AGENDA

NOTE: Members who wish to have items moved from the Consent to the Regular Agenda should contact the University Secretariat before the Board meeting. Members may also request to have items moved when the Agenda is presented for approval at the Board meeting.

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A. OPEN SESSION

1. REMARKS FROM THE CHAIR

2. NOTICE OF MEETING - OCTOBER 14, 2021 (9:00 a.m.)

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CONSENT

4. MINUTES OF PREVIOUS MEETING – JUNE 10, 2021 (OPEN SESSION)

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a. Minutes - June 10, 2021 (Open Session)

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i. Actions Taken on Behalf of the Board

b. PLANNING AND RESOURCES COMMITTEE

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ii. Statement of Investment Policies and Procedures – Salaried Pension Plans

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iii. Statement of Investment Policies and Guidelines – Cash and Short Term Investment

c. AUDIT AND RISK COMMITTEE

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Report From the Audit and Risk Committee
i. Report on Health and Safety

MOTION: that items 4 to 5 be approved or received for information by consent.

REGULAR (9:05 a.m.)

6. BUSINESS ARISING

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8. PRESIDENT'S REPORT TO THE BOARD (9:10 a.m.)

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9. UPDATE ON BACK TO MAC (9:25 a.m.)

10. REPORT FROM SENATE (9:40 a.m.)

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94 - 95 c. Establishment of the Ronald Barr Professorship in Pediatric Oncology
96 - 99 d. Revised Terms of Reference - AbbVie Chair in Education in Rheumatology

11. COMMITTEE REPORTS (9:50 a.m.)

a. AUDIT AND RISK COMMITTEE

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100 Report from the Audit and Risk Committee
ii. Appointment of External Auditor for 2021-2022

12. PRESENTATION TO THE BOARD OF GOVERNORS (10:25 a.m.)

Presenter: Dr. Heather Sheardown, Acting Dean, Faculty of Engineering
Topic: The Pivot – Redesigning Engineering Curriculum

13. OTHER BUSINESS (10:55 a.m.)
McMaster University

MINUTES OF THE BOARD OF GOVERNORS
June 10, 2021 at 8:30 a.m.
via Videoconference (Zoom)

PRESENT: Mr. B. Merkel (Chair), Ms L. Allan, Ms J. Allen, Dr. D. Brooks, Dr. L. Bronsard, Ms L. Brown, Mr. R. Clarke, Mr. J Coles, Ms. S. Cruickshanks, Dr. J. Daniel, Mr. S. Donnelly, Mr. D. Feather, Mr. M. Ferencich, Dr. D. Farrar, Dr. C. Filipe, Ms Zeina Hassan, Mr. D. Horwood, Mr. D. Huctwith, Ms R. Jamieson, Dr. R. Kleiman, Dr. N. Lishchyna, Ms S. McLarty, Mr. K. Nye, Dr. L. Parker, Ms. M Pool, Ms J. Rowe, Ms C. Stefankiewicz, Dr. E. Szathmáry, Dr. S. Tighe, Dr. R. Walker, Ms A. Thyret-Kidd (University Secretary), Ms M. Zheng (Associate University Secretary), Ms. K. Snow (Governance Coordinator)

OBSERVERS: Mr. R. Couldrey, Ms E. Davies, Dr. E. Hassini, Ms D. Henne, Dr. B. Levy, Dr. K. Mossman, Ms M. Williams, Ms D. Martin, Ms W. McKenna, Ms A. Farquhar, Dr. P. O’Byrne, Ms B. Couchman, Mr. D. Della-Dedova

INVITED: Dr. S. Denburg, Executive Vice-Dean and Associate Vice-President, Academic
Dr. J. Hurley, Dean, Faculty of Social Sciences
Dr. M. MacDonald, Dean, Faculty of Science
Dr. I. Puri, Dean, Faculty of Engineering
Dr. P. Swett, Dean, Faculty of Humanities
Dr. L. Waverman, Dean, DeGroote School of Business
Ms M. Pooran, Director of Employee and Labour Relations
Dr. A. al Shaibah, Associate Vice-President (Equity and Inclusion)
Mr. Iain Clarkson, Budget Director
Dr. E. Zuroski, Associate Professor, Department of English and Cultural Studies
Dr. J. Preston, Associate Dean (Research and External Affairs)
Dr. D. Welch, Vice-Provost and Dean of Graduate Studies
Ms G. Gray, Assistant Vice President and Chief Technology Officer
Mr S. Van Koughnett, Associate Vice-President (Students and Learning) & Dean of Students

REGRETS Mr. P. Douglas, Mr. J. Mancinelli, Ms F. Samji, Mr. N Skelding, Dr. D. Sloboda.

B. OPEN SESSION

2. REMARKS FROM THE CHAIR

Mr. Merkel welcomed everyone to the last meeting of the Board of Governors of the academic year. He advised members that the 2021-2022 schedule will be available and circulated in the coming weeks. The Board was also reminded that Board and its
Committee meetings will continue virtually until January 1, 2022. The date of the Board Retreat is Friday, September 17, 2021.

The Chair also advised that the Secretariat will be circulating the 2021 McMaster University Board of Governors Survey to glean better insights into the views, expectations, and perspectives of Board Members on the Board’s overall performance, including the performance of the Committees of the Board. All Members were strongly encouraged to respond.

3. NOTICE OF MEETING – May 27, 2021

The Notice of Meeting was circulated on May 27, 2021.

4. APPROVAL OF THE AGENDA - OPEN SESSION

Mr. Merkel noted that no requests had been received to move any items from the Consent to the Regular agenda of the Open Session.

IT WAS DULY MOVED AND SECONDED, that the Board of Governors approve the Open Session agenda for the meeting of June 10, 2021, and that items 5-9 be approved or received for information by Consent.

The motion was Carried,

CONSENT

5. MINUTES OF PREVIOUS MEETING – April 22, 2021 (OPEN SESSION)

Motion:
that the Board of Governors approve the Open Session minutes of the meeting held on April 22, 2021, as circulated.

Approved by Consent.

6. BUSINESS ARISING (none)

7. REPORT FOR INFORMATION

a. Report from Health, Safety and Risk Management

The material is for information.
8. REPORT FROM SENATE

a. SPS A5 Revisions

Motion:
that the Board of Governors approve the amendments to the SPS A5 policy, as circulated.

Approved by Consent.

b. ToR Revisions – John A. Bauer Chair in Surgery

Motion:
that the Board of Governors approve the amendments to the terms of reference for the John A. Bauer Chair in Surgery, as circulated.

Approved by Consent.

c. Name Change – W.H. Kwok Chair in Spine Surgery Research

Motion:
that the Board of Governors approve the renaming of the W.H. Kwok Chair in Orthopedic Spinal Surgery Research to the W.H. Kwok Chair in Spine Surgery Research.

Approved by Consent.

d. ToR Revisions – Associate Deans

Motion:
that the Board of Governors approve the amendments to the terms of reference for the Associate Dean (Academic), Associate Dean of Graduate Studies (Science), and Associate Dean (Research & External Relations).

Approved by Consent.

e. Establishment of the Douglas Holder/PHRI Chair in Interventional Cardiology

Motion:
that the Board of Governors approve the establishment of the Douglas Holder/PHRI Chair in Interventional Cardiology.

Approved by Consent.

f. Revisions to the Guidelines for the Governance and Review of Research Institutes, Centres, and Groups
Motion:
that the Board of Governors approve the revisions to the Guidelines for the Governance and Review of Research Institutes, Centres, and Groups as circulated.

Approved by Consent.

9. COMMITTEE REPORTS

a. Remunerations Committee

i. Ratification of Tentative Agreement - SEIU Local 2 (Hospitality Services)

Motion:
that the Board of Governors approve the tentative agreement between McMaster University and SEIU Local 2 (Hospitality Services) for a 1-year rollover agreement effective May 1st, 2021, and expiring April 30th, 2022, with terms outlined in circulated report.

Approved by Consent.

ii. Ratification of Tentative Agreement (MUALA)

Motion:
that the Board of Governors approve the tentative agreement between McMaster University and MUALA for a 3-year term effective August 1st, 2021, and expiring July 31st, 2024, with terms outlined in the circulated report.

Approved by Consent.

b. Planning and Resources Committee

i. Pension Plan Text Amendment

Motion:
that the Board of Governors approve Amendment #4 to the Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000, as contained in Attachment 1 of the report.

Approved by Consent.
10. BUSINESS ARISING (none)

There was no business arising from the Open Session minutes of the meeting held on April 22nd, 2021.

11. COMMUNICATIONS (none)

There were no communications for the meeting of June 10, 2021.

12. PRESIDENT'S REPORT TO THE BOARD (8:40 a.m.)

a. President’s Report the Board

Dr. Farrar acknowledged the discovery of the remains of 215 indigenous children at the former Kamloops Indian Residential School, located in Kamloops, British Colombia and noted that its discovery is an example of the mistreatment of Canadian government institutions, including educational institutions. Dr. Farrar noted that the McMaster community stands with many others in extending its sincerest condolences and compassion to the families and all those experiencing deep pain at this time. McMaster’s flags were flown at half-mast for 215 hours.

Dr. Farrar spoke also to the recent act of racist hate in London, Ontario, which claimed the lives of a Muslim family, and left the family’s young son gravely injured. The University is deeply saddened by the loss experienced by family members, the London community, by Muslims across the country, and especially members of McMaster’s Muslim community of students, faculty, and staff. Islamophobia and racism of any kind has no part in our society, and he noted the need of everyone to confront all forms of racism where they see it.

Dr. Farrar noted to the Board that his written report contains updates on several important issues which his office has been working on over the last year, including the Black Excellence Cohort Hiring initiative, the response to the review of the Black Students Athlete experience, the Student Census, and the launch of the Teaching and Learning strategy.

In late May, the Return to McMaster Oversight Committee released its report. This followed extensive discussions and consultations with experts and stakeholders across the University and beyond, and provides overarching guidance on issues to consider when planning for the Fall. Further details will be released over the summer months and as further clarity is provided around public health guidance and restrictions.

A discussion followed concerning the return of students, faculty, and staff to McMaster. A member had some questions about communications being made to the McMaster community, particularly regarding whether the University will require proof of the COVID-19 vaccine inoculation for residences. Dr. Tighe indicated that there has been a series of communications directly targeted to students and they are
planning more information for staff and faculty. Dr. Tighe also brought the Board’s attention to the Back to Mac virtual town halls that her office has organized.

Dr. Farrar concluded his report by noting that this was the last Board meeting for the Vice-President (Administration), Roger Couldrey. Mr Couldrey has provided outstanding service to the University over many years: first, as a member of the Board of Governors and Chair of the Finance and Audit Committees, and since 2009 has been an exemplary Vice-President (Administration) and a hugely supportive and dedicated colleague.

13. REPORTS RECEIVED FOR INFORMATION

a. President's Advisory Committee on Building an Inclusive Community - Annual Report
Dr. Farrar invited Dr. al Shaibah to briefly address the Report and to answer any questions. She noted that the office has worked to elevate several key priorities as noted in the report. Dr. al Shaibah thanked co-chair, Dr. Zuroski who will be transitioning out of her role, and has been an incredible leader with this work. Dr. al Shaibah noted that the racialized events of the past several years, especially the recent news events Dr. Farrar highlighted earlier, displays the necessity of the work of the Committee and its working groups in shining the light on issues of hatred and bigotry. The Board also heard that the President’s Advisory Committee on Building an Inclusive Community has increased the member cap to accommodate additional interest.
Dr. David Farrar thanked Dr. al Shaibah and Dr. Zurosii for their work.

14. REPORT FROM SENATE

Dr. Farrar presented the report from Senate.


IT WAS DULY MOVED AND SECONDED,

that the Board of Governors approve the establishment of the Centre for Excellence in Protective Equipment and Materials (CEPEM), as circulated.

The motion was Carried.

b. Institutes and Centre Closures.
A member asked about the issues and challenges research institutes are currently facing and how the Board can be engaged more systematically in understanding these issues. In response, Dr. Farrar noted that the list of institutes and centres have served their purpose effectively and that that their work can be streamlined better elsewhere.

Dr. Mossman spoke to the process that her office underwent with faculty, Associate Deans Research and the Secretariat to develop this list. Many of the centres have run their course and have not been active for many years. A member asked about capturing the lessons learned through this exercise. Dr. Mossman explain that improved governance rigour, which includes succession planning, budgeting, and sustainability, will ensure that Senate-approved centres are functional and active. This includes an external lens for ensuring that centres are efficient and robust.

Lastly, a member inquired if these closures can be attributed to a recent decline in short-term funding from the Canada Foundation for Innovation (CFI). Dr. Mossman noted in recent years, the strategy behind the allocation of CFI funding has become more collaborative among universities and learning institutions to focus on the sustainability of core research facilities.

