



**Bruce Trail Conservancy Investment Funds  
Statement of Investment Objectives, Policies and Procedures**

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## **Section 1 Purpose and Background**

### **1.1 Introduction**

The purpose of this Statement of Investment Objectives, Policies and Procedures is to document the investment philosophy, principles and policies of the Bruce Trail Conservancy (“BTC”) for the various Funds. These Funds are collectively referred to as the Portfolios. This document is to demonstrate prudent management of the Portfolios and provide a framework for the BTC investments.

### **1.2 Description of Portfolios**

The Portfolios are organized into a set of Funds with each Fund carrying out a separate purpose within the organization. The purpose of this separation is to provide both clarity for staff and transparency for donors and members.

The Fund structure is designed to align with the overall strategy and mission of the BTC. The BTC shall, at a minimum, establish and maintain the Funds as described below.

- Conservation Fund - To execute the mission of the BTC.
- Capacity Fund - To support
  - the operational requirements of executing the mission of the BTC, and
  - the recording of membership fees and related membership activities.
- Contingency Reserve Fund - To ensure the continuity of the BTC during a crisis.
- Land Stewardship Reserve Fund - To ensure that, should the BTC be dissolved, the land it has secured and owns at the time of its dissolution may be stewarded in perpetuity.
- Trail Development & Maintenance Fund - To ensure that funds are available for the long-term and ongoing development and maintenance of the Bruce Trail.

For internal management purposes and to facilitate segregation of donor designated monies certain of the Funds may be divided into sub-funds.

Additional Funds or changes to the structure must be proposed to or by the Finance & Risk Committee together with the rationale thereto for review and recommendation to the Board of Directors for approval.

## **Section 2 Investment Guidelines**

### **2.1 General Investment Guidelines**

The general investment guidelines are:

- Preservation of capital
- Generate income and total return as defined for each Fund
- Generate growth in inflation-adjusted terms to preserve the real value of the Portfolio
- Follow prescribed risk tolerance as defined for each Fund
- There shall be no leverage used in the Portfolio
- Minimize tax consequences to the BTC
- No more than 10% of the total portfolio may be invested in a single issuer excluding government bonds.

## 2.2 Permitted Investments

Investments are permitted only in the following asset classes and are subject to the following constraints.

### Cash or Equivalents

- Cash includes cash balances in accounts.
- Cash equivalents include term deposits/GIC's, Treasury Bills, Bankers Acceptances or commercial paper with a minimum R-1 low rating.
- Term deposits/GIC's may be purchased from CDIC insured institutions. Should holdings of term deposits/GIC's exceed the CDIC insurability maximum, the Finance & Risk Committee shall be informed of the value and intended purpose.

### Fixed Income

- No more than 50% of the market value of the fixed income portfolio may be corporate/government issuers.

<u>CLASS</u>	<u>PERMITTED RANGE</u>	<u>TARGET</u>
Government	Bonds 40-60%	50%
Corporate	Bonds 40-60%	50%

- At least 85% of the corporate issuers must be investment grade (rated BBB or higher).
- At least 75% of the fixed income must be denominated in Canadian dollars.

### Equity

- Equity investments shall be in common shares of any security listed or publicly traded corporation upon a recognized stock exchange

Investments may be held in pooled or mutual funds, provided the funds are consistent with the investment philosophy.

There shall be no investments in hedge funds, private real estate, venture capital or in personal property such as works of art, jewellery, etc. (N.B. Although private real estate may not be held as an investment, it may be held by the BTC as an asset to meet its mission to establish a conservation corridor along the Niagara Escarpment.)

The Fund Manager's compliance certificate as required by Section 10.3 shall address compliance with each of these permitted investment parameters.

## Section 3 Conservation Fund - Investment Objectives and Policies

### 3.1 Fund Description

This Fund is used in preparation for land purchases to acquire the remainder of the Optimum Route. The requirements of this fund are established annually with the budget and adjusted during the fiscal year depending upon the availability and timing of land for securement, other "mission based programs", and related fundraising. These monies can be accessed in accordance with the Board approved budget together with any updates during the financial year.

### 3.2 Purpose and Components

There are two sub funds to this Fund; land securement and programs. These two parts shall be

monitored separately internally but reported jointly externally. Revenue is comprised of third party donations, sponsorships and grants.

Land securement expenditures:

- Land securement
- Ancillary expenses associated with land securement

Programs expenditures:

- Fundraising
- Land stewardship/management
- Member and public outreach
- Marketing
- Trail development and maintenance
- Volunteer management

### **3.3 Portfolio Objectives**

- 1 To preserve capital
- 2 To be highly liquid in order to meet the BTC's liquidity needs for upcoming land purchases.
- 3 To obtain a reasonable level of return commensurate with risk, terms and liquidity.
- 4 To outperform the FTSE 91-Day T-Bill Index on an annual basis.

