



The Equality Fund Initiative Investment Policy Statement for the Equality Fund Government Investment Pool

Approved by Toronto Foundation Board of Directors September 29, 2022

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ACRONYMS AND ABBREVIATIONS

BoD	Board of Directors of Toronto Foundation
CIO	Chief Investment Officer
CFA	Chartered Financial Analysts
DBRS	Dominion Bond Rating Service
EF	Equality Fund
EF BoD	Equality Fund Board of Directors
EFISC	Equality Fund Initiative Investment Sub-Committee
EFEIP	Equality Fund External Investors Investment Pool
EFGP	Equality Fund Government Investment Pool
ESG	Environment, Social and Governance
GOC	Government of Canada
INITIATIVE	Equality Fund Initiative
IFC	International Finance Corporation
IPS	Investment Policy Statement
ODA	Official Development Assistance
SDGs	Sustainable Development Goals
SRI	Socially Responsible Investments
TF	Toronto Foundation
TF IC	Toronto Foundation Investment Committee
WUSC	World University Service of Canada

The Equality Fund Initiative
Investment Policy Statement
The Equality Fund Government Investment Pool ¹

1. Description of the Equality Fund Initiative (“the Initiative”)

1.1 Purpose and summary description

“In May 2018 Canada issued a call to action to create a partnership between the private sector, philanthropists and civil society organizations to establish a first of its kind partnership to mobilized unprecedented levels of resources for women’s organizations and movements in support of advancing gender equality and the empowerment of women and girls in ODA countries.

The primary mandate is to create a sustainable source of funding in the form of grants and other type of funding, technical assistance, institutional strengthening, and network building to strengthen women’s organizations and movements that advance women’s rights, gender equality and the empowerment of women and girls in developing countries and operate at local, national, regional, and global levels.

The Consortium will sustain this core mandate by (1) mobilizing, receiving and managing financial contributions from governments, individuals, philanthropic foundations, the private sector and other donors; and (2) generating additional financial resources through investing, including gender lens impact investing in line with the overall goals of the Initiative. The Returns from these investments shall contribute to the sustainability of the Initiative over time, while gender lens impact investing shall contribute to gender equality outcomes. In addition, all investments will apply a gender lens using an established gender lens standard.”

¹ Words in italics are extracted directly from the Contribution Agreement (“CA”) with the Government of Canada

The intended outcomes and beneficiaries that would be positively impacted by the gender-lens investments are outlined in Annex D.

The primary objective of the Investment Fund² is to produce an ongoing source of income for the Program.

It is expected that the Investment Fund will produce sufficient income to the Program so that, when combined with funding from other sources including \$155 million in fundraising, at least \$300 million can be provided in direct flows to women's organizations and women's funds over 15 years.

The investment portfolio will include impact investing, namely investing that, in addition to generating Returns, seeks to intentionally and measurably address gender disparities. This should be included in the Investment Policy Statement, and reporting on the investments should include reporting in line with gender lens investing industry standards and best practices.

The Investment Fund would: achieve a level of investment income that enables the Initiative to deliver a more ambitious level of direct flows to women's organizations and women's funds than described above and; maximize the gender lens investing in terms of depth of gender equality impact and proportion of funds allocated.

In June 2019, the Initiative was awarded a \$300M contribution from GOC, aimed at mobilizing significant capital to support gender equality in Canada and internationally. The parties ("the Parties") to a consortium ("the Consortium") selected by GOC to implement and manage this Initiative, are the following:

- Equality Fund ("EF"), formerly MATCH International Centre;
- Toronto Foundation ("TF or the Foundation"); and
- World University Service of Canada ("WUSC").

In August 2019, a Contribution Agreement ("CA") was executed by GOC and the Parties to the Consortium.

² Defined term in the CA: "means the Capital, plus associated Returns, which together constitute each of the investment portfolios"

This CA outlines the Parties' accountabilities, noting that TF's *"role in the governance mechanisms of the Initiative allows TF to exercise complete authority over the [GOC] Contribution"*. The CA includes *"Business Model: Management of Investment Fund and Allocation of Funds to Equality Fund"*, (see Appendix A) and *"Principles and Parameters for Investment"*, (see Appendix E) that require adherence.

The Initiative will mobilize additional capital from investors interested in the Initiative's impact and gender-lens investment strategy.

1.2 The Initiative Capital Pools

The Initiative is expected to have two inflows of capital:

- The Equality Fund Initiative Government-funded Investment Pool ("EFGP" or the "Portfolio")

The \$300M contribution from GOC will flow to and be held by TF, with accountability and oversight resting with TF's senior management, TF's Investment Committee ("TF IC"), the Equality Fund Initiative Investment Sub-Committee ("EFISC") and TF's Board of Directors ("BoD"). The EF Board is accountable for providing direction on investment strategy.

The CA provides a process by which EF may assume these investment accountabilities for EFGP in the future.

- The Equality Fund Initiative External Investors Investment Pool ("EFEIP")
Accountability and oversight for the EFEIP rests with the EF. The EFEIP will adhere to the same investment principles, restrictions and parameters as are detailed in this Investment Policy Statement ("IPS").

2. Investment Principles

As described in the CA:

"The primary objective of the [EFGP] Investment Fund is to generate sufficient returns to support the ongoing grant-making activities as a key source of income for the Initiative.

The investment portfolio will include impact investments, namely investing that, in addition to generating returns, seeks to intentionally and measurably address gender disparities ... reporting on the investments should include reporting in line with gender lens investing industry standards and best practices.

The Investment Fund will:

- a. generate sufficient returns to support the ongoing grant-making activities of the Program as a key source of Program income;*

- b. *address gender equality through an ambitious approach to gender-lens investing, maximizing the depth of gender equality impact, the proportion of funds allocated to gender equality impact investing, and the strength of the gender-lens screening process which is applied to all investment strategies;*
- c. *maintain appropriate liquidity to achieve the primary objective of the Investment Fund (to generate sufficient returns to support the ongoing grant-making activities as a key source of income for the Program);*
- d. *maintain appropriate levels of risk exposure (in line with the standards of a prudent investor);*
- e. *meet the Program’s objectives of impact alignment, by demonstrating strong social, environmental, and governance impact;*
- f. *be invested and managed according to investment policies, standards and procedures that a prudent person would exercise in making decisions regarding property belonging to others;*
- g. *ensure that the principal amount, that has not been disbursed or committed, be invested in accordance with the Prudent Person Principle; and*
- h. *after meeting the principle of generating income for the grant-making activities, investment decisions shall be made in keeping with the preservation of the principal amount over the long-term.”*

3. Investment Policy Statement

This IPS applies to all of the assets held by the Portfolio. It identifies the key factors bearing upon decisions for the investment assets of the Portfolio and provides a set of written guidelines for the management of the Portfolio’s investment assets.

This IPS supersedes any existing Investment Policy Statement for the Portfolio, and will be reviewed at least annually to ensure that it continues to reflect the Portfolio’s circumstances and requirements.

This IPS will comply with the investment management requirements outlined in the CA. (See Annexes A and E attached to this IPS).

The GOC must be promptly informed of any changes to the IPS.