IT WAS DULY MOVED AND SECONDED,

that Board of Governors approve the termination of the following centres and institutes, effective June 10, 2021:

1. Health Leadership Institute
2. Management of Innovation & New Technology Research Centre
3. McMaster eBusiness Research Centre
4. Canadian Institute of Manufacturing
5. McMaster Centre for Flexible Manufacturing
6. McMaster Institute of Polymer Production Technology
7. Aging & Health R. Samuel McLaughlin Centre
8. Arthritic Diseases Centre
9. Centre for Evaluation of Medicines
10. Surgical Outcomes Resource Centre
11. McMaster Institute for Urology at St. Joseph’s Healthcare Hamilton
12. Language Institute of McMaster
13. McMaster Centre for Nutrition, Exercise, and Health Research

The motion was Carried.

c. Proposal for the McMaster Cancer Research Centre.
At the same meeting, Senate reviewed and approved, the establishment of the McMaster Cancer Research Centre.

IT WAS DULY MOVED AND SECONDED,

that the Board of Governors approve the establishment of the McMaster Cancer Research Centre.

The motion was Carried.

d. Proposal for the Schroeder Allergy and Immunology Research Institute.

IT WAS DULY MOVED AND SECONDED,

that the Board of Governors approve the establishment of the Schroeder Allergy and Immunology Research Institute.

The motion was Carried.

e. Proposal for the Offord Centre for Child Studies.

This item was for information.

Dr. Farrar thanked the Board for their engagement and interest surrounding the centres and institutes and gave special thanks to Dr. Mossman’s office for its support.

15. COMMITTEE REPORTS

a. Planning and Resources Committee

Ms. Allen presented the report from the Planning and Resources Committee.

i. Energy Management Plan

At the meeting held on May 27th, 2021, the Planning and Resources Committee reviewed, for information, the University’s Energy Management Plan. Ms. Martin reviewed the University’s Energy Management Plan with the Board for information purposes. Members heard that the document highlights the past successes of previous energy management plans and has been amalgamated with the University’s net-zero strategy. Moving forward, the goal is to achieve carbon neutrality earlier than its established 2050 target.

A member had a question regarding whether McMaster has a plan aligned with Canada’s Small Modular Reactor (SMR) Action Plan. Dr. Farrar mentioned that although we have some history in this area, this area will need to be examined and explored more closely. Dr. Mossman noted that there has been interest in this area
and there have been discussions with the federal and provincial governments, INERCAN, and industry partners and groups regarding new technologies and how to assist. This area has been led by Mr. Dave Tucker who has been spearheading nuclear research and SMR activities.

ii. McMaster Sustainability Report

Ms Martin provided an overview of the McMaster Sustainability Report and spoke briefly to each of the three pillars of its approach, noting that working groups across campus participated extensively in this process. These initiatives are aligned with the United Nations sustainability goals and a digital roll-out will occur in the coming weeks. Ms. Martin also noted that her office is working on a comprehensive plan which will reflect on the overall arching strategic plan for the University over the summer.

Several members expressed interest in seeing how McMaster’s Sustainability Report compares with other universities, and Ms. Martin informed members that McMaster has recently joined a data-collection program called STARS which would allow universities to compare sustainability-related data points amongst the universities.

iii. Gore District Land Trust Budget

IT WAS DULY MOVED AND SECONDED,

that the Board of Governors receive the Gore District Land Trust January 1 to December 31, 2021 budget with net earnings of $143 thousand.

The motion was Carried.

iv. 2021/22 Consolidated Budget

Dr. Preston, Chair of the Budget Committee, provided an overview of the item, speaking to the strategic priorities of McMaster University as comprised of the operating, ancillary, research, capital and trust funds.

Dr. Preston expressed that the University still has an on-going challenge of tuition freeze coupled with the University’s enrollment model. The Board heard that McMaster has a strategy of becoming a more global university and expanding international student intake while diversifying the countries those students are coming from. Despite the uncertainty surrounding the COVID-19 pandemic, the budgetary processes are agile, creative, accountable and generous. However, he
noted that the hardest hit area in the budget was the ancillaries with students being away from campus.

In response to a question about limiting reliance on the tuition of international students, Dr. Farrar noted that frozen domestic tuition has hurt the sector, and there is extensive provincial government lobbying on the matter. There is $20 million in unfunded domestic students that the province does still need to provide. Dr. Farrar noted that inflation on international and domestic student tuition is not going to be a major factor in balancing the budget, but real estate holdings are important, particularly with regards to commercialization and many universities are embracing this direction.

A brief discussion proceeded among the members regarding reducing tuition fees for those domestic and international students who plan to continue with virtual learning, as well as developing a more robust international student centre. Dr. Tighe noted that while she will take that away, instructors have not necessarily had less to deliver in terms of programming, and that McMaster remains aligned with comparable universities on this. Dr. Preston confirmed that management did have these discussions, and that the number of international students enrolled held up well.

In further response to the matter of international student supports, Mr. Van Koughnett added that the University had reviewed the Student Success Centre in 2017 which led to additional staff and significant investments to bolster support for international students. He also noted that we have guaranteed residence spots for international students.

A member asked about the $39 million increase in the projections. Ms Henne explained that this is the difference between projections and actuals, and there was better performance than expected. The original budget assumed lowered international student participation which did not transpire.

A member had a question surrounding McMaster’s engagement with library acquisitions, noting a library consortium focused on the health sciences across Canada. Dr. Preston noted that McMaster does participate in a library consortium with the University of Toronto, however, McMaster does cover a second, but significant and perhaps disproportionate share of the costs associated due to its large research output. Dr. Tighe indicated that Ms. Vivian Lewis has frequent interactions with other universities on this matter. Many subscriptions and payments are in US dollars, and so when the Canadian dollar fluctuates, McMaster does have to pick up higher costs.

Lastly, a member expressed concerns that larger class sizes appear to be built into the budget. Dr. Preston indicated that there will likely be hybrid education, but this is not being built into the budget. Dr. Tighe indicated that she does foresee
more diversified workspaces, and that faculty hiring is on-going and this will impact class sizes.

IT WAS DULY MOVED AND SECONDED,

the Board of Governors approve the 2021/22 Consolidated Budget, as circulated.

The motion was Carried.

v. Tuition and Miscellaneous Fees

At the same meeting, the Planning and Resources Committee reviewed and approved the 2021-2022 and 2022-2023 tuition and miscellaneous fees.

IT WAS DULY MOVED AND SECONDED,

the Board of Governors approve the 2021-22 and 2022-23 Tuition and Miscellaneous Fee Schedules, as circulated.

The motion was Carried.

b. Executive and Governance Committee

Mr. Merkel presented the report from the Executive and Governance Committee. Revisions to the Board By-Laws require two meetings of the Board, one to provide notice of motion, and a second for final approval. The proposed revisions, contained in Attachment 1 of the circulated report, were approved in principle at the Board’s April 22nd, 2021 meeting, and were presented for final approval.

IT WAS DULY MOVED AND SECONDED,

that the Board of Governors approve revisions to the Board of Governors By-Laws, as circulated.

The motion was Carried.

16. RECOGNITION OF RETIRING BOARD MEMBERS

Mr. Merkel recognized the contributions of the following members retiring from the Board of Governors:

Mr. Sean Donnelly, Lieutenant Governor in Council appointed member
Mr. Neil Skelding, Board-elected member
Dr. Rafael Kleiman, Teaching staff elected member
Dr. Carlos Filipe, Teaching staff elected member
Ms. Leah Allan, Non-teaching staff elected member
Ms. Zeina Hassan, Representative of undergraduate students

It was noted that each retiring member will receive a gift of appreciation. Mr. Merkel also recognized the retirement of Mr. Roger Couldrey, and Dean Leonard Waverman.

17. OTHER BUSINESS

There was no other business for the Open Session portion of the meeting.

* * * * *
REPORT TO THE BOARD OF GOVERNORS
from the
EXECUTIVE AND GOVERNANCE COMMITTEE

Actions Taken on Behalf of the Board of Governors

a. Establishment of the Schroeder Chair in Allergy and Immunology Research

On June 24, 2021, the Executive and Governance Committee approved via electronic vote, on behalf of the Board of Governors, the establishment of the Schroeder Chair in Allergy and Immunology Research.

b. McMaster Innovation Park – Audited Financial Statements

On August 5, 2021, the Executive and Governance Committee received, on behalf of the Board of Governors, the Audited Financial Statements for McMaster Innovation Park.

c. Tuition and Miscellaneous Fees

On August 5, 2021, the Executive and Governance Committee approved, on behalf of the Board of Governors, the revised Tuition and Miscellaneous Fees for the 2021-2022 academic year.

d. Changes to the Investment Pool Statement of Investment Policy and Procedures

On August 5, 2021, the Executive and Governance Committee approved, on behalf of the Board of Governors, changes to the Investment Pool Statement of Investment Policy and Procedures.

Note: A full copy of the items listed above is available from the University Secretariat office.

Board of Governors: FOR INFORMATION
October 28, 2021
i. **Statement of Investment Policies and Procedures – Hourly Plan**

At its meeting on October 7, 2021, the Planning and Resources reviewed and approved the revised Statement of Investment Policies and Procedures for Contributory Pension Plan for Hourly Employees. Details of the proposal are contained in Attachment I of the circulated report.

It is now recommended,

that the Board of Governors approve the revised Statement of Investment Policies and Procedures for Contributory Pension Plan for Hourly Employees as shown in Appendix A.

ii. **Statement of Investment Policies and Procedures – Salaried Pension Plans**

At its meeting on October 7, 2021, the Planning and Resources reviewed and approved the revised Statement of Investment Policies and Procedures for Contributory Pension Plan for Salaried Employees. Details of the proposal are contained in Attachment II of the circulated report.

It is now recommended,

that the Board of Governors approve the revised Statement of Investment Policies and Procedures for Contributory Pension Plans for Salaried Employees as shown in Appendix A.

iii. **Statement of Investment Policies and Guidelines – Cash and Short-Term Investments**

At the same meeting the Planning and Resources Committee reviewed the Cash and Short-term Investment Statement of Investment Policies and Guidelines. This item was for information.

Board of Governors: FOR APPROVAL & INFORMATION
October 28, 2021
Date: September 23, 2021
To: Planning and Resources Committee
From: Hourly Pension Plan Committee
Subject: Statement of Investment Policies and Procedures – Hourly Plan

Recommendation:

That the Planning and Resources Committee approve for recommendation to the Board of
Governors, the revised Statement of Investment Policies and Procedures for Contributory
Pension Plan for Hourly Employees as shown in Appendix A.

The Pension Benefits Act requires that the pension plan’s Statement of Investment Policy and
Procedures (SIP&P) be reviewed each year. Mercer and management have completed a
review of the SIP&P. Based on this review it is recommended that one revision be made to
the SIP&P relating to the risk appetite definition.

Refer to Appendix A for the revised policy (blacklined).

The change to the policy is summarized in the table below:

Table 1. Summary of Proposed Policy Changes

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<th>Comments</th>
</tr>
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<tbody>
<tr>
<td>Section 1.5 (pg. 2) Risk Appetite</td>
<td>The description of risk appetite has been updated to describe the relationship between the University’s Enterprise Risk Management framework relative to the risk appetite associated with the investment strategy</td>
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Planning and Resources Committee – FOR APPROVAL
October 7, 2021
Appendix A.

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES
FOR
CONTRIBUTORY PENSION PLAN FOR HOURLY EMPLOYEES
McMaster University Contributory Pension Plan for Hourly-Rated Employees

Complete Policy Title:
Statement of Investment Policies and Procedures

Policy Number (if applicable):
N/A

Approved by:
Board of Governors

Date of Original Approval(s):
February 17, 2005

Date of Most Recent Approval:
October 8, 2020

Supercedes/Amends Policy dated:
October 24, 2020

Responsible Executive:
Assistant Vice-President (Administration)

Enquiries:
Business Management Services

DISCLAIMER: If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails.
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Section 1—Overview

1.1 Purpose of Statement
This Statement of Investment Policies and Procedures (the ‘Policy’) is intended to set out the investment framework which shall apply at all times for the Contributory Pension Plan for Hourly-Rated Employees of McMaster University Including McMaster Divinity College (the ‘Plan’).

This Policy is based on the ‘prudent person portfolio approach’ to ensure the prudent investment and administration of the assets of the Plan (the ‘Fund’) within the parameters set out in the Pension Benefits Act (Ontario) and the regulations thereunder.

1.2 Background of the Plan
McMaster University was established in 1887 by the bequest of William McMaster and is a university incorporated under the laws of the Province of Ontario, which provides operating grants annually to the University.

The University sponsors the Plan, which is a defined benefit pension plan into which its contributions and the employees' contributions are deposited. These contributions are made biweekly and are remitted before the end of the following month to the Plan's trustee.

