosure shall be made orally, if knowledge of the conflict arises in the course of discussion at a meeting of the Board. Upon giving notice, the person or persons will refrain and withdraw from all discussions and participation in decision pertaining to those matters where a conflict of interest exists or is perceived to exist.

These guidelines shall not be read to contravene or otherwise limit the scope of any prior or subsequent conflict of interest guidelines that the Corporation may have established or may establish for the conduct of its shareholders, Board of Directors, officers, employees or agents.

## **5. Responsibilities**

The following outlines the general requirements for this policy. The Board of Directors has prepared this Policy Statement to address the manner in which the Fund will be invested. The ultimate responsibility for the management of the Corporation's assets lies with the Board, but the Board may delegate certain defined responsibilities to sub-committees and the Management of the Corporation.

The Investment Manager will have complete discretion within the policies and constraints set forth in the Statement, subject to all applicable laws and regulations and requirements imposed by the Income Tax Act.

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a. Reporting and timely communications:

In addition to monthly and quarterly statements, the Investment Manager will conduct an annual review including portfolio positioning, review of performance, and a review of the Investment Policy Statement in conjunction with the Corporation's Board of Directors. The Investment Manager will be available to the Corporation on an ad-hoc basis upon request, to discuss external or internal matters such as changing economic conditions or updates to the Corporation's policies.

**6. References**

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RBC investment policy statement  
 Kamloops Blazers sports policy statement  
 Lower North Thompson Community Forest Investment Policy

**7. Definitions**

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TRCF - Tumbler Ridge Community Forest Corporation.

Investment Manager - An investment manager is a person or organization that makes investments in portfolios of securities on behalf of clients under the investment objectives and parameters the client has defined. An investment manager may handle all activities associated with the management of client portfolios, from day-to-day buying and selling of securities to portfolio monitoring, transaction settlement, performance measurement, and regulatory and client reporting.