4. Roles and Responsibilities

4.1 Toronto Foundation Board of Directors

The Board of Directors (“BoD”) has ultimate authority over and responsibility for the Portfolio. To assist it in the performance of its duties and to ensure that the Portfolio meets its objectives, the BoD will:

- a. appoint the members of the TF IC;
- b. appoint TF’s members of the EFISC;
- c. approve the terms of reference of the TF IC and EFISC;
- d. receive TF IC’s recommendations with respect to the Portfolio’s strategy and IPS and re-approve or amend the IPS, as appropriate, on at least an annual basis;
- e. receive and approve the TF IC’s recommendation with respect to the annual funding request for the Equality Fund; and
- f. review all other reports and recommendations of the TF IC with respect to the Portfolio, the CIO and the Custodian, and take appropriate action.

4.2 Toronto Foundation Investment Committee The

TF IC will:

- a. maintain an understanding of legal and regulatory requirements and constraints applicable to the Fund and keep the Board fully apprised of these;
- b. on an annual basis, or more frequently if appropriate, receive and consider the investment strategy recommendations from EF Board of Directors and recommend the Portfolio strategy to the BoD;
- c. on an annual basis or more frequently if appropriate, review the IPS and make appropriate recommendations to the BoD regarding amendments or re-approval;
- d. monitor the performance of the CIO, Investment Managers and Structured Investment Providers and their compliance with the IPS and report on these matters to the BoD on a quarterly basis;
- e. monitor the Portfolio’s performance as well as its compliance with the IPS and with any specialized instructions and mandates the CIO, Investment Manager and Structured Investment Providers have been given and report on these matters to the BoD on a quarterly basis;
- f. monitor the Portfolio’s gender impact performance on an annual basis and report thereon to the BoD;
- g. review and recommend to the BoD, the annual request for funding for the Equality Fund in accordance with the CA as detailed in Annex A;
- h. provide direction to the CIO, when appropriate, on the rebalancing of the Portfolio, as per Section 10 of this IPS;
- i. take appropriate steps to resolve conflict of interest issues as provided for in Section 13 of this IPS;

- j. ensure the Portfolio is continuously managed so as to comply with Annex E;
- k. formulate recommendations to the BoD regarding the selection, engagement or dismissal of a Chief Investment Officer (“CIO”) and Custodian;
- l. formulate specialized instructions and mandates for the CIO, Investment Managers and Structure Investment Providers including any restrictions on the types of assets that may be held in the Portfolio or the choice of asset mix. These instructions and mandates will derive from, reflect and be consistent with this IPS;
- m. set parameters within which the CIO will have discretion to select, terminate, or replace Investment Managers and Structured Investment Providers;
- n. monitor the Portfolio’s financial risks and report any significant financial risks to the BoD, including the consequences of potential significant losses of investments of any part of or the entire Portfolio;
- o. receive and consider advice and recommendations of the EFISC.

4.3 Equality Fund Initiative Investment Sub-Committee

It is a requirement of the CA that TF strike the EFISC, as a sub-committee of TF IC, and that it *“shall include members with demonstrated gender-lens investing experience”*. The EFISC is comprised of members nominated by each of TF and EF. The purpose, duties and responsibilities, membership and meeting requirements are outlined in the EF ISC terms of reference.

The EFISC will:

- a. maintain an understanding of investing requirements, including impact and gender-lens investing, and keep the TF IC apprised of these;
- b. on an annual basis, or more frequently if appropriate, review the strategy recommendations from the EF Board of Directors, the IPS and other investment policies, guidelines and benchmarks and make appropriate recommendations to the TF IC regarding amendments or re-approval;
- c. monitor the performance of the CIO, Investment Managers and Structured Investment Providers and their compliance with the IPS and report on these matters to the TF IC on a quarterly basis;
- d. monitor the Portfolio’s performance as well as its compliance with the IPS and with any specialized instructions and mandates the CIO, Investment Manager and Structured Investment Providers have been given and report on these matters to the TF IC on a quarterly basis;
- e. monitor the Portfolio’s gender impact performance on an annual basis and report thereon to the TF IC;
- f. consider the annual funding request for the Equality Fund in accordance with the CA as detailed in Annex A, and provide a recommendation to the TF IC;
- g. monitor the Portfolio’s financial risks and report any significant financial risks to the TF IC;

- h. meet, at minimum annually, with the Investment Managers and Structured Investment Providers to review both financial and impact performance and to receive advice on strategy;
- i. consider any other investment-related matters which, in the opinion of the EFISC or at the request of the TF IC, would assist TF to meet its responsibilities as prudent investors, including:
 - i. providing advice on the rebalancing of the Portfolio in line with the strategic direction and in compliance with the IPS;
 - ii. formulating specialized instructions and mandates of the CIO, Investment Managers, or Structured Investments Providers including any restrictions on the types of assets that may be held within their allocation or the choice of asset mix, consistent with the IPS; and
 - iii. monitoring financial risks and reporting significant risks for the Portfolio to the TF IC.

4.4 Chief Investment Officer

The Chief Investment Officer (“CIO”) will:

- a. provide the TF IC with information required for the oversight of the Portfolio, advice and, as required, recommendations on:
 - i. Portfolio’s asset allocation, and
 - ii. Investment Manager, Structured Investment Provider and Custodian selection and structures;
- b. provide input to the EF ISC regarding strategy direction;
- c. on an annual basis, or more frequently if appropriate, provide the TF IC with advice on the advisability of re-approving or amending the Portfolio’s IPS as well as any specialized instructions and mandates for Investment Managers and Structured Investment Providers;
- d. monitor performance of Investment Managers and Structured Investment Providers in achieving the Portfolio’s overall investment principles, their operational effectiveness, ethics as well as their compliance with the IPS, any specialized instructions and mandates, and individual agreements;
- e. ensure that all transactions are completed on a ‘best execution’ basis;
- f. immediately review any Investment Manager or Structured Investment Provider that surpasses the threshold for acceptable losses;
- g. provide a Portfolio impact report in accordance with 11.1(c);
- h. monitor and reallocate within predetermined limits the Portfolio’s asset allocation among the Investment Managers, Structured Investment Providers and/or asset classes;
- i. monitor the conditions in the overall foreign exchange market and implement hedging when considered appropriate;
- j. in the event a situation of non-compliance with this investment policy statement arises, to promptly report such situation to the Foundation and to responsibly rectify it;
- k. obtain input from the Investment Managers and Structured investment Providers regarding strategy direction and IPS changes;

- l. provide administrative assistance with respect to the receipt or disbursement of monies to/from the Portfolio and act as a liaison between TF and the Custodian, Investment Managers or Structured investment Providers in this connection;
- m. provide regular reports to the EF ISC, the TF IC and/or TF BoD as provided for in this IPS;
- n. provide information and advice with respect to developments that might affect Investment Managers' or Structured investment Providers' performance, risk characteristics and service capabilities;
- o. meet with the EF ISC, the TF IC, and/or BoD on a regular basis, as determined by TF's requirements;
- p. fulfill the Investment Manager responsibilities outlined in Section 4.5 for that portion of the Portfolio not allocated to other Investment Managers;
- q. have in place an appropriate policy on retention or delegation of voting rights acquired through investments and adhere thereto;
- r. exercise the care, skill and diligence that can reasonably be expected of a prudent person and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct;
- s. provide accurate and timely monthly financial reports to TF; and
- t. fulfill their fiduciary responsibilities.