As directed by the McMaster University Hourly Pension Plan Retirement Committee (the ‘Committee’), the University contracts with third parties to provide trustee, custodial, investment management, actuarial, and consulting services.

Retiree benefits are paid from the Plan. Also paid from the Plan are termination and death benefits, trustees' fees, audit fees, actuaries' fees, investment management fees, consultants' fees, filing fees and other related costs as approved by the Committee.

1.3 Plan Profile
(a) Contributions
The Plan is contributory. Each Plan member is required to contribute in accordance with the Plan Text and limited by specified maximums, as applicable.

The University will pay the balance required to provide the cost of benefits. The minimum University contribution each year is an amount equal to the contributions made by the Plan members during the year.

(b) Benefits
For service prior to January 1, 1986, the amount of annual pension will be the pension earned to December 31, 1985 increased in accordance with periodic amendments thereafter.

For service after December 31, 1985, the amount of annual pension payable to a Plan member will be:
(i) 1.4% of Best Average Earnings up to the Average Year’s Maximum Pensionable Earnings times years of Credited Service, plus
(ii) 2.0% of Best Average Earnings in excess of the Average Year’s Maximum Pensionable Earnings times years of Credited Service.

The amount by which twice the Plan member’s required contributions with interest exceed the commuted value of the Member’s benefit shall be paid to the Plan member.

Pensions in payment after January 1, 2003, will be increased by the excess over 6% of
the 5 year average return on the Fund, subject to a maximum increase equal to the change in the CPI for the previous Plan year.

1.4 Objective of the Plan

The objective of the Plan is to provide participants with defined pension benefits based on a Best Average Earnings and with potential indexation of retirement benefits, as defined in the Plan Text. It is important to set up an appropriately diversified asset mix in order to ensure continued prudent and effective management of the Fund.

1.5 Investment Objectives, Beliefs and Risk Appetite

Funding Objectives

The Plans’ funding objectives are to:

(a) Manage the volatility and level of contributions;
(b) Maintain benefit security, and
(c) Reduce the likelihood of special solvency payments and target to maintain the solvency funded ratio above 85% at all future actuarial valuation dates.

Investment Objectives

The investment objective of the Plans’ investments is to earn a return sufficient to keep the Plan sustainable over the long term, while keeping benefit levels and contribution rates stable. This requires an appropriate balance between risk and return.

Risk Appetite

Based on the characteristics of the Plan, the Committee has determined that the Plan has a moderate low risk appetite as a function of University’s Enterprise Risk Management (ERM) framework, however the Plan have a medium risk appetite as a function of invested assets for investment risk, as demonstrated by the approved asset classes, investment targets and limits within this policy.

Note: The University’s ERM categorizes level of risk as a function of the annual available expendable resources (AER), with high, medium, and low risk appetite defined as 10%, 5%, and 2% respectfully of that balance. The Plans asset value is significantly lower than AER and therefore the Plans risk exposure using plan assets as the basis is medium.

Investment Beliefs

The Hourly Pension Committee (“Committee”) has, from time to time, reviewed and confirmed its investment beliefs which take into consideration the types of investments and associated risks that are aligned with investment objectives and risk appetite.

The Committee recognizes that, based on historical data and on forecasted returns, the asset classes most likely to produce the greatest return in excess of inflation over time are also likely to exhibit the most volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest returns over time. The investment philosophies and strategies must take into account both return and risk objectives.

Therefore, it is reasonable to adopt a long-term asset mix strategy with an appropriate equity
content that is well diversified.
1.6 **Delegation of Responsibility and Administration**

The University is the legal administrator of the Plan and is therefore responsible for all matters relating to the administration, interpretation and application of the Plan, including developing, monitoring and amending this Policy. The Committee assists the University with the administration of the Plan.

Overall responsibility for the Plan ultimately rests with the Board of Governors of the University. The Committee assists the Board in fulfilling its fiduciary responsibilities. As well, other suppliers assist the University as described below.

(a) **The Board of Governors will:**

(i) Determine the level of the University’s contribution to the Plan on the recommendation of the Planning and Resources Committee and in accordance with the guidelines set out in the Hourly Pension Plan text;

(ii) Consider items endorsed by the Planning and Resources Committee and approve where appropriate;

(iii) Be responsible for the delegation of any responsibilities not specifically mentioned.

(b) **The Planning and Resources Committee of the Board of Governors will:**

(i) Consider recommendations by the Committee concerning the level of the University’s contribution to the plan and endorse those recommendations to the Board of Governors where appropriate;

(ii) Consider items brought forward by the Committee for approval and endorse recommendations to the Board of Governors where appropriate.

(c) **The Committee will:**

(i) Approve and make recommendations where necessary to the Planning and Resources Committee regarding changes to the Investment Manager(s), Custodian/Trustee, and Investment Consultant;

(ii) Monitor and review performance of the Investment Manager(s) on a qualitative and quantitative basis at least semi-annually;

(iii) Review the Fund’s performance on a quarterly basis, and approve situations of deviations or proposed deviation by the Fund Manager from the Policy to the Planning and Resources Committee;

(iv) Discuss and promote awareness and understanding of the Plan by Members of the Plan and persons receiving benefits under the Plan;

(v) Review the Statement of Investment Policy and Procedures (the “Policy”) at least annually, make changes, and endorse to the Planning and Resources Committee for approval as required;
(vi) Review the actuarial valuation, changes in methods and assumptions and its impact upon the Plan, and endorse to the Planning and Resources Committee for approval;

(vii) Review the financial statements and endorse to the Planning and Resources Committee for approval;

(viii) Approve and recommend to the Planning and Resources Committee proposed changes to the Plan text;

(ix) Consider other matters as may be referred to the Committee by the participating unions, Planning and Resources Committee or the Board of Governors;

(d) **The Investment Manager(s) will:**

   (i) Invest the assets of the Fund in accordance with this Policy and applicable legislation;

   (ii) Notify the Committee, in writing, of any significant changes in the Investment Manager’s philosophies and policies, personnel or organization and procedures;

   (iii) Meet with the Committee as required and provide written reports regarding their past performance, their future strategies and other issues requested by the Committee; and

   (iv) Provide semi-annual compliance reports that confirms that the Manager has complied with the Policy or identifies areas of non-compliance.

(e) **The Custodian/Trustee will:**

   (i) Maintain safe custody over the assets of the Plan;

   (ii) Execute the instructions of the University and the Investment Manager(s); and,

   (iii) Record income and provide monthly financial statements to the University as required.

(f) **The Actuary will:**

   (i) Perform actuarial valuations of the Plan as required;

   (ii) Advise the Committee on any matters relating to the Plan design, membership and contributions;

   (iii) File appropriate documents and reports with relevant authorities; and

   (iv) Assist the Committee in any other way required.
(g) **The Investment Consultant will:**

(i) Assist in the development and implementation of this Policy;

(ii) Monitor the performance of the Fund and the Investment Managers and advise the Committee on such performance;

(iii) Monitor the Investment Managers’ compliance reports;

(iv) Support the Committee on matters relating to investment management and administration of the Fund; and,

(v) Meet with the Committee as required.

(h) **University Management will:**

(i) Comment and make recommendations to the Planning and Resources Committee on the appointment of the Actuary;

(ii) Ensure the plan’s administration complies with all applicable legislation and regulations;

(iii) Make recommendations to the parties to the collective agreements regarding amendments to the plan text;

(iv) Perform any duties or obligations not noted above and as described in Article 13 – *Administration of the Plan* of the Plan text.
Section 2—Asset Mix and Diversification Policy

2.1 Investment Objectives - Portfolio Return Expectations
The Fund will be managed on a going-concern basis. The primary objective is to ensure that the benefits defined in the Plan can be paid.

The secondary performance objective is to outperform a benchmark portfolio constructed from rates of return (including income) of the Standard & Poor’s Toronto Stock Exchange Composite Index (S&P/TSX Composite Index), the Standard & Poor’s 500 Index (S&P 500 Index), the Morgan Stanley Capital International Europe, Australasia and Far East Index (MSCI EAFE Index), FTSE Canada Long Bond Index and the FTSE Canada Universe Bond Index over rolling four-year time periods.

2.2 Investment Risk Tolerance - Expected Volatility
The expected volatility of investment returns for the Fund is directly related to the asset mix strategy; specifically, the balance between Canadian equities, foreign equities and Canadian bonds. Volatility is inherent in investing and will be managed according to the minimum and maximum asset mix ranges as outlined in Section 2.4. It is expected that the volatility of Fund returns should be similar to the volatility of the Total Combined Fund Benchmark Portfolio set out in Section 4.1.

The Committee will monitor the volatility of the fund and underlying manager(s).

2.3 Management Structure
The Committee believes that an Investment Manager with an active mandate can reduce portfolio risk below market risk and potentially add value both through security selection and asset allocation strategies.

2.4 Asset Mix
(a) Overall Asset Mix
The benchmark portfolio is representative of the long-term asset mix policy for the Fund as set out by the Committee. The Total Fund benchmark portfolio and asset mix guidelines (by market value) are set out below:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Minimum %</th>
<th>Benchmark %</th>
<th>Maximum %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian equities</td>
<td>10</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>U.S. equities</td>
<td>8</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>Non-North American</td>
<td>7</td>
<td>17</td>
<td>27</td>
</tr>
<tr>
<td>equities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equities</td>
<td>35</td>
<td>55</td>
<td>70</td>
</tr>
<tr>
<td>Universe Bonds</td>
<td>10</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Long Bonds</td>
<td>15</td>
<td>25</td>
<td>35</td>
</tr>
<tr>
<td>Cash &amp; Short-Term</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>30</td>
<td>45</td>
<td>65</td>
</tr>
</tbody>
</table>
The actual asset mix at any time may deviate from the Benchmark indicated above. The manager shall monitor and adjust the asset mix to ensure that the actual asset mix stays within the ranges as indicated by the minimums and maximums specified.

The Investment Manager shall comply with restrictions imposed by federal or provincial legislation and regulations.

(b) **Categorization per Pension Benefits Act**

The target mix for each category listed in subsection 76(12) of the Regulations to the Pension Benefit Act (Ontario) is as follows:

<table>
<thead>
<tr>
<th>Investment Category</th>
<th>Target Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured contracts</td>
<td>0.0%</td>
</tr>
<tr>
<td>Mutual or pooled funds or segregated funds</td>
<td>0.0%</td>
</tr>
<tr>
<td>Demand deposits and cash on hand</td>
<td>0.0%</td>
</tr>
<tr>
<td>Short-term notes and treasury bills</td>
<td>0.0%</td>
</tr>
<tr>
<td>Term deposits and guaranteed investment certificates</td>
<td>0.0%</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>0.0%</td>
</tr>
<tr>
<td>Real estate</td>
<td>0.0%</td>
</tr>
<tr>
<td>Real estate debentures</td>
<td>0.0%</td>
</tr>
<tr>
<td>Resource properties</td>
<td>0.0%</td>
</tr>
<tr>
<td>Venture capital</td>
<td>0.0%</td>
</tr>
<tr>
<td>Corporations referred to in subsection 11(2) of Schedule III of the PBSR</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employer issued securities</td>
<td>0.0%</td>
</tr>
<tr>
<td>Canadian stocks</td>
<td>20.0%</td>
</tr>
<tr>
<td>Non-Canadian stocks</td>
<td>35.0%</td>
</tr>
<tr>
<td>Canadian bonds and debentures</td>
<td>45.0%</td>
</tr>
<tr>
<td>Non-Canadian bonds and debentures</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other investments</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

The minimum rating for the target investment allocation of Canadian fixed income securities is BBB (or equivalent), as rated by at least one Recognized Bond Rating Agency as defined in section 3.4 (b). Notwithstanding this target, actual quality requirements and permitted ranges shall be determined by the Investment Manager(s) responsible for implementation of the strategy.
Section 3—Permitted and Prohibited Investments

3.1 General Guidelines
The investments of the Fund must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of the Ontario Pension Benefits Act, the federal Income Tax Act (Canada) and any relevant regulations.

3.2 Derivatives, Options and Futures
The pooled funds may utilize derivatives, options or futures if their policies permit. The derivatives instruments allowable under the Policy may be used only when they are regularly traded upon a recognized marketplace. Any investment in derivative securities shall be solely for non-speculative and non-leveraged purposes.

3.3 Permitted Investments
In general, and subject to the restrictions noted below, the Fund may invest in any of the asset classes and in any of the instruments listed below.

