

# NORTHWESTERN POLYTECHNIC

OPERATING ACCOUNT PROCEDURE			
<b>Effective Date</b>	March 3, 2026	<b>Procedure Type</b>	Administrative
<b>Responsibility</b>	Vice-President, Finance & Administration	<b>Cross-Reference</b>	Investment Policy
<b>Approver</b>	Executive Council	<b>Review Schedule</b>	Annually

**1. Procedure Statement**

Northwestern Polytechnic (“NWP” or “Polytechnic”) shall maintain, manage, and enhance its operating cash assets in a prudent manner.

**2. Procedure Objective**

NWP Executive Council is entrusted with the prudent management of operating cash.

**3. Scope**

This procedure applies to all investment activities relating to the operating cash assets of the Polytechnic.

**4. Purpose**

- 4.1. The purpose of this procedure is to outline an approach which will guide the investment management of the operating cash assets toward the desired results that will support the Polytechnic’s activities and mission.
- 4.2. This procedure defines and assigns the responsibilities of all involved parties.
- 4.3. This procedure establishes the investment objectives, principles, and philosophies for the operating cash assets.
- 4.4. This procedure offers general guidance and limitations to all Investment Managers regarding the investment of the Operating funds. Investment Managers will be subject to specific objectives, criteria, and limitations as defined in their mandate and investment agreement with NWP. The design and content of these mandates and agreements will be guided by and be consistent with this procedure unless otherwise approved by the Finance Committee.

**5. Definitions**

- 5.1. “Agent” - a company, organization, association, or individual, as well as its employees, retained by the Finance Committee to provide specific services with respect to the administration and management of the Portfolio.
- 5.2. “Credit rating” - the perceived ability of the borrower to pay what is owed on the borrowing in a timely manner; it represents the ability of an entity to withstand adverse impacts on its cash flows.
- 5.3. “Credit risk” - the risk of loss caused by a counterparty’s or debtor’s failure to make a promised payment.
- 5.4. “Derivative” - a financial instrument whose value depends on the value of an underlying asset or factor (e.g., a stock price, an interest rate, or an exchange rate).

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- 5.5. "Impairment" - the diminishment in value as a result of carrying (book) value exceeding fair value and/or recoverable value.
- 5.6. "Liquidity" - the ability to purchase or sell an asset quickly and easily at a price close to fair market value. It is the ability to meet short-term obligations using assets that are the most readily converted into cash without delay at relatively low cost and in relatively large quantities.
- 5.7. "Net Spending Rate" – is the projected rate of return on the portfolio used to fund the operational and capital needs of NWP. The rate is determined by the 'total return' less management and investment fees and, in the case of endowments, less the current consumer price index (CPI).
- 5.8. "Option" - a financial instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specific period of time.
- 5.9. "Portfolio" - a collection of investments.
- 5.10. "Operating/Operational Funds" – Consists of institutional funds that are available for both short-term and long-term operating and capital expenditures. To the extent that surplus cash flow exceeds current requirements (the amount of current funds in excess of current expenditures), the excess is available for investment.
- 5.11. "Purchasing on margin" - an investor borrows a portion of the money required to purchase a certain amount of securities. In futures markets, there is no borrowing, so the margin is more of a down payment or performance bond.
- 5.12. "Reserve Funds" - a collection of operating surplus, internally restricted, deferred revenue amounts, and other surplus funds accumulated by the Polytechnic.
- 5.13. "Resource members" - shall consist of the following:
  - 5.13.1. Vice-President, Finance & Administration
  - 5.13.2. Director, Financial Services
- 5.14. "Security" - a documentation of ownership that proves ownership of stocks, bonds and other investments.
- 5.15. "Short selling" - selling a security that the seller does not own but is committed to repurchasing eventually. It is used to capitalize on an expected decline in the security's price.

## 6. Guiding Principles

- 6.1. This procedure will establish appropriate risk and return objectives in a responsible investment approach that is aligned with industry best practices.
- 6.2. As the funds invested are public funds, the primary objective is the preservation of capital.
- 6.3. To balance availability with productivity of the Operating funds.