4.5 Investment Managers³

The Investment Managers will:

- a. handle the day-to-day investment management of the Portfolio's allocation for which they have been given responsibility, subject to the IPS and any amendments thereto, as well as any specialized instructions and mandates given and their individual agreements;
- b. select instruments within the asset classes assigned to them, subject to applicable guidelines, legislation, and constraints set out in this IPS;
- c. monitor and reallocate within predetermined limits the Portfolio's asset allocation, based on the characteristics of the asset class engaged;
- d. provide the CIO with information related to financial and portfolio-level performance, inclusive of risk exposure, investment selection and other product- management related functions, as requested by the CIO;
- e. provide comprehensive quarterly reporting, as agreed with the CIO, within 30 days of the calendar quarter end;
- f. demonstrate their commitment to Environmental, Social and Governance considerations, Socially Responsible Investment exclusions, Gender-lens investing and Sustainable Development Goals' alignment in their investment strategies;

³ As per Appendix D of the CA, "Investment Manager means-the entity acting as investment manager for each of the investment portfolios under the Investment Fund identified subject to Toronto Foundation due diligence, or other entities of equal capacity and track record, in the event of a replacement, subject to Toronto Foundation due diligence. "

- g. provide their general market commentary including implications for their strategy;
- h. provide input to the CIO regarding strategy direction and IPS changes;
- i. provide on an annual basis, an impact report with aggregated and detailed ESG, SRI, gender-lens and SDG data, including details on measurement, methodology, results and lessons learned and share lessons learned as appropriate using established tools and standards;
- j. meet with the CIO on a quarterly basis, at a minimum;
- k. meet with EF ISC when requested, and at least quarterly, to review performance and to discuss proposed investment strategies, and also meet with the TF IC if so requested;
- l. have in place an appropriate policy on retention or delegation of voting rights acquired through investments and adhere thereto;
- m. exercise the care, skill and diligence that can reasonably be expected of a prudent person and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct or the World Bank Group's Code of Ethics and Business Conduct and other appropriate industry standards of ethical and professional conduct;
- n. provide accurate and timely monthly financial reporting to TF, CIO and Custodian; and
- o. fulfill their fiduciary responsibilities, where appropriate.

4.6 Structured Investment Providers

The Structured Investment Providers will:

- a. make security and/or investment proposals to the CIO, subject to their individual agreements, applicable guidelines, legislation and constraints set out in this IPS;
- b. present findings and proposals to the CIO on financial and portfolio-level performance within predetermined limits of the Portfolio's asset allocation, based on constraints set out in this IPS;
- c. provide the CIO with information related to financial and portfolio-level performance, inclusive of risk exposure, investment selection and other product- management related functions, as requested by the CIO;
- d. provide comprehensive quarterly reporting, as agreed with the CIO, within 30 days of the calendar quarter end;
- e. demonstrate their commitment to Environmental, Social and Governance considerations, Socially Responsible Investment exclusions, Gender-lens investing and Sustainable Development Goals' alignment in their investment strategies; and by measuring, evaluating and reporting on related impacts through established tools and standards;
- f. provide market commentary as needed;
- g. engage appropriate data partners and providers, and provide on an annual basis, an impact report with aggregated and detailed ESG, SRI, gender-lens and SDG data, including details on measurement, methodology, results and lessons

- learned and share lessons learned as appropriate using established tools and standards;
- h. provide input to the CIO regarding strategy direction and IPS changes;
- i. meet with the CIO on a quarterly basis, at a minimum;
- j. meet with EF ISC when requested and at least annually to review performance and to discuss proposed investment strategies, and also meet with the TF IC if so requested;
- k. have in place an appropriate policy on retention or delegation of voting rights acquired through investments and adhere thereto;
- l. exercise the care, skill and diligence that can reasonably be expected of a prudent person and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct; and
- m. provide accurate and timely monthly financial reporting to TF, CIO and Custodian.

4.7 Custodian

Custody of the Portfolio's assets will be delegated to a trust company or other financial institution similarly recognized as a depository for securities. The Custodian will report to the Foundation and will:

- a. provide safekeeping for Portfolio assets;
- b. process authorized transactions as directed by TF;
- c. collect interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities;
- d. inform the CIO of pending corporate actions (e.g., name changes, mergers, odd lot offerings) and process instructions related to such matters;
- e. deposit and transfer funds and payment of expenses as directed by the Foundation;
- f. maintain a record of all transactions;
- g. provide accurate and timely monthly financial reporting to TF;
- h. provide TF, the CIO and other agents of the TF IC with information required to fulfill their duties, or as directed by TF IC; and
- i. to the extent possible, provide information as may be requested by TF's auditor.

5. Investment Objectives

5.1 Overall Objectives

The overall investment objectives (in order of priority) are to:

- a. *“generate sufficient returns to support the ongoing grant-making activities of the Program as a key source of Program income;*
- b. *address gender equality;*

- c. *maintain appropriate levels of risk exposure (in line with the standards of a prudent investor); and*
- d. *meet the Program’s objectives of impact alignment, by demonstrating strong social, environmental, and government impact”.*

5.2 Return on Investments

The objective for the Portfolio is to generate a total investment return that achieves the disbursement objectives of the Portfolio, recovers the cost of managing and administering the funds as well as the costs of granting operations, establishes a reserve for potential market declines and ensures its overall long-term sustainability. It is a requirement of the CA that after meeting the disbursement objectives, *“investment decisions shall be in keeping with the preservation of the principal amount over the long-term”.*

The expected net investment returns (after investment provider fees and expenses), based on the mid-point of the projected ranges, are as follows:

	Performance Measurement Framework	
	Years 2022-2025	Years 2026-2030
	Mid	Mid
Public markets	4.55%	4.55%
Private debt	4.00%	4.00%
Private equity/Venture Capital	4.25%	8.75%
Total net return of portfolio based on modelling assumptions (see Annex F)	4.42%	5.49%

The success of the Portfolio's long-term investment strategy will be monitored in the context of meeting the Portfolio's disbursement needs.

If there is a negative variance of 25% or more, over a 5-year period in the projected investment portfolio growth, various actions may be taken by GOC as outlined in the CA Section 5.1.2.

When investments have been included directly as an Investment Committee choice, the performance measures, for the party holding such investments, will be adjusted to the extent that these cause over or under performance.

5.3 Risk Tolerance

The Portfolio should be structured and managed to provide for the generation of its targeted rate of investment return while assuming the lowest possible risk.

The Portfolio's exposure to risk will be measured in terms of the standard deviation of its investment returns. Additional measures of risk may be added at the discretion of TF IC. The Portfolio should be structured and managed to generate its targeted rate of return without exceeding its maximum risk exposure.

Using the volatility of the Portfolio measured in standard deviations of return, the risk inherent in the Portfolio can also be viewed in terms of the likelihood that it will generate negative investment results. Based on historical analysis the Portfolio will be invested such that its value, on an annual basis, will have a maximum absolute expected loss of 30% or less, 99 times out of 100. For the remaining 1% of the time the loss could be larger but cannot be quantified.

The level of risk to which the Portfolio is exposed will be controlled by diversifying the Portfolio's holdings, not only in terms of asset class, but also in terms of holdings within each asset class, geographically and by investment management style.

5.4 Socially Responsible Investing

The Foundation believes that investments that incorporate positive Environmental, Social and Governance considerations (ESG investments) should be actively sought and included in the Foundation's Portfolio.

ESG investments should be structured for inclusion in the Portfolio consistent with overall Portfolio objectives. ESG investments should meet the overall investment return objectives for an acceptable level of risk.

ESG investment vehicles should be identified according to the best screening practices and methods.

All selected investment strategies will apply a gender-lens screen.

6. Portfolio Considerations

6.1 Legal and Taxation Status

The Foundation is a public Foundation registered under the Income Tax Act of Canada and as such is exempt from income taxes.