(a) Canadian and Foreign Equities
   (i) Common and convertible preferred stock listed on a recognized exchange;
   (ii) Debentures convertible into common or convertible preferred stock;
   (iii) Rights, warrants and special warrants for common or convertible preferred stock;
   (iv) Instalment receipts and American and Global Depository Receipts; and,
   (v) Private placements of equities, where the security will be eligible for trading on a recognized exchange within a reasonable and defined time frame and subject to Section 3.4; and,
   (vi) Canadian income trusts which provide provincially-legislated limited liability protection to the unitholders.
(b) **Bonds**

(i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian and non-Canadian issuers whether denominated and payable in Canadian dollars or a foreign currency;

(ii) Mortgage-backed securities, guaranteed under the National Housing Act;

(iii) Term deposits and guaranteed investment certificates; and,

(iv) Private placements of bonds and asset backed securities subject to Section 3.4.

(c) **Cash and Short Term Investments**

(i) Cash on hand and demand deposits;

(ii) Treasury bills issued by the federal and provincial governments and their agencies;

(iii) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers’acceptances;

(iv) Commercial paper and term deposits; and,

(v) Deposit accounts of the custodian can be used to invest surplus cash holdings

(d) **Derivative Instruments**

The use of derivative instruments which would be contracted on a leveraged basis is prohibited.

The following uses of non-leveraged derivative instruments for defensive purposes are permitted:

(i) Puts, calls, options, option contracts and futures or options on future contracts on securities that are permissible investments in accordance with this Statement;

(ii) The Investment Manager of an index portfolio may utilize fully backed, i.e. non-leveraged, derivative strategies designed to replicate the performance of specific market indices; and,

(e) **Other Investments**

Following appropriate consultation with and approval by the Committee, investment may be made in:

(i) Futures and options;

(ii) Pooled or mutual funds holding otherwise eligible investments, including any fund sponsored by the Investment Manager for the client’s benefit;

(iii) Foreign investments other than U.S. and international equities as provided for above;

(iv) Real estate;

(v) Mortgages, including index-linked mortgages; and,
(vi) Index-linked annuities.

Such approval will be considered to be in effect until written notice has been received that it has been rescinded by the Committee.

34 Minimum Quality Requirements

(a) Quality Standards

Within the investment restrictions for individual portfolios, all portfolios should hold a prudently diversified exposure to the intended market.

(i) The minimum quality standard for individual bonds and debentures is ‘BBB’ or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.

(ii) The minimum average rating of the overall bond portfolio must be ‘A’, or better.

(iii) The minimum quality standard for individual short term investments is ‘R-1’ or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.

(b) Rating Agencies

For purposes of this Policy, the following shall be considered a ‘Recognized Bond Rating Agency’:

(i) Dominion Bond Rating Agency;

(ii) Standard & Poor’s; and,

(iii) Moody’s Investors Services.

Should the rating on a short-term or bond investment fall below the minimum standards outlined above, the Investment Manager must immediately notify the Treasurer and action should be taken. The Treasurer must report all such occurrences and action undertaken to remedy the situation to the Committee.

35 Maximum Quantity Restrictions

The following restrictions are to be respected:

(a) Equities

(i) No one equity holding shall represent more than 10% of the market value of any one Investment Manager’s equity portfolio;

(ii) No one equity holding shall represent more than 10% of the voting shares of a corporation;

(iii) No one equity holding shall represent more than 10% of the available public float of such equity security;

(iv) Private placements can be held to a maximum of 10% of the equity portfolio; and

(v) No more than 15% of the market value of the equity Investment Manager’s
portfolio shall be invested in Royalty or Income Trusts

(b) **Bonds and Short Term Securities**

(i) Except for federal and provincial bonds, no more than 10% of an Investment Manager’s bond portfolio may be invested in the bonds of a single issuer and its related companies;

(ii) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue;

(iii) No more than 10% of the market value of an Investment Manager’s bond portfolio shall be invested in bonds rated ‘BBB’ or equivalent and no bond rated ‘BBB’ or equivalent shall exceed 3% of the market value of the portfolio;

(iv) No more than 20% of the market value of an Investment Manager’s bond portfolio shall be invested in bonds denominated in a currency other than Canadian dollars;

(v) No more than 20% of the market value of a Investment Manager’s bond portfolio shall be invested in bonds of foreign issuers; and,

(vi) Private placements and asset-backed securities can be held to a maximum of 15% of the bond portfolio. The Investment Manager will advise the Committee when this category exceeds 10% of the bond portfolio.

36 **Prior Permission Required**

The following investments are permitted provided that the Investment Manager has obtained prior written permission from the Committee:

(a) Investment in any asset or security previously disqualified by the Committee by written notice to the Investment Manager;

(b) Direct investments in a Canadian resource property;

(c) Direct investments in mortgages;

(d) Direct investments in any one parcel of real property;

(e) Direct investments in venture capital financing; and,

(f) Investments in a pooled fund with objectives that conflict with this Policy;
3.7 Prohibited Investments
The Investment Managers shall not:

(a) Invest in companies for the purpose of managing them;

(b) Purchase securities on margin or engage in short sales, except in the case of a unleveraged synthetic index strategy where the manager will utilize futures contracts and short-term securities to attempt to create returns that match those of a specified index;

(c) Make any investment not specifically permitted by this Policy or the Investment Manager's investment mandate.

(d) Invest in any securities issued by McMaster or its affiliates; or

(e) Make any investment not specifically permitted by this Policy or Investment Manager’s investment mandate.

3.8 Securities Lending
The investments of the Fund may be loaned for the purpose of generating revenue for the Fund, subject to the provisions of the Pension Benefits Act (Ontario), the Income Tax Act (Canada), and applicable regulations, and provided that appropriate controls are in place and there is an indemnity by the custodian against all losses as a result of the custodian’s securities lending program.

Such loans must be secured by cash and/or readily marketable high quality bonds, treasury bills, and/or letters of credit, discount notes and bankers’ acceptances of Canadian chartered banks. The amount of collateral taken for securities lending should reflect best practices in local markets, but should be a market value of at least 105% of the market value of the loaned securities under an enhanced indemnity agreement. The market value relationship between collateral and securities on loan must be calculated at least daily.

If the Fund is invested in a pooled fund, security lending will be governed by the terms and conditions of the pooled fund contract.

3.9 Borrowing
The Plan shall borrow money only for the purpose of covering a short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to the Pension Benefits Act (Ontario), the Income Tax Act and the prior written permission of the Board of Governors, endorsed by the Committee.

3.10 Liquidity
The Plan shall maintain assets that are sufficiently liquid in order to make necessary payments to member when required and to enable other changes, as required.

The Investment Manager is expected to have sufficient liquid assets to enable payment of the Plan’s promised benefits in a timely manner.
3.11 Environmental, Social and Governance

“ESG” refers to the environmental, social and governance factors, including government/public policy and disclosure concerns, relevant to an investment that may have a financial impact on that investment. The university has a fiduciary duty to act in the long-term interests of the beneficiaries of the Plan. The Plan’s Investment Manager(s) determine the stock holding of the Fund. Where relevant and material to the assessment of investment value and mitigation of investment risk, ESG factors should be evaluated alongside other considerations by the Plan’s Investment Managers in the exercise of their delegated duties. The university does not impose specific constraints on portfolio investments on the sole basis of ESG factors.

3.12 Conflicts Between the Policy and Pooled Fund Investment Policies

While the guidelines in this Policy are intended to guide the management of the Fund, it is recognized that, due to the use of pooled funds, there may be instances where there is a conflict between this Policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate. However, wherever such a conflict results in non-compliance with the Policy, the Investment Manager must report this conflict explicitly in its quarterly compliance report.
Section 4—Monitoring and Control

4.1 Performance Measurement
Evaluation of investment performance will be made by the Committee and will take place quarterly based on the results at March 31, June 30, September 30, and December 31.

(a) Total Fund Benchmark
The primary objective of the Fund is to earn a rate of return that exceeds the rate of return on the benchmark portfolio over rolling four-year time periods plus 0.75%. The benchmark consists of the following market index total returns weighted as indicated:

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/TSX Composite Index</td>
<td>20</td>
</tr>
<tr>
<td>S&amp;P 500 Index (Cdn.$)</td>
<td>18</td>
</tr>
<tr>
<td>MSCI EAFE Index (Cdn.$)</td>
<td>17</td>
</tr>
<tr>
<td>FTSE Canada Universe Bond Index</td>
<td>20</td>
</tr>
<tr>
<td>FTSE Canada Long Bond Index</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

A secondary objective of the Fund is to achieve, over a four (4) year period at least second quartile performance compared to a performance measurement service pension database.

Total rate of return is the time-weighted rate of return, before fees, based on the change of market value including realised and unrealised gains and losses and including income from all sources.

In addition to assessing performance relative to the Benchmark Portfolio, the Committee will examine risk factors and performance by asset class.

4.2 Compliance Reporting by the Investment Manager
The Investment Manager(s) must submit a compliance report on a semi-annual basis to the Committee. The compliance report should indicate whether or not the manager’s portfolio was in compliance with this Policy during the previous six months.

In the event that the Investment Manager’s portfolio is not in compliance with this Policy, the Investment Manager is required to detail the nature of the non-compliance in the quarterly compliance report as well as notify the Treasurer and to implement an appropriate course of action to remedy the situation, as soon as practical.
Standard of Professional Conduct

The Investment Manager(s) are expected to comply at all times and in all respects with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute or to a standard that is the equivalent of, or higher than that of the CFA.

The Investment Manager(s) will manage the assets with the care, diligence and skill that an Investment Manager of ordinary prudence would use in dealing with pension plan assets. The Investment Manager(s) will also use all relevant knowledge and skill that they possess, or ought to possess, as prudent fund managers.
Section 5—Administration

5.1 Conflicts of Interest

(i) Definition

For the purpose of this Policy, a conflict of interest is defined as any event in which any employee or member of or consultant to:

(a) Board of Governors,
(b) Planning and Resources Committee,
(c) Audit Committee,
(d) The Committee,
(e) Actuary,
(f) Investment Manager(s),
(g) Custodian/Trustee, and/or
(h) Consultant,

or any directly related party may gain a financial or other advantage from knowledge of, or participation in, an investment decision of the Fund, or a circumstance that could reasonably be interpreted as impairing his/her ability to render unbiased and objective advice or to fulfill his/her fiduciary responsibilities to act in the best interest of the beneficiaries of the Plan.

It is not possible to anticipate in advance, in this Policy, the multitude of situations which can arise. All persons listed above must, therefore, be cognizant of the possibility that conflicts, or perceived conflicts, may arise and must make timely and full disclosure in accordance with generally accepted concepts of fiduciary responsibilities, and in accordance with the procedures set forth below:

(ii) Responsibilities

This standard applies to the persons named in Section 5.1(i) above in the execution of their responsibilities under the Pension Benefits Act (Ontario) (the “Affected Persons”).

(iii) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Plan’s assets.

Further, it is required that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and
reasonable fees and expenses incurred in the discharge of his/her responsibilities are permitted if documented and approved by the University.

No Affected Person shall accept a gift or gratuity or other personal favour, that is material, from a person with whom the Affected Person deals in the course of performance of his or her duties and responsibilities for the Plan.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation in writing to the Chair of the Committee within three business days after the individual becomes aware of the conflict of interest. The disclosure should also be made orally if awareness of the conflict occurs during the discussion of Plan business.

The Committee, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Committee.

Normally, the individual disclosing the conflict of interest shall withdraw from the meeting during discussion of and vote on the issue causing the conflict of interest. The individual may be permitted, at the Committee's request, to participate in the discussion but he/she shall not be present for the vote.

The disclosure of a conflict of interest, the name of the individual declaring the conflict and the manner in which the conflict was resolved will be recorded in the minutes of the Committee.

52 Related Party Transactions

For the purpose of this section, a “related party”, “administration”, and a “transaction” in respect of the Plan have the meanings given to such terms in Schedule III of the Pension Benefits Standards Regulations (Canada), as amended from time to time. The following related party transactions are among those permitted for the Plan:

(a) Any transaction that is required for the operation or administration of the Plan under terms and conditions that are not less favourable to the Plan than market terms and conditions and such transaction does not involve the making of loans to, or investments in, the related party; or

(b) Any transaction, where the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Plan.

For the purposes of this section, only the market value of the combined assets of the Plan shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Plan. Transactions less than 3% of the combined market value of the assets of the plan are considered nominal. Two or more transactions with the same related party shall be considered a single transaction.
53 Selecting Investment Managers
In the event that a new Investment Manager must be selected or additional Investment Manager(s) added to the set of existing Investment Manager(s), the Committee will undertake an investment manager search with the assistance of a third-party investment consultant. The criteria used for selecting an investment manager will be consistent with the investment and risk philosophy set out in Section 1.5 (Investment Objectives, Beliefs and Risk Appetite).

54 Monitoring of Investment Managers
At least semi-annually, the Committee will monitor and review the:

(a) Assets and net cash flow of the Plan;
(b) Investment Manager’s, staff turnover, consistency of style and record of service;
(c) Investment Manager’s current economic outlook and investment strategies;
(d) Investment Manager’s compliance with this Policy, where an Investment Manager is required to complete and sign a compliance report; and
(e) Investment performance of the Fund in relation to the rate of return expectations outlined in this Policy.

