



# Statement of investment policies and procedures

## Purpose and nature of Funds

COPE maintains a Defence Fund and General Fund (the Funds). The rules and regulations governing the Funds are set either by the Convention or by the National Executive. The administration of the Funds has been delegated to the National Secretary-Treasurer, in accordance with the Terms determined by the National Executive.

The Defence Fund and General Fund are maintained in separate accounts with separate financial statements, but are both managed with the same investment objectives and restrictions. This Statement of Investment Policies and Procedures (Statement) has been prepared by the National Executive to ensure prudent and effective management of the Funds. This Statement is reviewed annually by the members of the National Executive, and amended as appropriate.

The Defence Fund covers mainly the costs of labour disputes to affected members. Monthly contributions to the Defence Fund are made from a fixed amount per member. Contributions into the Defence Fund are reasonably predictable, but outflows are uncertain in timing and amount. Net cash-flows into the Defence Fund are expected to be positive in future.

Monthly contributions to the General Fund are made from a fixed amount per member. Contributions into the General Fund are reasonably predictable, but outflows are uncertain in timing and amount. Net cash-flows into the General Fund are not predictable in timing and amount.

## Investment objectives of Funds

- 1) The long term objective (rate of return expectation of the Funds) is to achieve a rate of return over four-year moving time periods, net of investment management fees, at least equal to the rate of inflation (Consumer Price Index) plus 2.75%
- 2) The secondary objective of the Funds is to achieve a rate of return over four-year moving time periods, net of investment management fees, higher than Benchmark Portfolio as described below

### *Funds' Benchmark Portfolio*

<u>Asset Class</u>	<u>Weight</u>	<u>Index</u>
Short-term securities	5%	DEX 91-Day T-Bill Index
Fixed Income securities	35%	DEX Universe Bond Index
Canadian equities	30%	S&P/TSX Capped Composite Index
Foreign equities	30%	Morningstar Developed Markets Large-Mid Cap Index

## **Fund manager investment objectives**

The Fund Manager is chosen by decision of the National Executive.

He manages all assets as per the Funds' investment objectives.

## **Asset mix constraints and rebalancing**

The asset mix constraints (based on the market value) of the Funds are as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Short-term securities	3%	12%
Fixed income securities	25%	45%
Foreign equities	10%	35%
Canadian equities (including REITS)	15%	35%
Total equities (including REITS)	30%	70%

The 12% limit on short-term securities will not apply to those assets if held for relatively short periods of time for purposes of reinvestment only.

The Fund Manager will manage the Funds within the asset mix constraints described above, including cash-flows into and out of the Funds. The Fund Manager is able to breach the above asset mix constraints for a short period of time if there is an unplanned high outflow from the Defence Fund or General Fund. The Fund Manager will notify on short-notice the National Secretary-Treasurer if this occurs and together they will develop a plan to re-balance the Funds within the asset mix constraints, pending approval from the National Executive.

## **Investment constraints**

The combined cash and bond investments in the securities of any one issuer will not be more than 5% of the total market value of all cash and bond investments held by the Funds, unless the issuer is the Government of Canada or any province of Canada with at least a credit rating of A (low) from Dominion Bond Rating Service or equivalent, or unless such securities are guaranteed by one of those entities.

No single equity investment will represent more than 10% of the market value of all equities held in each of the Canadian equity portfolio or foreign equity portfolio.

Within the foreign equity portfolio, investment in emerging markets (as defined by MSCI) is allowed up to 15% of the market value of the foreign equity portfolio.

The National Executive requires that 80% of the Funds' investment holdings are to be liquid at all times, i.e. able to be converted into cash within 5 business days. The remaining 20% of the Funds' holdings should be reasonably liquid, i.e. able to be converted into cash within 3 months. No investments are allowed in direct real estate, mortgages, hedge funds or infrastructure, including pooled funds holding these asset categories.

## Permitted investment categories

Fixed Income:	Bonds and debentures. All fixed income securities are to be issued in Canadian dollars by Canadian organizations.
Equities:	Common shares and preferred shares, including real estate investment trusts issued in Canadian dollars by Canadian organizations.
Cash:	Cash on hand, demand deposits, treasury bills, short-term notes and bankers' acceptances, term deposits and guaranteed investment certificates. All cash investments are to be issued in Canadian dollars by Canadian organizations.
Derivatives:	No derivative investments are permitted in the Funds.
Pooled funds, Mutual funds:	Any pooled funds and mutual funds consisting of investments that are otherwise eligible under this Statement.