6.2 Investment Time Horizon

A Portfolio's investment time horizon is an important factor in determining its investment strategy. The period over which a particular investment strategy can or

will be maintained has a direct bearing on the likelihood that it will generate its targeted rate of return within that period and within acceptable risk parameters.

It should be noted, however, that this IPS will be reviewed on at least an annual basis.

6.3 Liquidity and Income Requirements

The Portfolio requires sufficient liquidity to support the Portfolio's disbursement requirements on a timely basis. Liquidity needs play a factor in determining the asset allocation mix. When investing in less liquid investments, the expectation is to target a premium in either higher financial returns or deeper positive impact.

7. Asset Mix

A fund's asset mix is the proportion within which various asset classes are represented in the fund. In general, the *greater* a fund's allocation to equities relative to fixed income securities, the *greater* its potential for capital appreciation and the *higher* its potential risk (as measured by the standard deviation of the fund's rate of return). Conversely, the greater its allocation to fixed income instruments relative to equities, the greater its potential for generating a consistent income stream and the *lower* its potential risk through volatility or default. Control of the fund's asset mix is, therefore, the principal means of controlling its risk and return characteristics.

7.1 Asset Mix Guidelines

Given the Portfolio's targeted return on investments, its risk tolerance, legal and taxation status, its investment time horizon, liquidity and income requirements, the following permissible asset class holding ranges have been established.

Asset Class	Permissible Range
Cash and Cash Equivalents	2.0% - 50.0%
High Grade Fixed Income Instruments	0% - 50.0%
Total Cash, Cash Equivalents & Fixed Income	5% - 50.0%
Global Public Equities*	0% - 95%
Private Debt	0% - 30%
Private Equity	0% - 25%
Other Investment Strategies	0-25%
Total Global Equities, Private Debt, Private Equity, Other Strategies	50.0% - 95.0%

* Global public equities may include Canadian, US, International and Emerging Markets equities. They may be diversified by size (large cap, small and mid-cap), style (value & growth) and other factors such as high dividend stocks.

Non-Canadian securities may be unhedged or hedged to the Canadian dollar, with the unhedged portion to be monitored and reported on by the CIO, subject to Portfolio risk constraints.

It will be the responsibility of the CIO to commit, from time to time, allocations to each asset class and to individual Investment Managers and Structured Investment Providers, within the permissible ranges outlined above and in alignment with the approved investment strategy. The CIO will be required to notify the Investment Committee (through the Chair) of any shifts in asset mix initiated by the CIO, not previously communicated and greater than 5% of the Portfolio value over any 30-day period. The CIO will also be responsible to notify the Investment Committee (through the Chair) of all new or terminated mandates within 30 days of such change.

8. Investment Management Guidelines

8.1 Eligible Investments - Definitions

Investments not mentioned in this section are not permitted.

8.1(a) Cash Equivalents

Cash equivalents will consist of instruments, issued by governments or corporations, with terms to maturity of 0 to 12 months and include fixed income instruments originally issued with a term to maturity in excess of 12 months.

Cash equivalents originally issued with terms to maturity of 12 months or less will have a minimum Dominion Bond Rating Service (DBRS) credit rating of R1 or an equivalent rating by another well-established rating agency at the time of purchase and thereafter.

8.1(b) Fixed Income Instruments

Investments in the following marketable fixed income instruments are permitted:

- bonds;
- debentures;
- notes;
- coupons and residuals;
- asset-backed securities; and
- preferred shares.

Such instruments must be:

- issued or guaranteed by the Government of Canada or one of its agencies, or a Canadian provincial government or one of its agencies;
- issued by a Canadian municipality or regional government;
- issued by a Canadian corporation;
- issued by a Canadian trust;
- issued by a foreign government;
- issued by a government-related supranational organization;
- issued by a foreign corporation; or
- issued by another entity that has been approved by the Toronto Foundation Investment Committee.

Bonds issued by a corporation shall not constitute more than 30% of the upper limit of the permissible range of the Total Fixed Income asset class and no more than 10% of that range shall be attributable to one issuer.

Preferred shares must have a minimum DBRS credit rating of PFD-3 or an equivalent rating by another well-established rating agency at the time of purchase and thereafter, if considered as part of the fixed income component of the Portfolio.

All other fixed income instruments must, as a group, have a market-weighted average DBRS

credit rating of A, or an equivalent rating by another well-established rating agency, or better at the time of purchase and thereafter. The minimum credit quality per issue shall not be rated below BBB-by Standard & Poors or Fitch Ratings, Baa3 by Moody's or BBB-by DBRS or equivalent at time of purchase. Where external credit ratings are applied, investments or counterparties shall have a credit rating from at least two of the four following rating agencies: Moody's Investors Service, Inc, Standard & Poor's Ratings Services, Fitch Ratings Ltd and DBRS Ltd. When there are two or more ratings for an entity, the lower of the highest two ratings should be used to assess eligibility. When there is an assumption of government support in the rating, stand-alone ratings should be used where available; otherwise the official rating should be used. Bonds rated BBB or equivalent should not constitute more than 10% of the market value of the fixed income asset class. In the event of a 'split' rating (i.e., a situation in which credit rating agencies assign non-equivalent ratings), the lowest rating will apply.

If the CIO expects a downgrade in the credit rating of a fixed income instrument to below the minimum BBB credit rating, the CIO shall develop a strategy for disposing of the fixed income instrument in a timely, orderly and efficient manner. In the event that the CIO wishes to retain the investment in the Portfolio, for a period of time, the CIO will contact TF management and the Chair of the TF IC, within five business days, to provide detailed information on the downgrade as well as the CIO's rationale for retaining the investment in the Portfolio for a period of time. The TF IC will require that the CIO dispose of the investment as soon as prudently possible. While the investment is still held, the CIO will provide, at a minimum, monthly updates on the investment, including its trading pattern and the strategy for disposing of it.

Investment in the securities of any single issuer must constitute less than 10% of the market value of the Portfolio as a whole (the "10% Restriction"). Fixed income instruments issued or guaranteed by the Government of Canada or one of its agencies or by a Canadian provincial government or one of its agencies, or the government of the United States are exempted from the 10% Restriction. Further the 10% Restriction does not apply to a Structured Note⁴ issued by a Schedule 1 Bank provided that the investments by the Scheduled 1 Bank in securities underlying the Structured Note comply with the 10% Restriction.

Foreign pay bonds that are unhedged, shall not constitute more than 10% of the upper permissible range of the fixed income asset class.

8.1(c) Global Public Equities

Investments in the following equity securities are permitted:

- publicly traded common stocks;
- rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks;
- equities based exchange traded funds (ETFs);
- income trust units issued and/or registered in jurisdictions where appropriate legislation is in place to limit the liability of unit holders;
- American Depositary Receipts; and
- Global Depositary Receipts.

Individual equities or equities held within equity funds must be listed on a major stock exchange and be of 'investment grade'.

No individual constituent or component of a Structured Note, whether a security or a derivative, shall exceed 10% of the total market value of the Portfolio. The Structured Note issuer shall immediately report to the CIO if the investment in the securities of any single issuer constitutes more than 5% of the market value of the equity asset class.

8.1(d) Private Debt

It is a requirement of the CA that the Portfolio "shall include some amount of impact investing, namely investing that seeks to intentionally and measurably address gender disparities."

Investments in private debt instruments may include, without limitation, loans, bonds, debentures, notes and other debt-like instruments, including Limited Partnership interests in debt-providing funds, as well as economic participations in those same instruments held by an Investment Manager.