55 Dismissal of an Investment Manager
The Committee shall consider from time to time whether an Investment Manager’s investment performance or any other circumstances may warrant the introduction of a probationary period or a change in Investment Manager(s). Such circumstances would include but not be limited to:

(a) Significant turnover in staff of Investment Manager(s);
(b) Change in ownership of Investment Manager(s);
(c) Failure of the Investment Manager(s) to satisfy all of the responsibilities set out in Section 3 of this Policy;
(d) Desire to diversify the management of the Fund or to add another Investment Manager(s);
(e) Unsatisfactory performance and/or compliance in relation to the performance standards specified in Sections 3 and 4 of this Policy.

56 Voting Rights
The Committee has delegated voting rights acquired through the investments held by the Plan to the custodian of the securities to be exercised in accordance with the Investment Manager’s instructions. Investment Managers are expected to exercise all voting rights related to investments held by the Fund in the interests of the Plan Members. The Investment Manager(s) shall provide their proxy policies to the Treasurer.

At least annually, the Investment Manager(s) shall provide Treasury with a report of proxy voting actions and how ESG factored into the voting.
At least annually, a summary report of Investment Manager proxy voting action and how ESG factored into the voting shall be provided to the Planning and Resources Committee of the Board of Governors.

The Committee reserves the right to take-back voting rights of assets held in segregated portfolios for specific situations.

Further, the Investment Managers must maintain records documenting how they voted and will advise the Treasurer if they voted against its own share voting policy.

5.7 Valuation of Investments Not Regularly Traded
The following principles will apply for the valuation of investments that are not traded regularly:

(a) **Equities**
Average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter.

(b) **Bonds**
Same as for equities.

(c) **Mortgages**
Unless in arrears, the outstanding principal plus/minus the premium/discount resulting from the differential between the face rate and the currently available rate for a mortgage of similar quality and term, determined at least once every calendar quarter.

(d) **Real Estate**
A certified written appraisal from a qualified independent appraiser at least every two years.

(e) **Resource Properties and Venture Capital**
A written market value assessment prepared by party qualified to make such assessments, at least every two years.

5.8 Valuation of Investments
The trustees of the pooled funds shall value the pooled fund units.

5.9 Life Annuities
Nothing in the Policy shall preclude the Fund from purchasing life annuities to secure the pensions of the Members in whole or in part.

5.10 Policy Review
The Policy may be reviewed and revised at anytime, but it must be formally reviewed by the Committee at least annually.
Date: September 23, 2021
To: Planning and Resources Committee
From: Pension Trust Committee
Subject: Statement of Investment Policies and Procedures – Salaried Pension Plans

Recommendation:
That the Planning and Resources Committee approve for recommendation to the Board of Governors, the revised Statement of Investment Policies and Procedures for Contributory Pension Plans for Salaried Employees as shown in Appendix A.

The Pension Benefits Act requires that the pension plan’s Statement of Investment Policy and Procedures (SIP&P) be reviewed each year. Aon and management have completed a review of the SIP&P. Based on this review it is recommended that one revision be made to the SIP&P relating to the risk appetite definition.

Refer to Appendix A for the revised policy (blacklined).

The proposed changes to the policy are summarized in the table below:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Section 1.05 (pg. 2) Risk Appetite</td>
<td>The description of risk appetite has been updated to describe the relationship between the University’s Enterprise Risk Management framework relative to the risk appetite associated with the investment strategy</td>
</tr>
</tbody>
</table>
Appendix A.

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

FOR

CONTRIBUTORY PENSION PLANS FOR SALARIED EMPLOYEES
Complete Policy Title: Statement of Investment Policies and Procedures

The Master Trust for the Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College and the Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000

Approved by: Board of Governors
Date of Original Approval(s): June 13, 2002
Responsible Executive: Assistant Vice-President (Administration) and CFO

Date of Most Recent Approval: Supersedes/Amends Policy dated: December 17, 2020
Enquiries: University Secretariat

DISCLAIMER: If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails
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Section 1—Overview

1.01 Purpose of Statement
This Statement of Investment Policies and Procedures (the ‘Policy’) is intended to set out the investment framework which shall apply at all times for the Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College and the Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College 2000 (collectively the ‘Plans’).

This Policy is based on the ‘prudent person portfolio approach’ to ensure the prudent investment and administration of the assets of the Plans (the ‘Fund’) within the parameters set out in the Pension Benefits Act (Ontario) and the regulations thereunder.

1.02 Background of the Plans
McMaster University was established in 1887 by the bequest of William McMaster and is a university incorporated under the laws of the Province of Ontario, which provides operating grants annually to the University.

The University sponsors defined benefit pension plans into which its contributions and the employees' contributions are deposited. These contributions are made bi-weekly and are remitted before the end of the following month to the Plans’ trustee.

Retiree benefits are paid from the Plans. Also paid from the Plans are termination and death benefits, trustees' fees, audit fees, actuaries' fees, investment counsel fees, consultants' fees, filing fees and administrative and other related costs.

1.03 Plan Profiles
(a) Contributions
The Plans are contributory. Each member is required to contribute in accordance with the Plan Text and limited by specified maximums, as applicable.

(b) Benefits
The amount of annual pension payable to most members will be:

(i) 1.4% of Best Average Salary up to the Average Year’s Maximum Pensionable Earnings times years of pensionable service, plus

(ii) 2.0% of Best Average Salary in excess of the Average Year’s Maximum Pensionable Earnings times years of pensionable service up to the maximum pension limits for an RPP as specified in the Income Tax Act.

1 Unifor Unit 1 members who were hired on or after May 1, 2010 benefits are calculated using 1% and 1.6%.
1.04 **Objective of the Plans**
The objective of the Plans is to provide participants with defined pension benefits based on a best average salary and with indexation of retirement benefits, as defined in the Plan text for the Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College, Registration Number 0215400 ("Plan Text") and in the Contributory Pension Plan for Salaried Employees of McMaster University Including McMaster Divinity College 2000, Registration Number 1079920 ("Plan 2000 Text"). It is important to set up an appropriately diversified asset mix in order to ensure continued prudent and effective management of pension fund assets.

1.05 **Investment Objective, Beliefs, Risk Appetite**

**Funding Objectives**
The Plans’ funding objectives are to:

(a) Focus on maintaining a going concern funded ratio between 90-110%,
(b) Manage the volatility of contributions, and
(c) Reduce the likelihood of material solvency payments and target to maintain the solvency funded ratio above 85% at all future actuarial valuation dates.

**Investment Objectives**
The investment objective of the Plans’ investments is to earn a return sufficient to keep the Plans sustainable over the long term, while keeping benefit levels and contribution rates stable. This requires an appropriate balance between risk and return.

**Risk Appetite**
Based on the characteristics of the Plans, the Committee has determined that the Plans have a high/moderate risk appetite as a function of University’s Enterprise Risk Management (ERM) framework, however the Plans have a medium risk appetite as a function of pooled assets for investment risk as demonstrated by the approved asset classes, investment targets and limits within this policy.

Note: The University’s ERM categorizes level of risk as a function of the annual available expendable resources (AER), with high and medium risk appetite defined as 10% and 5% respectfully of that balance. The Plans asset value is significantly larger than AER and therefore the Plans risk exposure using plan assets as the basis is medium.

**Investment Beliefs**
The Pension Trust Committee (“Committee”) has, from time to time, reviewed and confirmed its investment beliefs which take into consideration the types of investments and associated risks that are aligned with investment objectives and risk appetite.

As part of a recent asset-liability study that was completed for the Plans in 2018, a risk diagnosis was conducted reviewing the impact of the current and alternative asset mixes on contributions, solvency funding and going concern funding.

Commensurate with the liability profile and funding position of the Plans, and long-term time horizon, the Committee has determined and confirmed that the Plans remain well...
positioned, and continue to have the ability to invest based on a long-term approach and accept a higher degree of investment risk.

The following were also used as inputs into this determination:

(a) A focus on the going concern liability position of the plan versus solvency liability position;
(b) The actuary’s smoothed asset approach in valuing the plan’s liability position;
(c) Diversifying return-seeking assets in order to position the Plans to earn additional investment income in a risk-monitored framework; and
(d) Managing the duration of the fixed income portfolio to reduce interest rate risk and the probability of solvency shortfall.

1.06 Delegation of Responsibility and Administration

The University is the legal administrator of the Plans and is therefore responsible for all matters relating to the administration, interpretation and application of the Plans, including developing, monitoring and amending this Policy. The Committee, a standing Committee of the University’s Board of Governors, has been formed for the purpose of assisting the University with the administration of the Plans.

Overall responsibility for the Plans ultimately rests with the Board of Governors of the University. The Committee assists the Board in fulfilling its fiduciary responsibilities. As well, other suppliers assist the University as described below.

(a) **The Committee will:**
   (i) Recommend to the Board of Governors general pension investment policy and annually review the Statement of Investment Policies and Procedures;
   (ii) Monitor the performance of the Fund;
   (iii) Monitor and review performance of Investment Consultants and Fund Managers:
      1. Make recommendations to the Board of Governors with respect to situations of deviation or proposed deviation by Fund Managers from the Policy;
      2. Make recommendations to the Board of Governors on the appointment of, mandates for and replacement of such Investment Consultants and Fund Managers.
   (iv) Monitor the annual calculation of the “Net Interest on the Fund” and the “Annual Pension Increase”;
   (v) Discuss and promote awareness and understanding of the Plans by members of the Plans and persons receiving benefits under the Plans;
(vi) Comment and make recommendations to the Planning and Resources Committee on:

1. The performance and appointment of the Actuary; and

2. The actuarial methods and assumptions used in determining the financial condition of the Plans and the contributions to the Plans.

(vii) Comment and make recommendations to the Planning and Resources Committee on proposed changes to the Plans’ Texts, and propose changes to the Plans’ Texts; and

(viii) Monitor at least annually all fees and the administrative expenses paid from the Plans, and determine whether they are appropriate. Changes in the nature and structure of administrative expenses paid may be approved by the Board of Governors only if recommended by the Pension Trust Committee as a result of a ballot of all Committee members.

(b) **The Fund Manager(s) will:**

(i) Invest the assets of the Fund in accordance with this Policy;

(ii) Notify the Committee, in writing, of any significant changes in the Fund manager’s philosophies and policies, personnel or organization and procedures; and

(iii) Meet with the Committee as required and provide written reports regarding their past performance, their future strategies and other issues requested by the Committee.

(c) **The Custodian/Trustee will:**

(i) Maintain safe custody over the assets of the Plans (i.e. both segregated and pooled mandates);

(ii) Execute the instructions of the University and the Fund Manager(s); and,

(iii) Record income and provide monthly financial statements to the University as required.

(d) **The Actuary will:**

(i) Perform actuarial valuations of the Plans as required or as directed by the Committee;

(ii) Advise the Committee on any matters relating to the Plans’ design, membership and contributions; and,

(iii) Assist the Committee in any other way required.

(e) **The Investment Consultant will:**

(i) Assist in the development and implementation of this Policy;

(ii) Monitor the performance of the Fund and the Fund Managers on a quarterly
(iii) Monitor funding and performance objectives on a quarterly basis;

(iv) Monitor the Fund Managers’ quarterly compliance reports;

(v) Support the Committee on matters relating to investment management and administration of the Fund; and,

(vi) Meet with the Committee as required.

(f) The Accountant will:
(i) Provide annual audited financial statements of the Plans.

(g) University Management will:
(i) Ensure compliance with legal and University requirements;

(ii) Execute decisions made by relevant governing bodies;

(iii) Work closely with consultants, custodian, actuary and the investment managers, as appropriate including documenting the investment managers’ mandates;

(iv) Determine appropriate rebalancing strategy, as necessary, as outlined in Section 2.04 (d);

(v) Review the expenses of the Plans; and

(vi) Maintain all documents and make them available upon request

The Board of Governors has the authority to retain other consultants/suppliers, as it deems necessary from time to time.
Section 2—Asset Mix and Diversification Policy

2.01 Investment Objectives - Portfolio Return Expectations
The Fund will be managed on a going-concern basis. The primary objective is to ensure that the benefits defined in the Plans can be paid.

The secondary performance objective is to outperform a benchmark portfolio constructed from rates of return (including income) of the Standard & Poor’s Toronto Stock Exchange Composite Index (S&P/TSX Composite Index), the Standard & Poor’s 500 Index (S&P 500 Index), the Russell 1000 Hedged to C$ Index, the MSCI Europe, Australasia and Far East Index (MSCI EAFE Index), the MSCI All Country World Index (MSCI ACWI Index), the FTSE TMX Universe Bond Index, the FTSE TMX Long Term Bond Index, the Investment Property Databank (IPD) Canada Property Index and a customized CPI + 5% index, in proportion to the weights indicated in Section 4.01 (a) and calculated over rolling four-year time periods.