## 7. Investment Objectives

- 7.1. The primary goal of the Operating Portfolio is availability for cash flow. Specifically, the primary objectives in the investment management of fund assets shall be:

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7.1.1. Preservation of Capital – To preserve the principal value of the Operating funds.

7.1.2. To produce sufficient investment returns to ensure the preservation of the real (Bank of Canada CPI adjusted) purchasing power of Operating funds after accounting for spending, inflation, and costs of portfolio management, while meeting the cash flow needs of the organization.

## 8. Asset Mix for Operating Funds

8.1. Due to spending and capital preservation objectives of the Operating Funds, investments will have to be made in a group of assets and strategies with defined allocations to earn the returns required.

The Portfolio shall be invested in cash and cash equivalents only.

## 9. Permitted Investments

9.1. Subject to the asset mix and investment guidelines contained in this Procedure, investments will be permitted in the following categories:

9.1.1. Cash and Equivalents – The Investment Manager may invest in the highest quality paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Portfolios principal value, subject to the following limitations:

Commercial paper assets must be rated at least A1 (Canadian CP Scale), P1, or R1 (low). Investments in the obligations of a single issuer may exceed 5% of This is the verbiage in the investment policy

the total market value of the Portfolio only when the security is investment grade or better or where the investment is with the Government of Canada and provincial and municipal governments. Examples of acceptable investments are:

- Canadian Federal and Provincial Government and Agency obligations
- Term deposits and GIC's
- Banker's Acceptances
- Commercial Paper

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- Corporate Bonds and Debentures
- Treasury Bills and short-term debt obligations of Foreign Governments
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## 9.1.2. Speculative Trading

NWP is restricted from engaging in any investment activity that would be considered speculative in nature.

## 10. INVESTMENT MANAGER REPORTING

- 10.1. The Investment Manager will provide written acceptance of the Operating Account Procedure, and any subsequent changes thereto, and comply with the following

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requirements, unless agreed upon otherwise in writing between the Finance Committee and the Investment Manager:

- 10.2. Monthly, within 5 days:
  - 10.2.1. Portfolio holdings
    - 10.2.1.1. Listing of investments held
    - 10.2.1.2. Present book value and current market value
    - 10.2.1.3. Listing and summary of monthly investment transactions
- 10.3. Quarterly, within 30 days:
  - 10.3.1. Investments
    - 10.3.1.1. Confirm adherence to procedure guidelines (compliance report)
    - 10.3.1.2. Provide any comments or suggestions regarding constraints, guidelines, etc.
    - 10.3.1.3. Discuss any changes to investment strategy or process
    - 10.3.1.4. Report on any environmental, social and governance risks they have discovered in the portfolio.
  - 10.3.2. Portfolio Holdings – the following items will be reported quarterly.
    - 10.3.2.1. Listing of individual securities by sector
    - 10.3.2.2. Annual income yield by security
    - 10.3.2.3. Percent allocation of each security
- 10.4. Annually (fiscal year end) or upon written or oral request within 30 days
  - 10.4.1. Copies of all documentation in support of any investment activity.
  - 10.4.2. Certified statement of financial condition of the investment management organization.
  - 10.4.3. Evidence of suitable insurance coverage of the investment manager's fiduciary responsibilities.
  - 10.4.4. Disclosure reports in compliance with Public Sector Accounting Standards.

## 11. CONFLICT OF INTEREST

- 11.1. This standard applies to members of Northwestern Polytechnic as well as to all agents employed by the organization, in the execution of their fiduciary responsibilities.
- 11.2. A conflict of interest arises when the personal interests, investments, or future plans of any person or Agent involved in the administration of the Portfolio, conflict with his or her duties in respect of the Portfolio, or impair his or her ability to make an unbiased judgement in completing responsibilities to the Operating Funds. In particular, accepting or being the direct or indirect beneficiary of any fee, brokerage, commission, gift (other than of nominal value) or their consideration for or on account of any investment, purchase, sale, payment, or exchange made by or on behalf of the Portfolio shall constitute a conflict of interest.
- 11.3. Where a conflict of interest exists or might exist for a Northwestern Polytechnic Member, the Member shall disclose his or her interest as soon as possible after becoming aware of the potential conflict.
- 11.4. Where a conflict of interest exists or might exist for an Agent, the party shall advise

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Northwestern Polytechnic as soon as possible of any conflict of interest. Northwestern Polytechnic will assess the nature and materiality of the potential conflict and determine appropriate action which may range from limitations on recommendations or action relative to a specific issue to termination of the NWP and the Portfolio relationship with the Agent.