Private debt instruments must adhere to the definition of impact investments as provided by the Global Impact Investing Network: "Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return."

The intentional active nature of the social good outcomes differentiates impact investments from ESG investments and is a requirement of this strategy.

8.1(e) Private Equity

Investments in private equity may include, without limitation, fund investments, co-investments and direct investments.

Private markets provide an opportunity to invest in fund managers or directly into businesses that are building new products, services and models for a more gender equitable and environmentally sustainable future. Private market investments may provide an opportunity for additional impact and measurement of gender equality advancements.

8.1(f) Other Investment Strategies

Other investments may include hedge funds, infrastructure, , real estate, loans, mortgages, non-equities-based ETFs, foreign exchange, or any other investment that is not included in the asset classes described above.

Other investments are permitted if they:

- 8.1.1 fall within the overall portfolio risk limits, and
- 8.1.2 remain constrained in accordance with the Permissible Asset Mix as outlined in 7.1 herein.

⁴ A Structured Note is a derivative instrument comprised of underlying investment exp

8.2 Investment Constraints, Inclusions and Exclusions

The Portfolio as a whole and each asset class represented therein must be reasonably diversified, taking into account the relative valuations of various asset classes.

The Portfolio shall maintain a minimum of 2% of the investment portfolio in cash or cash equivalent instruments to meet the liquidity needs.

Investments in the securities of any one issuer or two or more affiliated entities shall be limited to no more than 10% of the assets of the Portfolio. This requirement does not apply to investments in securities issued by the Government of Canada or the government of a province or the government of the United States, or securities that carry the full faith and credit of either or any index, segregated, mutual or pooled fund.

Investments in the voting or equity securities of any one issuer shall be limited to less than 10% of the outstanding stock (or of any single class thereof) of the issuer. The foregoing restriction does not apply to prospectus funds, inclusive of ETFs, indexed, and mutual funds.

Indexed, mutual and pooled funds, as well as ETFs, may be held in the Portfolio with the understanding that the guidelines in such fund's offering memorandum will be consistent with this IPS. In the event that any substantive inconsistencies arise between the provisions of this IPS and the policies applicable to a fund that the CIO, Investment Manager or Structured Investment Provider wishes to employ, and such inconsistencies are not promptly corrected, such investment will be promptly disposed of in a timely, orderly and efficient manner.

These funds will be categorized as cash equivalents, fixed income investments equities, or other investments as appropriate given their underlying securities or the capital markets to which they are intended to provide exposure.

Derivative securities, other than those employed by other investments, may be held in the Portfolio for hedging purposes only. Derivative securities may not be used for speculative or leverage purposes.

Overdraft positions are not to be intentionally created. Any overdraft position created inadvertently shall immediately be addressed.

The basket of private investments will be broadly diversified.

All Portfolio investments shall comply with the International Finance Corporation's Exclusion List included in Annex B of this IPS.

It is a requirement of Appendix E that until the BoD appoints an investment manager(s), the Portfolio's principal amount shall be invested, in low-risk, liquid short-term securities denominated in Canadian dollars.

The Portfolio may not invest directly in commodities, or repurchase agreements.

Maximum commitment to any single private debt or private equity investment shall be 2% of the portfolio value at the time of commitment, unless specifically approved by the TF IC.

The Foundation may invest in a limited partnership provided that the investment meets the following requirements, which are set out in section 253.1(2) the Income Tax Act (Canada) and protect the Foundation from being deemed to carry on the business of the partnership:

- The Foundation's liability as a member of the partnership must be limited;
- The Foundation must deal at arm's length and with each general partner of the partnership; and
- The Foundation (together with any persons and partnerships not at arm's length with the Foundation) must not hold interests in the partnership that have a fair market value of more than 20% of the fair market value of the interests of all members in the partnership.

Lending securities is not permitted unless specifically approved by the TF IC.

The TF IC may not approve any investment which conflicts with the terms of this IPS.

The TF IC reserves the right to instruct the CIO to exclude any new asset, security or category of investment and to prudently divest of an existing investment and will notify the CIO in writing in the event that such requirements are to be imposed.

The TF IC may place further constraints, limitations or requirements on the Portfolio in order to achieve specific short-term objectives.

9. Performance Standards

9.1 Investment Returns

Investment performance will be measured against the expected return objectives outlined in Section 5.2. Performance measurement will be reported quarterly, by the CIO with appropriate input by the Investment Managers and Structured Investment Providers, in accordance with the CFA Institute standards and other agreed benchmarks where available.

The Portfolio volatility will be measured and reported on a quarterly basis, by the CIO with appropriate input by the Investment Managers and the Structured Investment

Providers. The report should include minimum and maximum volatility observed during the period.

9.2 Evaluation of CIO, Investment Managers and Structured Investment Providers

The CIO, Investment Managers and Structured Investment Providers will be evaluated in terms of:

- ability to achieve the expected return of the Portfolio outlined in section 5.2 without exceeding risk constraints;
- performance consistency relative to the Portfolio's stated strategy;
- compliance with the provisions of this IPS and any amendments thereto as well as any specialized instructions and mandates issued by the TF IC; and
- the provision of satisfactory reporting and client service.

Any Investment Manager or Structured Investment Provider, that surpasses the threshold for acceptable losses, will be immediately reviewed.

When investments have been included directly, the CIO's performance measures will be adjusted to the extent that these cause over or under performance.

9.3 Risk Exposure

The Portfolio's risk exposure, as measured by the standard deviation of its returns, will be evaluated on a quarterly basis, or more frequently as necessary. Any change of Investment Managers or Structured Investment Providers of major asset class changes of more than 15% should generate an immediate report to the CIO, on the risk impact of such change.

The risk profile of the Portfolio will be evaluated quarterly over rolling 5 year periods, with an emphasis on periods of excess exposure, relative to established maximum risk exposures. Evaluation will include discussions with the CIO, the Investment Managers and the Structured Investment Managers as appropriate, in regard to prospective risk factors.

10. Rebalancing

The CIO will be responsible for reviewing the asset mix as well as the Investment Managers' or Structured Investment Providers' exposures on at least a quarterly basis to maintain the Portfolio within the ranges established within this IPS, unless otherwise approved by the TF IC. If the asset mix violates the above ranges, the portfolio will be rebalanced to the upper or lower bound of the ranges for each asset class, unless otherwise approved by the TF IC.

Inflows and outflows of cash will be directed by the CIO in such a way as to maximize returns while maintaining the long-term strategic asset allocation of the Portfolio.

11. Reporting and Service

11.1 CIO

On a quarterly basis and within 30 days of the end of the calendar quarter the CIO, with appropriate support from the Investment Managers and the Structured Investment Managers, will provide the Investment Committee with:

- a. a valuation of the Portfolio as at the end of the quarter, including the market value of each security or pooled fund;
- b. data and commentary on the Portfolio's financial, and gender impact investment performance relative to the mandate's stated strategy and long term real return target, for the most recent quarter as well as for annual periods as agreed;
- c. annually or more frequently as requested, data and commentary on the Portfolio's ESG, SRI, gender-lens and SDG impacts, including details on measurement, methodology, results and lessons learned and share lessons learned as appropriate using established tools and standards;
- d. commentary on the CIO's forward-looking investment views and plans;
- e. reporting on the volatility of the Portfolio during the quarter, with retrospective and forward-looking commentary;
- f. commentary on the investment strategy and tactics employed over the past quarter;
- g. information pertaining to changes of investment or senior management personnel and/or ownership structure, if any;
- h. information pertaining to changes to the CIO's investment style, process or discipline or any other philosophical, operational or organizational matter that might reasonably be expected to have a bearing on the performance or risk profile of the assets managed by the CIO; and
- i. commentary on significant Investment Manager/Structured investment provider changes since the last Investment Committee meeting.