2.02 Investment Risk Tolerance - Expected Volatility
The expected volatility of investment returns for the Fund is directly related to the asset mix strategy; specifically, the balance between Canadian equities, foreign equities, Canadian bonds and Real Assets. Volatility is inherent in investing and will be managed according to the minimum and maximum asset mix ranges as outlined in Section 2.04. It is expected that the volatility of Fund returns should be similar to the volatility of the Total Combined Fund Benchmark Portfolio set out in Section 4.01.

It is reasonable to invest for a long-term horizon for the asset mix strategy, accept short-term market volatility and accept a moderately higher degree of liquidity risk due to the Plans’ high ratio of active members versus inactive members. The Committee will further monitor the volatility of the Fund and underlying Fund Managers on an ongoing basis.

2.03 Management Structure
To reduce the overall volatility of returns and to reduce the risk that active managers will underperform market index returns, a hybrid management structure has been adopted for the Fund consisting of a combination of active and passive specialist equity, bond and currency overlay managers, subject to Section 2.04 (a). McMaster University will focus on retaining managers it considers best placed to meet its investment objectives. This may lead to specialist regional and/ or global managers being retained.

2.04 Asset Mix – Risk Limits
(a) Overall Asset Mix
The benchmark portfolio is representative of the long-term asset mix policy for the Fund as set out by the Board of Governors. Investment specific limits are set forth in Section 3. The Total Fund benchmark portfolio and asset mix guidelines (by market value) are set out below:

<table>
<thead>
<tr>
<th>Total Fund Asset Mix</th>
<th>Min</th>
<th>Target</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities and Real Assets</td>
<td>50</td>
<td>65</td>
<td>80</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>20</td>
<td>35</td>
<td>50</td>
</tr>
</tbody>
</table>

100
Total Fund Benchmark Portfolio by Asset Class

<table>
<thead>
<tr>
<th>Assets</th>
<th>Minimum (%)</th>
<th>Benchmark (%)</th>
<th>Maximum (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Equities</td>
<td>8</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>U.S. Equities</td>
<td>15</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Non-North American Equities</td>
<td>10</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Global Equities</td>
<td>0</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Real Assets</td>
<td>5</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Universe Bonds</td>
<td>5</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Long Term Bonds</td>
<td>15</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Cash and Short-term</td>
<td>0</td>
<td>25</td>
<td>10</td>
</tr>
</tbody>
</table>

1A total of 50% +/- 5% of the Total Fund’s foreign currency exposure shall be hedged to the Canadian Dollar.
2The Real Assets minimum is expected to be achieved once signed commitments have been funded in the next 12-18 months.

The allocation to Real Assets will be built up over time. It is recognized that due to the nature of investing in Real Assets (i.e. long investment queues), it will take some time to reach the benchmark allocation of 10%. Until such time that this is accomplished, the minimum and maximum ranges around benchmarks have been set wider to accommodate the transition to Real Assets.

Categorizations per Pension Benefits Act

The target asset mix for each category listed in subsection 76(12) of the Regulations to the Pension Benefit Act (Ontario) is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Benchmark Portfolio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Insured contracts</td>
<td></td>
</tr>
<tr>
<td>2. Mutual or pooled funds or segregated funds</td>
<td></td>
</tr>
<tr>
<td>3. Demand deposits and cash on hand</td>
<td></td>
</tr>
<tr>
<td>4. Short-term notes and treasury bills</td>
<td></td>
</tr>
<tr>
<td>5. Term deposits and guaranteed investment certificates</td>
<td></td>
</tr>
<tr>
<td>6. Mortgage loans</td>
<td></td>
</tr>
<tr>
<td>7. Real estate</td>
<td>5</td>
</tr>
<tr>
<td>8. Real estate debentures</td>
<td></td>
</tr>
<tr>
<td>9. Resource properties</td>
<td></td>
</tr>
<tr>
<td>10. Venture capital</td>
<td></td>
</tr>
<tr>
<td>11. Corporations referred to in subsection 11(2) of schedule III to the federal investment regulations</td>
<td></td>
</tr>
<tr>
<td>12. Employer issued securities</td>
<td></td>
</tr>
<tr>
<td>13. Canadian stocks other than investments referred to in 1 to 12 above</td>
<td>13</td>
</tr>
<tr>
<td>14. Non-Canadian stocks other than investments referred to in 1 to 12 above</td>
<td>42</td>
</tr>
<tr>
<td>15. Canadian bonds and debentures other than investments referred to in 1 to 12 above</td>
<td>35</td>
</tr>
<tr>
<td>16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above</td>
<td></td>
</tr>
<tr>
<td>17. Investments other than investments referred to in 1 to 16 above</td>
<td>5</td>
</tr>
</tbody>
</table>

Note that the full allocation made to items 7 and 17, 26% of the allocation made to item 14 and 26% of the allocation made to item 15 are accessed via pooled funds. Investments referenced in item 17 are made to infrastructure.
(b) Manager Compliance

The Fund Managers shall comply with restrictions imposed by Federal or Provincial legislation and regulations, as well as with their respective Investment Mandates. Should a Fund Manager wish to deviate from the mandate established with the University, he/she must contact, in advance, the Treasurer, who will solicit approval from the Board of Governors. Should there be a sudden change in market conditions that causes the asset mix to be offside, the Fund Manager will immediately either seek the necessary approval to remain offside, or take corrective action and contact the Treasurer, who will inform the Board of Governors. The Treasurer will report all such occurrences and their resolution to the Committee.

(c) Manager Rebalancing Guidelines

The asset classes of the Plans shall be rebalanced to within the minimum and maximum ranges around benchmark (taking into consideration transaction costs, liquidity and transition to Real Assets) when, at the end of any quarter, any one of the asset classes outside of these ranges as indicated in Section 2.04 (a).
Section 3—Permitted and Prohibited Investments

3.01 General Guidelines
The investments of the Fund must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of the Pension Benefits Act (Ontario), the Income Tax Act (Canada), and any relevant regulations.

3.02 Permitted Investments
In general, and subject to the restrictions noted below, the Fund may invest directly or via pooled funds in any of the asset classes and in any of the instruments listed below.

(a) Canadian and Foreign Equities
(i) Common and convertible preferred stock listed on a recognized exchange;
(ii) Debentures convertible into eligible common or convertible preferred stock;
(iii) Rights, warrants and special warrants for eligible common or convertible preferred stock;
(iv) Instalment receipts and American and Global Depository Receipts;
(v) Units of real estate investment trusts (REITs) listed on a recognized exchange;
(vi) Units of income trusts domiciled in jurisdictions that provide limited liability protection to unitholders;
(vii) Units of limited partnerships which are listed on a recognized exchange; and,
(viii) Private placements of equities, where the security will be eligible for trading on a recognized exchange within a reasonable and defined time frame and subject to Section 3.04.

(b) Bonds
(i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian, foreign or supranational issuers whether denominated and payable in Canadian dollars or a foreign currency;
(ii) Mortgage-backed securities, guaranteed under the National Housing Act;
(iii) Term deposits and guaranteed investment certificates; and,
(iv) Private placements of bonds and asset backed securities subject to Section 3.04.

(c) Cash and Short Term Investments
(i) Cash on hand and demand deposits;
(ii) Treasury bills issued by the federal and provincial governments and their agencies;
(iii) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers’ acceptances;

(iv) Commercial paper and term deposits;

(v) Deposit accounts of the custodian can be used to invest surplus cash holdings; and,

(vi) Repurchase Agreement transactions for cash management purposes, with transactions limited to counterparties with a minimum BBB counterparty credit rating at the time of the transaction.

(d) **Derivative Instruments**

Derivatives are to be used primarily for defensive purposes, including currency hedging. The use of derivative instruments which would be contracted on a leveraged basis is prohibited. Investment Funds that invest in derivatives must comply with all applicable statutory provisions and regulations, including the Prudent Person Rule, and must be invested and managed in accordance with regulatory derivatives best practices.

The following uses of derivative instruments for defensive purposes are permitted:

(i) Covered put and/or call options with respect to publicly traded securities that are held in the portfolio;

(ii) The Manager of an index portfolio may utilize fully backed (i.e. non-leveraged), derivative strategies designed to replicate the performance of specific market indices; and,

(iii) Currency futures contracts and forward contracts whose use is restricted to reducing risk as part of a currency hedging strategy. Within pooled funds, the Fund Managers’ policy on derivatives will take precedence.

(e) **Real Assets**

(i) Direct real estate and direct infrastructure investment via independently managed pooled funds, limited partnerships or specialist corporate structures (i.e. LLCs). The mandate of each fund, partnership or corporate structure will vary with the long-term goal of assembling a diversified real estate portfolio.

(ii) Permitted and prohibited investments in real assets will be governed by the terms and conditions set out in the respective pooled fund contract, Offering Memorandum, Trust Agreement or similar document that is applicable to each Investment Manager.
3.03 Minimum Quality Requirements for Bonds

(a) Quality Standards
   Within the investment restrictions for individual portfolios, all portfolios should hold a prudently diversified exposure to the intended market.
   
   (i) The minimum quality standard for individual bonds and debentures is ‘BBB’ or equivalent as rated by a Recognised Bond Rating Agency, at the time of purchase.
   
   (ii) The minimum weighted average rating of the overall bond portfolio must be ‘A’, or better.
   
   (iii) The minimum quality standard for individual short term investments is ‘R-1’ or equivalent as rated by a Recognised Bond Rating Agency, at the time of purchase.

(b) Rating Agencies
   For purposes of this Policy, the following shall be considered ‘Recognized Bond Rating Agencies’:
   
   (i) Dominion Bond Rating Agency;
   
   (ii) Standard & Poor’s;
   
   (iii) Moody’s Investors Services; and
   
   (iv) Fitch Ratings (foreign issuers only).

   Should the rating on a short-term or bond investment fall below the minimum standards outlined above, the Fund Manager must immediately notify the Treasurer and communicate the action that is to be taken. The Treasurer must report all such occurrences and action undertaken to remedy the situation to the Committee.

3.04 Maximum Quantity Restrictions
   While specific restrictions are reflected in the individual manager mandates, the following restrictions are to be respected:
   
   (a) Equities
       (i) No one equity holding shall represent more than 10% of the market value of any one manager’s equity portfolio;
       
       (ii) No one equity holding shall represent more than 10% of the voting shares of a corporation;
       
       (iii) No one equity holding shall represent more than 10% of the available public float of such equity security;
       
       (iv) Private placements can be held to a maximum of 10% of the equity portfolio; and,
       
       (v) No more than 15% of the market value of the equity manager’s portfolio shall be invested in Royalty or Income Trusts.
(b) **Bonds and Short-Term Securities**

(i) Except for federal bonds and provincial bonds having at least an A credit rating, no more than 10% of a manager’s bond portfolio may be invested in the bonds of a single issuer and its related companies;

(ii) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue;

(iii) No more than 10% of the market value of a manager’s bond portfolio shall be invested in bonds rated ‘BBB’ or equivalent and no bond rated ‘BBB’ or equivalent shall exceed 3% of the market value of the portfolio;

(iv) No more than 20% of the market value of a manager’s bond portfolio shall be invested in bonds denominated in a currency other than Canadian dollars;

(v) No more than 20% of the market value of a manager’s bond portfolio shall be invested in bonds of foreign issuers; and,

(vi) Private placements and asset-backed securities can be held to a maximum of 15% of the bond portfolio.

**3.05 Prior Permission Required**

Subject to applicable legislation and regulations, any other investments are permitted provided that the Fund Manager has obtained prior written permission from the Board of Governors upon recommendation of the Committee:

**3.06 Prohibited Investments**

The Fund Managers shall not:

(a) Invest in companies for the purpose of managing them;

(b) Purchase securities on margin or engage in short sales, except in the case of a unleveraged synthetic index strategy where the manager will utilize futures contracts and short-term securities to attempt to create returns that match those of a specified index;

(c) Invest in securities that would result in the imposition of a tax on the Fund under the Income Tax Act (Canada) unless they provide a prior written acknowledgement to the Committee that such investments will result in a tax and receive prior written permission for such investments from the Board of Governors;

(d) Invest in any securities issued by McMaster University or its affiliated entities; or

(e) Make any investment not specifically permitted by this Policy or the Fund Manager’s investment mandate.
3.07 Securities Lending
Defined securities held by the Plans may be loaned by the Trustee under a properly
approved contract with the University.

The investments of the Fund may be loaned for the purpose of generating revenue for
the Fund, subject to the provisions of the Pension Benefits Act (Ontario), the Income
Tax Act (Canada), and applicable regulations.