## Quality constraints:

- Investments in Canadian bonds and debentures will be rated at least BBB (low) by Dominion bond Rating Service (DBRS) or equivalent (at the time of purchase). If a bond held in the Funds is downgraded below BBB (low), the Fund Manager holding the bond will sell the bond within a 6-month period at the appropriate time to minimize any loss to the Funds.
- No more than 10% of the market value of the total fixed income portfolio may be invested in BBB bonds and debentures.
- If applicable, investments in term deposits and guaranteed investment certificates will be made in accordance with the Standards of Practice established by the CFA Institute
- Investments in Canadian and non-Canadian equities will be made in accordance with the Standards of Practice established by the CFA Institute, and will be restricted to shares listed on a prescribed stock exchange or other recognized trading facility.
- Investments in short-term notes and treasury bills will be rated at least R-1 (low) by Dominion Bond Rating Service or equivalent.

If there is a discrepancy between this Statement, and the investment policy (or equivalent documents) of the pooled funds held by the Fund pertaining to the constraints and limits, the National Executive will review the constraints and limits governing the pooled funds and accept the constraints and limits of the pooled funds in lieu of those in this Statements so as to avoid conflict. The Fund Manager will notify the National Secretary-Treasurer immediately of any changes to their pooled fund investment policies.

## **Socially responsible investment**

The Fund Manager will invest all Fund assets in a socially responsible manner, incorporating financial, corporate governance, social and environmental criteria in all investment decisions.

Preference should be given to investing in securities of companies that:

- Do not employ anti-union policies;
- Promote occupational health and safety;
- Provide equal employment and opportunity; and
- Do not engage in child labour practices.

The National Secretary-Treasurer will review the portfolio of securities quarterly and provide feedback to the Fund Manager on any securities that do not meet the socially responsible philosophies of COPE.

The following investments are not permitted:

- Securities of banks, unless they are unionized and their investments are aligned with socially responsible investing
- Securities of companies that derive a majority of their revenues from sale of any of the following:
  - o Tobacco
  - o Nuclear power
  - o Military weapons

## **Delegation of voting rights**

SEAMARK is delegated the responsibility of exercising all voting rights acquired through the Funds' investments. SEAMARK, with the acceptance of COPE, has delegated proxy voting to the Shareholder Association for Research and Education ("SHARE"). The Fund Manager will provide them with all information and assistance they require to vote the Fund's proxies.

SHARE will report the following annually to the National Secretary-Treasurer:

- A written summary of all voting matters; and
- Any changes in their proxy voting policy.

## **Conflicts of interest and related party transactions**

The Fund manager must notify the National Secretary-Treasurer in writing as soon as any actual or perceived conflict of interest arises. Conflicts of interest specifically include, but are not limited to, the selection of investments and the determination of the actual asset mix between investments.

Where an actual or perceived conflict of interest arises or may exist, the person with such conflict may not act with respect to any matter for which such conflict exists unless the National Secretary-Treasurer expressly requests it. The National Secretary-Treasurer will report all conflicts of interest to the National Executive.

The Funds of Fund Managers may not enter into any transactions with parties related to COPE or the National Executive.

## **Valuation of investments**

In all cases securities held by the Funds will have an active market, in which case the valuation of those securities will be based on their market values.

## **Borrowing**

The Funds or Fund Manager may not borrow cash or securities or enter into short-selling transactions.

## **Fund manager reporting and meetings**

Fund Managers shall provide quarterly reports to the National Secretary-Treasurer and shall meet with the National Executive annually. The Fund Manager's reports and presentations will include:

- A market commentary
- A comparison of returns compared to the Fund Manager benchmarks
- Attribution analysis of the reasons for value-added compared to the Fund Manager benchmarks
- Update on any significant changes to the firm's ownership, structure or investment personnel
- An annual statement of compliance with all restrictions in this Statement
- A review of historical investment decisions and future investment strategies