The CIO will be available for meetings with the EF ISC on a quarterly basis, or more frequently if required, and will be available for discussion and consultation on an ad

hoc basis. In addition, the CIO will be available for meetings with the TF IC and BoD as requested.

11.2 Investment Managers and Structured Investment Providers

The Investment Managers and the Structured Investment Providers will support the CIO in fulfilling its responsibilities.

The Investment Managers and the Structured Investment Providers will be available for meetings with the CIO on a quarterly basis at a minimum; in addition, when requested, they will meet with the EF ISC and at least annually meet with these respective committees to review performance and to discuss proposed investment strategies. In addition, they will be available for meetings with the TF IC and BoD as requested.

11.3 Custodian

The Custodian will provide the TF with accurate and timely statements on a monthly basis. These statements will include, at a minimum, a summary and a detailed listing of assets held in the Portfolio as well as a listing of transactions (including deposits, withdrawals, receipt of interest and dividends, purchases, sales, corporate actions and fees paid) that occurred in the Portfolio during the reporting period.

The Custodian's reports will provide the book value and current market value of each asset held in the Portfolio, and categorize securities by issuer type, market sector and/or industry, as appropriate.

12. Termination of CIO, Investment Managers or Structured Investment Providers

The TF IC will consider recommending to the Board that the CIO, an Investment Manager or a Structured Investment Provider, be terminated when one or more of the following circumstances prevail:

- a. they have deviated from the stated and agreed on strategy without a reasonable rationale and/or without discussing this change with the TF IC or EF ISC;
- b. there has been a change in their key investment personnel;
- c. their performance has been unsatisfactory;
- d. their reporting and client service are unsatisfactory;
- e. the Investment Committee has concerns regarding their ethics; or
- f. for any other reason the Investment Committee deems appropriate.

Where the CIO, an Investment Manager or a Structured Investment Manager is terminated, the transition will be undertaken in an orderly manner and with the objective of avoiding unnecessary costs.

13. Conflict of Interest

No member of the TF IC, the EF IC as well as the CIO, the Custodian, an Investment Manager, or a Structured Investment Provider (collectively “Agents”) will knowingly permit their interest to conflict with their duties or powers relating to investment of the Portfolio’s assets or to any other matter related to the Portfolio. Any actual or perceived conflict of interest must be reported to the Investment Committee. Such disclosure will be made when the affected individual first becomes aware of the conflict or potential conflict. The Investment Committee will be the sole arbiter in determining whether the conflict of interest exists and, if it determines that a conflict does exist, will take all necessary and appropriate measures to remedy the situation. Every disclosure of a conflict of interest will be recorded in the minutes of the relevant Investment Committee meeting. Substantive Conflict of Interest matters shall be reported to the BoD.

The failure of an Agent to comply with the requirements of this Section will not of itself invalidate any decision, contract or other matter.

14. Adoption of Investment Policy Statement

The Board of Directors of the Toronto Foundation adopted this Investment Policy Statement by way of resolution at its meeting on September 29, 2022.



Nancy McCain, Chair

October 18, 2022
Date



Andrew Spence
Chair, Investment Committee

October 18, 2022
Date

Annex A: Extract from the Consolidation of the Contribution Agreement including the Contribution Agreement which took effect on August 29, 2019, Appendix A between the Consortium to the Equality Fund Initiative and the Government of Canada signed and dated March 28, 2020.⁵

4. Business Model

4.2 Management of the Investment Fund

4.2.1 *The Investment Fund shall be managed in accordance with:*

- a. *The Investment Policy Statement and investment strategies approved by Toronto Foundation’s Board of Directors on recommendation from the Toronto Foundation Investment Committee,*
- b. *all applicable legal requirements, and*
- c. *in respect of the principles and parameters described in Appendix E of the Agreement.*

4.2.2 *Toronto Foundation will segregate the Investment Fund from other funds held or managed by Toronto Foundation and will account for it separately in its annual reports, investment reports and audited financial statements. Toronto Foundation will strike an investment committee (the “Equality Fund Investment Sub-Committee”) with gender-lens investing experience dedicated to the oversight of the Investment Fund, which will be the sub-committee of the Toronto Foundation Investment Committee. The Equality Fund Investment Sub-Committee (once constituted) shall include members with demonstrated gender lens investing experience. In addition, an Investment Advisory Council will function as an advisory body of key gender-lens experts across investment and programmatic disciplines and will support the various investment committees that will be formed for the implementation of the Initiative’s Investment Fund.*

4.2.3 *The Toronto Foundation will retain one or more third party investment advisors and Investment Managers as needed to advise with respect to the Investment Fund. Toronto Foundation, through the Toronto Foundation Investment Committee, will be responsible for the selection, oversight and management of such investment advisors and Investment Managers. Toronto Foundation, or Toronto Foundation and EF jointly, will hire or retain a Chief Investment Officer (“CIO”) who will be responsible for the oversight and guidance of the Investment Fund. The selection of the CIO will be subject to non-objection by the Department. Toronto Foundation, through the Toronto Foundation Investment Committee, shall be responsible for the oversight and management of the CIO. The hiring of investment advisors, Investment Managers and CIOs shall take into consideration demonstrated gender lens investing experience.*

4.2.4 *The Returns generated by the Investment Fund shall be used to fund the grant-making program and the operational costs (“Planned Expenditures”) of the Initiative as described in the approved Business Plan, updated annually. In the*

⁵ Words in italics are extracted directly from the Contribution Agreement (“CA”) with the Government of Canada

event that the Returns or the contributions from other sources are insufficient to cover the Planned Expenditures, the Consortium may draw down from the Investment Fund Capital as approved by the Toronto Foundation Board of Directors, if such drawdowns remain within a twenty-five percent (25%) variance from the planned annual allocation from the Investment Fund as found in Appendix F (“From Investment Fund”). Otherwise, the Department shall be consulted and provide its non-objection in writing before drawdowns (exceeding projections) are affected.

4.3 Oversight over Philanthropic Donations

4.3.1 For funds that are to be invested by EF in gender-lens investments, the Toronto Foundation will ensure that investments are aligned with the intent and objectives of the Initiative; and confirm the acceptability of the IPS, Custodian(s) CIO and Investment Managers and capacity, monitoring and risk framework systems.

4.4 Allocation of Funds to Equality Fund

4.4.1 Toronto Foundation shall allocate and provide funds to EF from the Investment Fund on the basis of each Allocation Request which will be in accordance with the Business Plan and Annual Plan submitted by Equality Fund, provided that the conditions below under 4.3.1 d) and 4.7 are met.

a) EF shall submit an Allocation Request annually and may submit additional Allocation Requests from time to time as necessary. Each Allocation Request shall be sent to the Toronto Foundation Investment Committee for review and recommendation to the Toronto Foundation Board of Directors.

b) Toronto Foundation shall have final authority, acting reasonably, to determine the amount of funds to be provided to EF, pursuant to any Allocation Request. Upon receiving an Allocation Request and any recommendations from the Toronto Foundation Investment Committee, Toronto Foundation’s Board of Directors may engage in such further discussion with EF and/or WUSC as it determines to be necessary in connection with the Allocation Request

c) Toronto Foundation shall not make any allocations to EF unless the following conditions are met:

i. The Allocation Request has been approved by WUSC in accordance with “WUSC – Approval Requirements” below; and

ii. Toronto Foundation has been provided with a certificate of compliance from WUSC verifying that EF has met its obligations under the Contribution Agreement.

d) In the event that Toronto Foundation is not prepared to approve the full amount requested in an Allocation Request, the following shall apply:

i. Toronto Foundation, EF and WUSC shall work together to prepare a revised Allocation Request that may be suitable for approval in full by Toronto Foundation; and Toronto Foundation, EF and WUSC shall develop an action plan as necessary to address any issues preventing the approval of the initial proposed Allocation Request.