### **3.4 Asset Allocation**

The asset allocation permitted for the Conservation Fund is a mix of cash or equivalents and short term bonds.

### **3.5 Risk Tolerance**

The risk tolerance for the Conservation Fund is low.

The Fund includes primarily donations, grants and sponsorships for land securement and mission based programs. Preservation of capital and availability is key.

### **3.6 Liquidity**

Liquidity needs are high. To date, the Conservation Fund has rarely had sufficient value and/or tenor to utilize investments with the Fund Manager and has held GICs instead. Should this situation change, ability to access is a high priority in order to meet land purchase or program requirements as they arise.

## **Section 4 Capacity Fund - Investment Objectives and Policies**

### **4.1 Fund Description**

The requirements of this Fund are established annually through the budget. Many of the items within this Fund are established revenues and expenditures that cannot generally be adjusted throughout the year. Given the possibility of a timing difference between receipt of funds and settlement of expenditures, enough total cash assets should be held within this Fund to cover a proportion of budgeted expenditures for the period July through October each year. The Fund balance required for the fiscal year, as calculated using the approved budgeted expenditures noted in Section 4.2 for the year, shall be reported as per Section 10.5. These surplus funds may be accessed in accordance with the

budget together with any updates during the financial year.

#### **4.2 Purpose and Components**

This Fund records membership activities. Revenue is derived from dues, donations and product sales. Expenditures are with respect to:

- Club membership
- Salaries & benefits in the Capacity Fund budget
- Property Taxes and Land Management
- Administration
- Occupancy
- Office & IT Equipment and subscriptions
- Professional fees related to audit and investments
- Insurance
- Any other expenditures added to the Capacity Fund budget

#### **4.3 Portfolio Objectives**

- 1 To preserve capital
- 2 To be highly liquid in order to meet the BTC's liquidity needs for annual membership activities.
- 3 To obtain a reasonable level of return commensurate with risk, terms and liquidity.
- 4 To outperform the FTSE 91-Day T-Bill Index on an annual basis.

#### **4.4 Asset Allocation**

The asset allocation permitted for the Capacity Fund is a mix of cash or equivalents and short term bonds:

#### **4.5 Risk Tolerance**

The risk tolerance for the Capacity Fund is low.

The Fund includes membership fees and revenue from sale of merchandise. Availability must be considered; however, there is less emphasis on preservation of capital given source of funds.

#### **4.6 Liquidity**

Liquidity needs are high. To date, the Capacity Fund has rarely had sufficient value and/or tenor to utilize investments with the Fund Manager and has held GICs instead. Should this situation change, ability to access is a high priority in order to meet annual membership activity requirements.

### **Section 5 Contingency Reserve Fund - Investment Objectives and Policies**

#### **5.1 Fund Description**

The purpose of this Fund is to ensure the continuity of BTC operations during a crisis. The level of coverage should be reviewed annually in conjunction with the preparation of the budget. The Contingency Reserve Fund coverage level calculation noted in Section 5.2 is reported as per Section 10.5. Should an adjustment be required as part of the annual review, then the Contingency Reserve Fund shall be adjusted to this level as soon as possible and in accordance with Section 8.2.

The full Board shall determine whether there is a crisis by simple majority in order to access the reserve

funds. A crisis may be identified by but is not limited to an inability to meet financial obligations.

At the time of the request to utilize monies from the Contingency Reserve Fund, management must provide plans and a timeframe for the return of the funds borrowed from the Contingency Reserve Fund. In general, monies taken out of the Contingency Reserve Fund should be repaid within a period of 3 years from the month of the final installment of funds taken from the reserves.

## 5.2 Purpose and Components

This fund shall cover the costs of the organization during a crisis as defined by the Board of Directors. Expenditures are with respect to those amounts necessary for the continuity of minimal essential BTC operations and ongoing mandatory costs during a crisis, and include:

- Salaries and benefits
- Administration of the organization
- Fundraising
- Land Management
- Land Stewardship
- Communications
- Member services
- Trail Development & Maintenance to the extent that these expenditures are not covered by outflows from the Trail Development & Maintenance Fund
- Volunteer Management
- Insurance premiums
- Investment expense

## 5.3 Portfolio Objectives

- 1 To preserve capital
- 2 To keep up with inflation.
- 3 To obtain a reasonable level of return commensurate with risk, terms and liquidity.
- 4 To outperform a blended benchmark of the target (55% FTSE Canada 91 Day T-bill Index and 45% FTSE Canada Universe Bond Index) over a 3-5 year time period.