Such loans must be secured by cash and/or readily marketable government bonds, treasury
bills and/or letters of credit, discount notes and banker’s acceptances of Canadian chartered
banks. The amount of collateral taken for securities lending should reflect best practices in
local markets, but should be at least 105% under an enhanced indemnity arrangement. The
market value relationship between collateral and securities on loan must be calculated at
least daily. For equity loans, high quality, liquid equities may also be accepted as collateral.

If the Fund is invested in a pooled fund, security lending will be governed by the terms
and conditions of the pooled fund contract.

3.08 Borrowing
The Plans shall borrow money only for the purpose of covering a short-term contingency
and the borrowing is for a period that does not exceed ninety days, subject to the Pension
Benefits Act (Ontario), the Income Tax Act (Canada) and the written permission of the
Board of Governors.

3.09 Liquidity
The Plans shall maintain assets that are sufficiently liquid in order to make necessary
payments to members when required and to enable other changes, as required.

Liquidity Risk

The Plans’ liquidity requirements primarily relate to pension payments. The Plans have a
high a ratio of active members versus inactive members, as such the Plans’ cash payment
requirements in the normal course of events remains low.
3.10 Environmental, Social and Governance
“ESG” refers to the environmental, social and governance factors, including government/public policy and disclosure concerns, relevant to an investment that may have a financial impact on that investment. The university has a fiduciary duty to act in the long-term interests of the beneficiaries of the Plans. The Plans’ investment portfolio managers determine the stock holding of each fund. Where relevant and material to the assessment of investment value and mitigation of investment risk, ESG factors should be evaluated alongside other considerations by the Plan’s investment managers in the exercise of their delegated duties. The university does not impose specific constraints on portfolio investments on the sole basis of ESG factors.

3.11 Conflicts Between the Policy and Pooled Fund Investment Policies
While the guidelines in this Policy are intended to guide the management of the Fund, it is recognized that, due to the use of pooled funds, there may be instances where there is a conflict between this policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate. However, wherever such a conflict results in non-compliance with the Policy, the Fund Manager must report this conflict explicitly in its quarterly compliance report.
Section 4—Monitoring and Control

4.01 Performance Measurement

Evaluation of investment performance will be made by the Committee and will take place semi-annually based on the results at June 30 and December 31.

(a) Total Fund Benchmark

The primary performance objective of the Fund is to earn a rate of return that exceeds the rate of return on a benchmark portfolio over a four (4) year period. The benchmark consists of the following market index total returns weighted as indicated:

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/TSX Composite Index</td>
<td>14.0</td>
</tr>
<tr>
<td>S&amp;P 500 Index (Cdn. $)</td>
<td>5.0</td>
</tr>
<tr>
<td>Russell 1000 Index (Hedged)</td>
<td>17.0</td>
</tr>
<tr>
<td>MSCI EAFE Index (Cdn. $)</td>
<td>17.0</td>
</tr>
<tr>
<td>MSCI-ACWI (Cdn. $)</td>
<td>8.0</td>
</tr>
<tr>
<td>FTSE TMX Universe Bond Index</td>
<td>10.0</td>
</tr>
<tr>
<td>FTSE TMX Long Term Bond Index</td>
<td>25.0</td>
</tr>
<tr>
<td>IPD Canada Property Index</td>
<td>1.0</td>
</tr>
<tr>
<td>CPI + 5%</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The Plans are currently undergoing a transition to its Total Fund Asset Mix as outlined in Section 2.04. The Total Fund Benchmark will be updated on a periodic basis to reflect the progress of this transition.

(b) Fund Managers

The primary objective of the active managers is to earn a rate of return that exceeds the total rate of return\(^2\) on a benchmark portfolio over a four (4) year period or, in the case of passive managers, to earn a rate of return that approximates the returns earned on the relevant market indices, within agreed tracking variance ranges. A secondary objective is to achieve, over a four (4) year period at least second quartile performance compared to a performance measurement service pension data base. The managers’ benchmarks and performance objectives are set out in more detail in their Investment Mandates. These may be amended, recognising that at all times the Fund must be managed in accordance with the asset mix guidelines and permitted and prohibited investments set out in Sections 2 and 3.

In addition to assessing performance relative to the Benchmark Portfolio, the Committee will examine risk factors and performance by asset class.

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\(^2\) Total rate of return is the time-weighted rate of return based on the change of market value including realised and unrealised gains and losses and including income from all sources.
4.02  **Compliance Reporting by the Fund Manager**
Each Fund Manager must submit a compliance report each quarter to the Treasurer. The compliance report should indicate whether or not the manager's portfolio was in compliance with this policy during the quarter.

In the event that the Fund Manager’s portfolio is not in compliance with this policy, the Fund Manager is required to detail the nature of the non-compliance and to recommend an appropriate course of action to remedy the situation, to the Treasurer, who will inform the Committee. Minor deviations from the policy that require immediate action can be approved by the Treasurer, who will inform the Committee.

4.03  **Standard of Professional Conduct**
The Fund Managers are expected to comply at all times and in all respects with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute or to a standard that is the equivalent of, or higher than that of the CFA.

The Fund Managers will manage the assets with the care, diligence and skill that a fund manager of ordinary prudence would use in dealing with pension plan assets. The Fund Managers will also use all relevant knowledge and skill that they possess, or ought to possess, as prudent fund managers.
Section 5—Administration

5.01 Conflicts of Interest

(i) Definition
For the purpose of this statement a conflict of interest is defined as any event in which any employee of, or member of, or consultant to:

(a) Board of Governors,
(b) Planning and Resources Committee,
(c) Audit Committee,
(d) Pension Trust Committee,
(e) Actuary,
(f) Fund Manager(s),
(g) Custodian/Trustee, and/or
(h) Consultant

or any directly related party may gain a financial or other advantage from knowledge of, or participation in, an investment decision of the fund, or a circumstance that could reasonably be interpreted as impairing his/her ability to render unbiased and objective advice or to fulfil his/her fiduciary responsibilities to act in the best interest of the beneficiaries of the Plans.

It is not possible to anticipate in advance, in this statement, the multitude of situations which can arise. All persons listed above must, therefore, be cognizant of the possibility that conflicts, or perceived conflicts, may arise and must make timely and full disclosure in accordance with generally accepted concepts of fiduciary responsibilities and in accordance with the procedures set forth below:

(ii) Responsibilities
This standard applies to the persons named in Section 5.01(i) above in the execution of their responsibilities under the Pension Benefits Act (Ontario) (the “Affected Persons”).
(iii) **Disclosure**

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Plans’ assets.

Further, it is required that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of his/her responsibilities are permitted if documented and approved by the University.

No Affected Person shall accept a gift or gratuity or other personal favour that is material, from a person with whom the Affected Person deals in the course of performance of his or her duties and responsibilities for the Plans.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation in writing to the Chair of the Committee within three business days after the individual becomes aware of the conflict of interest. The disclosure should also be made orally if awareness of the conflict occurs during the discussion of Plans’ business.

The Committee, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Committee.

Normally, the individual disclosing the conflict of interest shall withdraw from the meeting during discussion of and vote on the issue causing the conflict of interest. The individual may be permitted, at the Committee's request, to participate in the discussion but he/she shall not be present for the vote.

The disclosure of a conflict of interest, the name of the individual declaring the conflict and the manner in which the conflict was resolved will be recorded in the minutes of the Committee.

5.02 **Related Party Transactions**

Related party transactions are permitted for the Plans, subject to the following conditions:

(a) Any transaction that is required for the operation or administration of the Plans under terms and conditions that are not less favourable to the Plans than market terms and conditions and such transaction does not involve the making of loans to, or investments in, the related party; or

(b) Any transaction, where the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Plans.
For the purposes of this section, only the market value of the combined assets of the Plans shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Plans. Transactions less than 3% of the combined market value of the assets of the Plans are considered nominal. Two or more transactions with the same related party shall be considered a single transaction.

5.03 Selecting Fund Managers
In the event that a new Fund Manager must be selected or additional Fund Manager(s) added to the set of existing fund managers, the Committee will undertake a Fund Manager search with the assistance of a third-party investment consultant. The criteria used for recommending the selection of a Fund Manager to the Board of Governors will be consistent with the investment and risk philosophy set out in Section 1.05 (Investment and Risk Philosophy).

5.04 Monitoring of Fund Managers
At least semi-annually, the Committee will monitor and review the:

(a) Assets and net cash flow of the Plans;
(b) Fund Manager’s staff turnover, consistency of style and record of service;
(c) Fund Manager’s current economic outlook and investment strategies;
(d) Fund Manager’s compliance with this Policy and their Investment Mandate, where a Manager is required to complete and sign a compliance report; and
(e) Investment performance of the assets of the Plans in relation to the rate of return expectations outlined in this Policy.

5.05 Dismissal of a Fund Manager
The Committee shall consider from time to time whether a Fund Manager’s investment performance or any other circumstances may warrant recommendation to the Board of Governors of the introduction of a probationary period or a change in Fund Manager(s). Such circumstances would include but not be limited to:

(a) Significant turnover in staff of Fund Manager(s);
(b) Change in ownership of Fund Manager(s);
(c) Failure of the Fund Manager(s) to satisfy all of the responsibilities set out in Section 3 of this Statement or set out in the Manager’s Investment Mandate;
(d) Desire to diversify the management of the Pension Fund or to add another Fund Manager(s).
(e) Unsatisfactory performance and/or compliance in relation to the performance standards specified in Sections 3 and 4 of this Policy.
5.06 **Voting Rights**

The Board of Governors has delegated voting rights acquired through the investments held by the Plans to the custodian of the securities to be exercised in accordance with the Fund Managers’ instructions. Fund Managers are expected to exercise all voting rights related to investments held by the Fund in the interests of the Plans’ members. The Fund Managers shall provide their proxy voting policies to the Treasurer.

Further, the Fund Managers must maintain records documenting how they voted and whether ESG was factored into the proxy voting decision making process and must advise the Treasurer regarding their voting on any unusual items or items where they vote against management, at least on an annual basis.

At least annually, each Fund Manager shall provide Treasury with a report of proxy voting actions and how ESG factored into the voting.

At least annually, a summary report of investment manager proxy voting action and how ESG factored into the voting shall be provided to the Planning and Resources Committee of the Board of Governors.

The Board of Governors reserves the right to take back voting rights of assets held in segregated portfolios for specific situations.

5.07 **Valuation of Investments Not Regularly Traded**

The following principles will apply for the valuation of investments that are not traded regularly:

(a) **Equities**

Average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter.

(b) **Bonds**

Same as for equities.

(c) **Mortgages**

Unless in arrears, the outstanding principal plus/minus the premium/discount resulting from the differential between the face rate and the currently available rate for a mortgage of similar quality and term, determined at least once every calendar quarter.

(d) **Real Assets**

A certified written appraisal from a qualified independent appraiser at least every two years.
5.08  **Policy Review**
The Policy may be reviewed and revised at any time, but it must be formally reviewed by the Committee, the Planning and Resources Committee and by the Board of Governors at least annually.

5.09  **Asset-Liability Review**
An Asset-Liability Study will be considered by the Committee every three to five years. A new Asset-Liability Study may be undertaken if any of the following events occur:

(a) The sponsor’s risk posture changes significantly;

(b) There are significant changes to pension legislation or regulations that affect the key metrics used in making decisions in the Asset-Liability Study or should affect the asset allocation in the future;

(c) Capital market conditions change significantly such that the assumptions embedded in the Asset-Liability Study are no longer reasonable;

(d) There are changes in the Plan’s benefits or liability structure; or

(e) New methodologies emerge that appear to improve the usefulness of Asset-Liability studies.
September 23, 2021

To: Planning and Resources Committee

From: Investment Pool Committee

Subject: Annual Review of Cash and Short-term Investment Statement of Investment Policies and Guidelines

The Cash and Short-term Investment Statement of Investment Policies and Guidelines (“SIP&G”) is subject to an annual review.

The Cash and Short-term Investments SIP&G has been reviewed and no changes are recommended at this time.

For your reference, please find below a link to the McMaster website for the Cash and Short-term Investment SIP&G.

i. Report on Health and Safety

At its meeting on October 21, 2021, the Audit and Risk Committee reviewed for information, the attached Report on Health and Safety.
Health, Safety and Risk Management Report

Report 2021-3 for the period April 13, 2021 - September 24, 2021

The Health, Safety and Risk Management (HSRM) unit of Human Resources Services incorporates Environmental and Occupational Health Support Services (EOHSS), Employee Health Services (EHS) and works in cooperation with others with other University partners to promote the health, safety, wellness and engagement of all McMaster employees.