Annex B: The International Finance Corporation (IFC) Exclusion List

The IFC Exclusion List defines the types of projects that IFC does not finance. IFC

does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.¹
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Gambling, casinos and equivalent enterprises.¹
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

All financial intermediaries (FIs), except those engaged in activities specified below*, must apply the following exclusions, in addition to IFC's Exclusion List:

Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³

Commercial logging operations for use in primary tropical moist forest.

Production or trade in wood or other forestry products other than from sustainably managed forests.

* When investing in microfinance activities, FIs will apply the following items in addition to the IFC Exclusion List:

Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³

Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.

Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

* Trade finance projects, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:

Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³

Footnotes

1. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

2. Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

3 Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

Source: International Finance Corporation

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

Annex C: Extracts from the Full Proposal to design and manage the partnership for Gender Equality submitted to Global Affairs Canada, in April 2019 page 1 of 2

3. Portfolio Objectives

3.2.1 Deal origination, Pipeline, Exit Opportunities and Timelines

Deal Origination Pipeline			
Asset Class / Investee Type	Pipeline Opportunity and Origination Strategy	Qualifying Event (Exit Opportunity)	Timeline for Exit (Estimate)
Equities	Screening supported by Equileap (Database of 3000+ publicly listed companies)	Liquidation (Through public markets)	Passive strategy; long-term (Can be liquidated and converted to cash at anytime)
Fixed Income	Equileap's index	Repayment of principal and interest	Maturity date within 3 years
Funds	Sourced from extensive global networks (All have intentional and measurable social and/or environmental impact, utilize a rigorous gender-screen, and meet minimum investment criteria and IPS)	Loan maturity date and/or end of fund term	6 to 15 years

Annex C: Extracts from the Full Proposal to design and manage the partnership for Gender Equality submitted to Global Affairs Canada, in April 2019 page 2 of 2

7. Investment Guidelines

Investment Managers will be selected based on demonstrated commitment to the following, (acknowledging that the standards will evolve over time):

ESG Considerations (Environmental, Social and Governance)	SRI Exclusions (Socially Responsible Investment)	Gender-Lens Investing	SDG Alignment (Sustainable Development Goals)
<p>Environmental factors include the impact of a company’s activities on the climate, such as greenhouse gas emissions, energy efficiency, pollution, water and waste management, site rehabilitation, biodiversity and habitat protection.</p> <p>Social factors include human rights, community consent/impact, respect for indigenous peoples, employee relations and working conditions, discrimination, child labour and forced labour, health & safety and consumer relations.</p> <p>Governance factors include the alignment of interests between executives and shareholders, executive compensation, board independence and composition, board accountability, shareholder rights, transparency/disclosure, anti-corruption measures, financial policies and the protection of private property rights.</p> <p>The Investment Manager is expected to incorporate ESG factors in their investment decision making process when doing so may have a material impact on the investment risk and/or return.</p>	<p>The Investment Manager is expected to incorporate exclusionary criteria in the investment decision-making process.</p> <p>This includes components of the Norwegian Ethics Council List as well as the following criteria that are applicable to some of the asset classes under considerations:</p> <ul style="list-style-type: none"> ● The selling, marketing or provision of gambling or gambling services ● The selling, marketing or provision of pornography or any other sexually explicit or exploitative business ● The manufacturing, production, marketing or sale of alcohol and cannabis ● The manufacturing, production, marketing or sale of military weapons ● The manufacturing, selling, distribution of or otherwise promoting the sale or distribution of goods or services that are not legal in Canada, / not in compliance with Canadian laws ● Businesses whose activities in non-OECD countries fail to respect the UN Global Compact’s Ten Principles ● Businesses whose activities in OECD countries fail to respect the General Policies of the OECD Guidelines for Multinational Enterprises 	<p>The Investment Manager is expected to incorporate positive screens related to gender advancement by incorporating select investments issued by entities that perform well on gender diversity and inclusion best practices.</p> <p>These include but are not limited to access to capital, products and services with a positive impact on women, and addressing structural equity.</p>	<p>The Investment Manager is expected to incorporate positive screens related to the alignment with the SDGs - especially those having an impact on the achievement of SDG 5 - of the activities and purpose of the entities that it invests in.</p>

Annex D: Extract from Appendix A of the CA Target Beneficiaries

3.3 Target Beneficiaries

Target Beneficiaries related to the Investment function are outlined as follows:

(A) Intended Outcome	(B) Description	(C) Target Beneficiaries
Increasing access to Capital	Investment provides access to capital for previously overlooked populations	<ul style="list-style-type: none">• Funds lending directly to female borrowers• Women-led/women-representative savings circles, production cooperatives, etc.
Scaling products and services that support women	Investment into companies that produce goods and services that benefit women	<ul style="list-style-type: none">• Funds that scale women-founders/leaders• Funds that scale companies that design products and deliver services that predominantly benefit women
Addressing structural inequity	Investments in public companies who elevate women into decision making and investment roles, with real agency to affect meaningful enterprise change	<ul style="list-style-type: none">• Publicly listed companies led by women• Publicly listed companies with women in key senior leadership roles• Publicly listed companies with women in key investment roles

Annex E: Principles and Parameters for Investments, Appendix E of the Consolidation of the Contribution Agreement which took effect on August 29, 2019 and modifications made through Amendment 1, signed and dated March 28, 2020 between the Government of Canada and the Consortium

Appendix E

PRINCIPLES AND PARAMETERS FOR INVESTMENTS

1. Principles

- 1.1 The primary objective of the Investment Fund is to generate sufficient returns to support the ongoing grant-making activities as a key source of income for the Program.
- 1.2 The investment portfolio will include gender-lens impact investments, namely investing that, in addition to generating returns, seeks to intentionally and measurably address gender disparities. This should be included in the IPS, and reporting on the investments should include reporting in line with gender lens investing industry standards and best practices.
- 1.3 The Investment Fund will:
 - a) generate sufficient returns to support the ongoing grant-making activities of the Program as a key source of Program income;
 - b) address gender equality through an ambitious approach to gender-lens investing, maximizing the depth of gender equality impact, the proportion of funds allocated to gender equality impact investing, and the strength of the gender-lens screening process which is applied to all investment strategies.
 - c) maintain appropriate liquidity to achieve the primary objective of the Investment Fund (to generate sufficient returns to support the ongoing grant-making activities as a key source of income for the Program);
 - d) maintain appropriate levels of risk exposure (in line with the standards of a prudent investor); and
 - e) meet the Program's objectives of impact alignment, by demonstrating strong social, environmental, and governance impact.