## 5.4 Asset Allocation

The asset allocation permitted for the Contingency Reserve Fund is:

Class	Permitted Range	Target
Cash or Equivalent	40-70%	55%
Bonds	30-60%	45%
Canadian Equities	0%	0%
Foreign Equities	0%	0%

## 5.5 Risk Tolerance

The risk tolerance for the Contingency Reserve Fund is low.

The purpose of this Fund is to be there in a crisis; need to preserve the capital of the Fund so as to ensure continued coverage at the level calculated according to Section 5.2 above.

## 5.6 Liquidity

It is unknown when the BTC may need to access the Contingency Reserve Fund and it is doubtful that the entire coverage would be required at a single point in time. Accordingly, there is a portion of the portfolio that requires high liquidity with the remainder having a medium liquidity requirement.

## Section 6 Land Stewardship Reserve Fund - Investment Objectives and Policies

### 6.1 Fund Description

The purpose of this Fund is to conform to industry standards and compliance requirements for land trusts, and to ensure that there are dedicated long-term stewardship funds available to manage properties long term, including funds for liability insurance, maintenance, improvements, monitoring, enforcement and other costs associated with stewardship of the land. The returns of the Land Stewardship Reserve Fund should cover the costs for the land to be stewarded long term. The value of this Fund will vary over time as the BTC acquires more land to steward and the costs of stewardship fluctuate. The Fund balance shall consist of 10% of the purchase price of all land purchased after the start of this Fund plus the reinvested net investment return. Reporting of the Fund balance shall be as outlined in Section 10.5.

### 6.2 Purpose and Components

This is the fund that shall cover the costs of stewarding the land in perpetuity should the BTC be dissolved.

### 6.3 Portfolio Objectives

- 1 To preserve capital
- 2 To generate a sufficient return to cover estimated stewardship requirements. This should be an absolute return of 5% or greater in excess of inflation on an annual basis.
- 3 To outperform a blended benchmark of the target (60% S&P/TSX Composite index + 20% S&P 500 index +20% MSCI EAFE index) over a 3-5 year time period.

### 6.4 Asset Allocation

The asset allocation permitted for the Land Stewardship Reserve Fund is:

Class	Permitted Range	Target
Cash or Equivalents	0-10%	0%
Bonds	0-10%	0%
Canadian Equities	50-70%	60%
Foreign Equities	30-50%	40%

### 6.5 Risk Tolerance

The risk tolerance of the Land Stewardship Reserve Fund is High.

### 6.6 Liquidity

Liquidity needs are low; returns should be reinvested in the portfolio in accordance with Section 8.2



until such time as the required balance, as calculated above, is achieved. Any investment returns not required to maintain the required balance as calculated in Section 6.1 above can be drawn upon to fund land stewardship costs.

**Section 7 Trail Development & Maintenance Reserve Fund - Investment Objectives and Policies**

**7.1 Fund Description**

The purpose of this Fund is to ensure that funds are available for the long-term and ongoing development and maintenance of the Bruce Trail. The returns of the Trail Development and Maintenance Reserve Fund should contribute to the costs to develop and maintain the Bruce Trail. The value of this Fund will vary over time as the BTC secures and establishes the Bruce Trail and efforts shift to maintenance over establishment of trail. The targeted Fund balance shall be calculated as noted in Section 7.2 and reporting of the Fund shall be as per Section 10.5.

**7.2 Purpose and Components**

This is the Fund that shall contribute to costs of developing and maintaining the Bruce Trail. The returns generated from the balance of the Fund should be the amount necessary to support one year of trail development & maintenance expenses as per the approved annual budget. Expenditures include:

- Repairs and replacement to bridges, boardwalks, fencing, parking lots, and other similar structures
- Signage for safety and wayfinding
- Travel costs for people performing trail development and maintenance
- Salaries/benefits for staff performing or overseeing trail development and maintenance
- Mapping software subscriptions
- Any other expenditures added to the Trail Development & Maintenance Fund budget

**7.3 Portfolio Objectives**

- 1 To preserve capital
- 2 To generate a sufficient return to cover estimated trail development and maintenance requirements. This should be an absolute return of 5% or greater in excess of inflation on an annual basis.
- 3 To outperform a blended benchmark of the target (60% S&P/TSX Composite index + 20% S&P 500 index +20% MSCI EAFE index) over a 3-5-year time period.