11.5. The failure of a Northwestern Polytechnic Member, Investment Manager, Consultant Agent or advisor, to comply with the procedures described in his section shall not of itself invalidate any decision, contract or other matter.

11.6. Every disclosure or conflict of interest shall be recorded within People & Culture

## 12. INVESTMENT PROCEDURE REVIEW

12.1. To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment procedure, Northwestern Polytechnic will review the investment procedure and revise annually, as required.

## 13. ROLES AND RESPONSIBILITIES

Stakeholder	Responsibilities
Executive Council	<ul style="list-style-type: none"> <li>• Approve and formally support this procedure.</li> <li>• Oversee and provide strategic advice on the investments of the Portfolio.</li> <li>• Review and recommend amendments to the Investment Procedure.</li> <li>• Recommend Investment Managers.</li> <li>• Monitor investment performance and investment managers.</li> <li>• Monitor investment activities to ensure compliance with established investment parameters.</li> <li>• Appoint suitable agents and council, as required.</li> </ul>
Board of Governors	Approve and formally support this procedure.
Finance Committee	<ul style="list-style-type: none"> <li>• Oversee and provide strategic advice on the investments of the Portfolio.</li> <li>• Review and recommend amendments to the Operating Account Procedure.</li> <li>• Recommend Investment Managers.</li> <li>• Monitor investment performance and investment managers.</li> <li>• Monitor investment activities to ensure compliance with established investment parameters.</li> <li>• Appoint suitable agents and council, as required.</li> </ul>
Vice-President, Finance and Administration	<ul style="list-style-type: none"> <li>• Develop and maintain this procedure.</li> <li>• Review and approve any exception requests relative to the requirements in this procedure.</li> <li>• Take proactive steps to reinforce compliance with this procedure by all stakeholders.</li> <li>• Establish and monitor appropriate procedures, processes, practices, and internal controls:               <ul style="list-style-type: none"> <li>○ to achieve the objectives identified in this Procedure,</li> <li>○ for employees and persons to engage in investment activities,</li> <li>○ to safeguard the Polytechnic funds,</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>○ for custody and safekeeping of investments; and,</li> <li>○ for the accounting and reporting of investment activities.</li> <li>● Prepare and present quarterly reporting to the Finance Committee.</li> <li>● Communicate with Investment Managers on a regular basis on NWP's Strategic Plan.</li> </ul>
Investment Managers	<ul style="list-style-type: none"> <li>● Manage funds in accordance with this Procedure with the care, diligence and skill that a prudent person skilled as a professional investment manager would use in dealing with public sector monies. The investment manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.</li> <li>● Abide by the Code of Ethics and Standards of Professional Conduct as established by the Investment Industry Regulatory Organization of Canada.</li> <li>● Provide regular investment reporting to NWP as outlined in this procedure.</li> <li>● Meet with NWP as required and provide quarterly written reports regarding performance, portfolio strategy and other issues as required.</li> <li>● Notify the Vice-President, Finance and Administration immediately, in writing, of changes in ownership, investment philosophy and processes, personnel and organizational structure.</li> <li>● Notify the Vice-President, Finance and Administration immediately, in writing, of any legal or regulatory proceedings or charges of which the Investment Manager may be aware, against the investment manager's firm or investment personnel or against any sub-advisor.</li> </ul>

**14. Inquiries**

14.1. Inquiries regarding this procedure can be directed to the Vice-President Finance and Administration.

Approved March 28, 2024 by Board of Governors