2. Parameters

In addition to the requirements for investment management in Appendix A, the Toronto Foundation shall comply with the following investment parameters:

- 2.1 The Toronto Foundation shall invest and manage the Investment Fund according to investment policies, standards and procedures that a prudent person would exercise in making investment decisions regarding property belonging to others.
- 2.2 Without limiting the generality of Sub-Article 2.2, the Toronto Foundation shall ensure that the principal amount of the Fund that has not been disbursed or committed be invested in accordance with the Prudent Person Principle. After meeting the principle of generating income for the grant-making portion of activities, Sub-Article 1.1, investment decisions shall be made in keeping with the preservation of the principal amount over the long-term.
- 2.3 Until the Board approves the Investment Fund's Investment Policy Statement (IPS) and appoints an investment manager(s) for the Investment Fund, the Toronto Foundation shall

ensure that the principal amount of the Investment Fund be invested in low-risk, liquid short-term securities denominated in Canadian dollars.

- 2.4 Once an IPS in respect to the Investment Fund's portfolio of investments has been approved by the Toronto Foundation Board, there shall be a mechanism in place to regularly inform the Board of any significant financial risks facing the Toronto Foundation, including the consequences of potential significant losses of investments of any part of or the entire Investment Fund.
- 2.5 An IPS shall be reviewed no less frequently than annually and shall include the following components:
- i. stated return objectives and expectations;
 - ii. diversification policy of the Investment Fund's investment portfolio, including various quantitative limits on investments;
 - iii. asset allocation strategy including specific range for short-term fluctuation for each asset class and the long-term targeted asset mix;
 - iv. permitted investment instruments and trading activities;
 - v. prohibited investment instruments and trading activities;
 - vi. policy on the use of derivatives;
 - vii. liquidity policy outlining how the Fund's liquidity needs will be addressed;
 - viii. risk management policies outlining procedures to manage and mitigate various types of risks that the Investment Fund faces;
 - ix. policy on the lending of cash or securities;
 - x. the retention or delegation of voting rights acquired through investments;
 - xi. policy on socially responsible investing, including policy specifically on application of a gender lens to the entire investment portfolio; and
 - xii. performance measurement and monitoring procedures;
- 2.6 The IPS shall stipulate key criteria, roles, responsibilities, and obligations of Investment Managers. The Investment Managers shall handle the day-to-day investment management of the portfolio for which each Investment Manager has been given responsibility. They shall select securities within the asset class assigned to them, subject to applicable guidelines, legislation and constraints set out by the IPS. Manager performance and evaluation will be reviewed annually to ensure that all transactions are completed on a "best execution" basis. Any managers that surpass the threshold for acceptable losses will be immediately reviewed. The process for review and removal is set forth in the IPS. Consideration should be given to the appointment of one or more independent, external investment advisors to provide investment advice and of one or more professional portfolio managers to invest the Fund consistent with the approved IPS.
- 2.7 Throughout the duration of the Agreement, the Consortium shall inform the Department of any changes made to the IPS.
- 2.8 The Toronto Foundation shall have a code of conduct and conflict of interest policy and procedures that includes, but is not limited to voting, prohibited transactions, avoidance standards and continuing disclosures. The Toronto Foundation shall ensure that the code of conduct and conflict of interest policy and procedures applies to any member of the Equality Fund Investment Sub-Committee as well as any investment advisor or any portfolio manager who is involved in the investment management of the Fund.

- 2.9 The Investment Fund shall include some amount of gender-lens impact investing, namely investing that seeks to intentionally and measurably address gender disparities (as in 1.3 b above).
- 2.10 All selected investment strategies will apply a gender-lens screen. Investment Managers will be responsible for measuring, evaluating, and reporting on ESG, SRI, gender-lens and SDG impacts through established tools and standards.
- 2.11 Except as provided in 2.12 below, the Toronto Foundation shall not borrow money, issue any debt obligation, or give any guarantees to secure a debt or other obligation of another entity.
- 2.12 The Toronto Foundation shall be permitted to maintain an operating line of credit to ensure that it has the appropriate cash flow for its ongoing operations, provided that the line of credit is maintained with a Canadian financial institution that is a member of the Canadian Payments Association according to standard terms and conditions, and provided further that the operating line of credit outstanding at any time does not exceed 1% of the book value of the Investment Fund's assets.
- 2.13 Investments in the securities of any one issuer, or two or more affiliated entities shall be limited to no more than 10% of the assets of the Investment Fund's investment portfolio.
- 2.14 Sub-Article 2.13 does not apply in respect to:
- a) investments in securities issued by the Government of Canada or the government of a province or the government of the United States, or securities that carry the full faith and credit of either; and
 - b) any index, segregated, mutual or pooled fund.
- 2.15 The Investment Fund's investments in the equities of any one issuer shall be limited to no more than 10% of the outstanding stock (or of any single class thereof) of the issuer.
- 2.16 The Investment Fund shall maintain a minimum of 2% of the investment portfolio in cash or cash equivalent instruments to meet the Fund's liquidity needs.
- 2.17 The Toronto Foundation undertakes not to engage or invest the Investment Fund's assets in the following:
- a) Fixed-income instruments rated below BBB-by Standard & Poors or Fitch Ratings, Baa3 by Moody's or BBB-by DBRS;
 - b) Commodities; and
 - c) Repurchase agreements against securities which are not permitted to be held in the Investment Fund's investment portfolio.
- 2.18 Derivative securities, other than those employed by other investments, may be held for hedging purposes only. Derivative securities may not be used for speculative purposes or to leverage the Investment Fund.
- 2.19 Investments shall comply with the IFC Exclusion List:
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist.
- 2.20 Where external credit ratings are applied, investments or counterparties shall have a credit rating from at least two of the four following rating agencies: Moody's Investors Service, Inc, Standard & Poor's Ratings Services, Fitch Ratings Ltd and DBRS Ltd. When there are

two or more ratings for an entity, the lower of the highest two ratings should be used to assess eligibility, in accordance with Basel II rules. When there is an assumption of government support in the rating, stand-alone ratings should be used where available; otherwise the official rating should be used.

Annex F: Portfolio Assumptions for Expected Return Assumptions Analysis

Equality Fund Initiative Government-funded Pool (EFGP)

RockCreek conducted a modeling exercise utilizing longer and shorter-term capital market return assumptions. The expected returns for EFGP are based on a number of market and portfolio assumptions that may change over time. Market dynamics over the upcoming periods and the resulting impact from COVID-19 may also continue to necessitate adjustments to expected returns.

Annualized Expected Returns for 4 year Timeframe (2022-2025):

- **Public Markets Portfolio (CAD)**
 Expected Investment Return: 4.5% to 6.0%
 Maximum expected fees & expenses: 0.7%

- **Private Debt Portfolio (CAD) ¹**
 Expected Investment Returns: 5.0% - 6.0%
 Maximum expected fees & expenses: 1.5%

¹ Private Debt return assumptions are held constant from 2022-2025 at 5.7% (assumes private debt investments in addition to Calvert are included in the portfolio)

- **Private Equity Portfolio (CAD) ²**
 Expected Investment Returns: 5.0% to 8.0%
 Maximum expected fees & expenses: 2.25%

² Private Equity allocation from 2022 to 2025 assumes an immediate start to private equity allocations (not a year 3 start); Private Equity return assumptions will be muted from 2022-2025 given J-curve effect of private investments and lack of returns in private investments during the initial 3-5 year investment periods; Expected investment returns in a mature private equity portfolio will be closer to 10% to 12%.

Modeling Assumptions:

Projected Portfolio Allocation Ranges from 2022-2025

Public Equities	50% - 70%
Fixed Income	15% - 40%
Private Debt	0% - 18%
Private Equity ³	0% - 10%

³ Private Equity allocation from 2022 to 2025 assumes an immediate start to private equity allocations(not a year 3 start)