**7.4 Asset Allocation**

The asset allocation permitted for the Trail Development and Maintenance Reserve Fund is:

Class	Permitted Range	Target
Cash or Equivalents	0-10%	0%
Bonds	0-10%	0%
Canadian Equities	50-70%	60%
Foreign Equities	30-50%	40%

## **7.5 Risk Tolerance**

The risk tolerance of the Trail Development and Maintenance Reserve Fund is High.

## **7.6 Liquidity**

Liquidity needs are low; initially returns should be reinvested in the portfolio in accordance with Section 8.2 until such time as the required balance, as described in Section 7.2 above, is achieved. When there is a sufficient balance in the Fund to access the returns, the liquidity needs will be medium and the investment asset allocation adjusted to lower the proportion of equities and raise the proportion of cash or equivalents.

## **7.7 Trail Development and Maintenance Fund 1182 & 1183 Endowment**

In conjunction with the creation of the Trail Development and Maintenance Fund, the BTC will establish a single endowment (“Endowment”) consisting initially of funding assets donated by the Dana-Zara Fund held with Charitable Gift Funds Canada Foundation within this fund. The BTC may also accept other donations to add to this Fund. Any donations coming into the endowment will form part of the endowment principal, which will be maintained in perpetuity. Distributions of earnings from the endowment may be paid quarterly or semi-annually, or as the Board may decide. Distribution of earnings will only be made if the current Fund balance is at or above the amount of principal contributed to the endowment. Fund distributions shall only be applied to trail development & maintenance expenses in accordance with Section 7.2 and pursuant to the strictly prescribed purposes and rules to be a part of the Endowment governing documents defined within the initiating donation agreement.

# **Section 8 General Investment Guidelines and Operational Matters**

## **8.1 Third Party Borrowing**

The BTC may have an operating line of credit available but should not utilize it without prior approval of the Board.

Inter-fund borrowing is permitted with the approval of the Finance & Risk Committee.

External borrowing, other than the operating line of credit, must be for specific circumstances and be subject to advance approval from the Board of Directors.

## **8.2 Priority of Application of Receipts**

When in receipt of monies, staff should allocate according to the following, unless otherwise approved by the Board of Directors.

- 1 All investment returns generated by the Land Stewardship Reserve Fund shall be reinvested in the Land Stewardship Reserve Fund.
- 2 Any designated funds shall be applied to the Fund that supports the underlying purpose to which the funds were designated.
- 3 Any undesignated bequests received shall be applied to the Conservation Fund land securement sub fund.
- 4 Any other funds shall be applied in the following order:
  - a. Conservation Fund’s programs sub fund until such time as the budget is met
  - b. Capacity Fund until such time as the budget and Fund balance as described in Section 4.1

- are met
- c. Contingency Reserve Fund until such time as the coverage level is met
- d. Conservation Fund's land securement sub fund

### **8.3 Conflict of Interest**

No investments shall be made in issues where a conflict of interest situation may arise between the Fund Manager and the issuer.

## **Section 9 Responsible Investing**

### **9.1 Introduction**

The BTC acknowledges that first and foremost, maximizing economic return consistent with its stated risk tolerance should be the criterion for purchase and sale of investments in all normal circumstances. The BTC shall endeavor to invest in assets that are considerate of environmental, social, and governance ("ESG") ethics consistent with the mission of the BTC.

### **9.2 Responsible Investment Strategy**

Should there be concerns about certain sectors, then there should be a means of communication between the Membership and Staff as well as Staff and the Fund Managers to ensure that investments are not in companies that have egregious issues and non-ethical behavior.

The BTC recognizes that resource extraction is an important element in Canada's economy, and therefore should not completely rule out investments in these sectors. However, all our investments should be responsible. Therefore, investments in resource extraction should be carefully considered by the Fund Manager and if there is a question as to the company's conduct, consultation with BTC Staff is required. This should be the course of action for any potential investment; other industries that have particular sensitivities are:

- Armaments, including both defense industries and arms manufacturers.
- Tobacco manufacturing and distribution.
- Oil and natural gas extraction
- Energy distribution
- Mining
- Forestry
- Fisheries
- Chemicals manufacturing

Considerations that should be made when investing in these industries are:

- Having a strategy in place to reduce carbon emissions.
- Having an active remediation program to offset environmental impact.
- Having an active program to achieve sustainability.
- Having a good reputation for environmental responsibility.
- Having good relationships with First Nations.
- Being a member of associations such as the Forest Stewardship Council
- Supporting national interests (e.g. Defence industries in times of war)

### **9.3 Monitoring Fund Managers**

Given the relatively small size of the Portfolios, and that the investments may be held in pooled vehicles, it may not be practical at this time for the BTC to directly purchase securities based on ESG factors. Instead, the Finance & Risk Committee will monitor the Fund Managers it hires to manage the Portfolios on how they integrate ESG factors into their portfolio building process.

The framework by which the Finance & Risk Committee monitors its Fund Managers is based on:

- The Fund Manager's commitment to ESG resources
- Signatory of the United Nations – supported Principles for Responsible Investment Initiative (UNPRI)
- Transparency of process, including selection of securities
- Evolution and advancement of the Fund Manager expertise in ESG consideration
- Policies and practices around the Fund Managers' shareholder engagement activities, as part of an overall responsible investing strategy. Fund Managers are to assess companies' management practices in contributing to the long-term health of each investee company

The Fund Managers may provide the Finance & Risk Committee with a list of potential contentious investments at any time. Management and the Finance & Risk Committee will take a view as to whether the investment is appropriate and with the input of the Board, take steps to divest or hold as determined appropriate.

To the extent available, the Fund Managers shall provide the ESG ratings of the investments together with their compliance certificates required under Section 10.2.

### **9.4 Advocacy and Collaboration**

The Finance & Risk Committee may determine at any time that any corporation (including one that is not Restricted) is not a suitable investment for the Portfolio at which time, divestiture of the Fund shall be undertaken.

### **9.5 Divestment**

The BTC leaves the decision to exclude a security to the Fund Managers hired to manage a portion of the Portfolios, as they possess the necessary expertise and information to make the decision that is in the best interest of the Portfolios.

### **9.6 Disclosure**

The BTC will make available to the Membership, upon request, the most recent list of publicly traded investments of the Portfolios, subject to blackout periods imposed by the underlying Fund Managers.

## **Section 10 Governance**

### **10.1 Finance & Risk Committee**

The Board may be assisted in its monitoring and oversight responsibilities by the Finance & Risk Committee. This committee has been mandated to "Review, develop and recommend investment strategy to the Board of Directors".

The Finance & Risk Committee is responsible for the semi-annual review of reports of compliance with

this policy prior to this reporting being provided to the Board.

## **10.2 Fund Managers**

Independent Fund Manager(s) shall be responsible for day-to-day management of and execution of investments. This includes, but is not limited to:

- Evaluating market conditions
- Assisting in the development of investment plans
- Developing and executing strategies
- Executing trades
- Providing trade contract confirmations and investment account statements
- Preparing quarterly and year-end reports
- Providing written market commentary, at least quarterly
- Scheduling regular updates, (annually) with the Chair(s) of the Finance & Risk Committee
- Being available to comment in the event of large market volatility
- Rebalancing the portfolio as required

The Fund Manager shall provide a compliance certificate no less than annually that shall include but not be limited to:

- Attestation as to compliance with each of Sections 2 and 9 of this policy.
- Proxy votes on behalf of the BTC.
- Additionally, the Fund Manager shall regularly provide details of performance relative to the objectives of each portfolio.

## **10.3 Safekeeping and Custody**

To safeguard the investment assets of the BTC, securities owned by the BTC, but not included under an agency agreement with a recognized custodian shall be held in the custody of a Charter 1 bank or financial institution.

## **10.4 Fiduciary Responsibilities**

The Board of Directors, under the Trustee Act of Ontario, are deemed to be the Trustees of the assets of the BTC. As such, the Board of Directors are in a fiduciary relationship with the BTC.

## **10.5 Monitoring and Reporting**

The Director of Finance shall be responsible for maintaining the books and records related to the BTC's investments. Investments relating to restricted funds including any endowments must be segregated from those relating to other Funds of the BTC.

The Director of Finance shall report on the status of the BTC Portfolios to the Finance & Risk Committee and the Board of Directors twice annually or at such other times where market conditions or investment management performance warrants more frequent reporting or at the request of the Finance & Risk Committee or the Board of Directors. Such status will include but not be limited to:

- target fund balances as calculated based on the approved budget for the fiscal year (as applicable)
- allocation of undesignated revenues
- asset allocation
- return on investment (ROI)
- monitoring of the Fund Manager for integration of ESG factors

- status of the various portfolios including any rebalancing needed
- proxy votes on behalf of the BTC and the compliance certificate
- any other metrics or aspects the Finance & Risk Committee deems necessary at that time

Reports on the investments held, including details of investment type, performance by asset category, term to maturity, interest rate/rate of return, purchases, sales, interest and dividends received, fees paid, etc., shall be prepared and provided by the Fund Manager to the Director of Finance not less than at the end of each calendar quarter.

#### **10.6 Review and Amendment**

The Finance & Risk Committee is responsible for the annual review and revisions to this policy, with any changes being presented to the Board of Directors for approval.