Executive Summary

- COVID-19 continues to impact McMaster as the community focuses on Back to Mac for Fall 2021 and beyond.
- Health, Safety & Risk Management (HSRM) actively supports the University’s COVID-19 response providing expert health and safety guidance and programming.
- The University launched a mandatory vaccination policy for all faculty, staff, students, visitors, contractors and volunteers as per a legal directive from the Ontario Chief Medical Officer of Health.
- The Return to Campus Operations group continues to meet regularly providing a forum for discussion and decisions as needed to support the University’s response to the pandemic.
- The Ministry of Labour Training and Skills Development met virtually with EOHSS in response to an occupational illness claim filed by an employee within Hospitality Services.
- The Ministry of Labour Training and Skills Development attended campus on separate occasions in response to the following circumstances: two notices of critical injury reported by the University and an anonymous concern reported by a worker.

1. Training and Loss Prevention Initiatives

- The Environmental and Occupational Health Support Services (EOHSS) team provides ongoing health and safety support and programming for those faculty, staff and students delivering onsite activities with a focus on Fall 2021 and beyond. The team supports University compliance with local, provincial, and federal regulatory requirements. A large increase of faculty, staff and students are now accessing campus for onsite activities. As an example of reach and impact, the EOHSS risk management manual website had more than 6,500 visits in a recent 30-day period.
- The University took a cautious approach to planning for Fall 2021, in accordance with the Reopening Ontario Act. Planning for in-person student events during Welcome Week and beyond was considered carefully with Student Affairs. For the period of September 1 to October 6, 2021, 516 student events were reviewed and approved by EOHSS. (Low-risk events do not require EOHSS review.)
• The HSRM team facilitated annual Safety and Health week programming at the beginning of May 2021. This included sessions with McMaster experts on remote work ergonomics, vaccination safety and a national webinar jointly hosted by the Canadian Centre for Occupational Health and Safety and McMaster University with a representative from EOHSS and the Vice President, Administration. The webinar focused on McMaster’s response and learnings from the global pandemic.

• Regular COVID-19 updates continue to be provided at both the Central Joint Health and Safety Committee (CJHSC) and the 26 department-level joint health and safety committees. The majority of the committees continue to meet monthly or at least every 90 days as per Occupational Health and Safety Act requirements.

• From April 13, 2021 to September 18, 2021, the University received notification of 12 positive COVID-19 cases where the individuals had been on campus within 72 hours of their positive testing outcomes. These were each individual cases. To date the University has not experienced two-related on-site cases (considered as an outbreak). Public Health continues to provide contact tracing for any positive cases.

• The HSRM team provided expert support to the development and implementation of the McMaster vaccination policy, as well as the MacCheck digital tool for upload of vaccination proof and active daily screening. These provisions apply to all students, staff, faculty visitors, volunteers, contractors and lessees that attend University property.

• Annual fire drills completed by EOHSS in all campus buildings as per the requirements of the Ontario Fire Code.

• The University is participating in the new Excellence Program as launched by the Workplace Safety and Insurance Board (WSIB). The EOHSS team has submitted the first topic-specific module and received approval from the WSIB. Two additional modules are currently in progress for submission which provides opportunity for a financial reduction of our WSIB premium for the University.

• The EOHSS team has launched a new Back to McMaster COVID-19 training that is mandatory for all workers returning to campus and available to all students for completion on a voluntary basis. For the period September 7 to October 6, 2021, 11,568 training sessions were completed, including 7,026 Back to Mac COVID-19 training session completions.

2. Government Relations and External Inspections/Audits

• The Ministry of Labour, Skills Development and Training met virtually with members of the HSRM team and Hospitality Services on April 23, 2021 in response to notice of an occupational illness claim filed with the WSIB by a McMaster employee. The claim was specific to noise induced hearing loss. The Ministry reviewed the McMaster Noise Control and Hearing Program and requested a copy of the employee’s training record. No further action was required on this claim or order issued.

• The Ministry of Labour, Skills Development and Training visited campus on August 17, 2021 in response to an anonymous concern reported by a worker. The concern was
specific to workers in the Facility Services Grounds department using a product without the necessary personal protective equipment and training required to safely use the product. Orders were issued related to Safety Data Sheets (SDSs) and WHMIS 2015 training specific to hazardous products. A notice of compliance was submitted by the University to the Ministry on August 24, 2021. No further action requested.

- The Ministry of Labour, Skills Development and Training visited campus on August 18, 2021 as a result of a notification of a critical injury that occurred between ABB and parking lot I. An investigation was completed, and no orders were issued.

- The Ministry of Labour, Training and Skills Development visited campus on September 15, 2021 as a result of a notification of a critical injury that occurred in the Faculty of Health Sciences at the Ewart Angus Centre staircase. An investigation was completed, and no orders were issued.

3. **Employee Health Services Summary**

3.1 **Critical Injuries**

- Two critical injuries were reported during this period as noted above.

3.2 **WSIB Lost Time and Health Care Claims Update**

- The Employee Health Team (EHS) actively manages WSIB as well as salary continuance, sick leave, employee accommodation requests and long-term disability claims. EHS collaborates on a regular basis with departments and faculties to develop and maintain proactive strategies with the goal of helping employees stay at work and reduce lost time.

- The chart below illustrates the number of incidents, the number of WSIB-approved and pending claims for health care and lost time days, for the past four years. There continues to be a significant decline in the number of claims in 2020 and 2021 which is attributable to the remote working arrangements currently in place for most employees.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021 Jan – Aug 30th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Time Claims</td>
<td>20</td>
<td>33</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Lost Time Days</td>
<td>127</td>
<td>363</td>
<td>23</td>
<td>55</td>
</tr>
<tr>
<td>Approved Health Care Claims</td>
<td>69</td>
<td>69</td>
<td>26</td>
<td>20</td>
</tr>
</tbody>
</table>

4. **Workplace Wellness Initiatives**
Organizational wellness is supported by addressing the thirteen psychosocial factors related to the National Standard of Canada for Psychological Health and Safety in the Workplace. McMaster regularly hosts a wide range of activities and initiatives to promote wellness. Recent activities include:

- Delivered free employee well-being virtual sessions on topics relating to sustainability, healthy communications, stress-management, mindfulness, anxiety and depression, and more.
- Authored and communicated multiple employee well-being newsletters promoting healthy behaviours, suggested resources and offering upcoming opportunities engage in health promotion events. Topics included vacation, taking breaks, and mindfulness.
- Organized, supported and/or delivered eight well-being workshops for department or team retreats/education.
- Communicated monthly Homewood Health Newsletters.
- Provided support and coaching in alignment with Healthy Workplace Committee initiatives.
- Executed a three-part retirement planning series workshop.
- Provided series of sessions for leaders teaching foundational knowledge of creating a psychologically healthy and safe work environment.
- Provided strategic support to McMaster’s Mental Health Task Force, Athletics and Recreation, Okanagan Physical Activity Working Group and Okanagan Special Funding Advisory Group.
- Conducted a quarterly consultative meeting with HHSC and St. Joe’s to share employee well-being best practices in Hamilton.
- Developed and launched custom content surrounding Remote Communication Strategies as they pertain to self-care.
- Developed and launched Return to Mac sessions for leaders.
- Developed and launched workplace solutions and supports for leaders.
- Launched programming for employee volunteers in collaboration with the Equity and Inclusion Office around anti-racism and the importance of engaging with land acknowledgements.
- Offered a week-long series of synchronous and asynchronous recognition opportunities for over 400 employees for both our Service Awards Celebration and President’s Awards for Outstanding Service.
- Completed a full re-brand of Healthy Workplace webpage, now under the umbrella of Employee Well-being, with greater structure for offering and efficiently cataloging new content on a monthly basis.
Looking Ahead: Focusing on the Future

At our Board Retreat in September, I shared a summary of the key priority areas that will be the focus of the University’s work during the coming year. With the threat posed by the pandemic gradually receding, our community is focused on the future and on the positive advancements and areas of focus outlined in our new strategic plan. As Board Members know, the strategic plan is intended to guide the University for the next three years, beginning with the current academic year. The consultations and discussions I engaged in as part of that process were extremely helpful in drawing out the issues that members of our community care deeply about, and focusing on the specific areas where we can really differentiate ourselves as an institution.

Promoting and Accelerating Sustainability: McMaster’s Carbon Neutral Goal

On that note, as Board Members are aware, one of the most prevalent themes that emerged during our consultations around the visioning process and strategic plan was in relation to climate change and sustainability. Students, faculty, and staff are dedicated to finding ways to address climate change through our research, scholarship, and academic programming and also through the actions taken on our campus to reduce our carbon footprint, manage our investments, develop and promote clean technologies, reduce waste, and engage in energy reduction initiatives. The inaugural University-wide Sustainability Report 2020-2021, reviewed at the last Board Meeting in June and subsequently published on the University’s website, demonstrates the ways in which this focus on environmental sustainability runs through every part of the University, from innovative teaching and research, to the campus environment and operations.

Although the report does not capture all of McMaster’s sustainability-focused activities, it provides a glimpse into much of the work being done and draws on examples from across all Faculties, multiple departments, and units. Consistent with the message I heard from our campus community during the strategic planning process, the intention is to transform our campus into a living laboratory for sustainability, focusing on carbon reduction, energy reduction, and waste management, with the ultimate goal of being a carbon-free campus. As a university, it is incumbent on us to lead by example in this area, and to support our local and global communities in enabling meaningful change.

The sustainability report organizes our work under three pillars:

1. **Natural Resources** - The first pillar articulates McMaster’s commitment to the protection and conservation of natural resources, as well as our efforts to contribute to a sustainable food system.
2. **Reducing our Environmental Impact** - The second pillar illustrates our commitment to reducing our environmental footprint by building and operating our campus sustainably, including water, energy, greenhouse gas emissions, waste reduction initiatives, and responsible investing.
3. **Student Learning and Research** - The third pillar explores McMaster’s efforts to integrate sustainability into our students’ academic experiences through innovative interdisciplinary programs and experiential learning, and also details some of the many environmentally-focused research initiatives being led by members of our campus community.

**Ambitious Milestones: Looking to the Future**

To maintain momentum with this important work, the University has set a number of ambitious goals in key areas:

**Carbon Emissions** - McMaster’s Net Zero Carbon Roadmap lays out an ambitious strategy to reduce greenhouse gas emissions on campus by 75% by 2030, representing a reduction of 30,300 tonnes of carbon dioxide equivalent (CO2e) annually, and to achieve net zero carbon emissions by 2050. The strategy includes revised methods of power generation, energy conservation measures for our buildings, electrification and heat recovery projects, and transition to electric vehicles. Design element strategies for new construction projects include high-performance building envelopes, efficient ventilation, and LED lighting with occupancy sensors. Renewable energy production using photovoltaic installations and carbon capture strategies are also potential future elements of the plan.

**Responsible Investments** - The Investment Pool adopted a strategy of decarbonization in 2018, which is now being accelerated as part of McMaster’s overall carbon neutral goal, and our recognition of the importance of taking a leadership position in this area. A 33 per cent reduction in carbon intensity has been achieved after just three years, with the carbon underground top 200 oil and coal reserve holding companies (CU200) representing just 2.1 per cent of invested assets as at April 2020, which is down 53 per cent from 2018. The Investment Pool also tracks its clean technology transition investments and has 24 per cent allocated to this category, with the objective to increase this figure until we reach our carbon neutral goal.

In addition to the Investment Pool decarbonization strategy, both the Salaried and Hourly Pension Plans are included in McMaster’s adoption of the Task Force Recommendations for Climate-related Financial Disclosures. This ensures that each asset pool has transparent carbon measures that are publicly reported. The Hourly Pension Plan, which has $75M in invested assets, has achieved a current position of no CU200 holdings. This important milestone was achieved through many committee discussions and while maintaining positive returns. Work will continue to evaluate the future decarbonization strategy for the Hourly Plan and the University will also continue to review the holdings of all funds to ensure that the focus on the UN Principles for Responsible Investment (PRI) is maintained. These Principles integrate environmental, social, and governance considerations into investment manager hiring and asset management processes.

**Next Steps**

While there are a number of different aspects to the overall carbon neutral goal for McMaster, I see all these areas as inextricably connected and am committed to advancing them all as a key priority under our institutional strategic plan. This is vitally important if we are to make a positive impact on the ongoing climate crisis and play our part in addressing it in every way we
can. As a critically important next step, the University has just launched a campus-wide sustainability survey to gather feedback and opinions about McMaster’s sustainability efforts and areas of focus. The responses will help inform McMaster’s inaugural Sustainability Plan and further accelerate our work in this area.

**Inclusive Excellence**

In my last written report I provided an update on the Black Excellence Cohort Hiring Initiative and am very pleased with both the number and calibre of Black scholars we are attracting as a result of this forward-looking initiative. In addition to the ongoing work to hire, support, and retain excellent Black faculty and staff, we are also focused on supporting the success of our Black students. Plans are well underway to launch McMaster’s Black Student Success Centre later this Fall. The Centre is dedicated to supporting and championing the holistic success and overall well-being of Black/African students and fostering a positive Black student and student-athlete experience. It is intended as a safe space where students can meet, share, socialize and access specialized support and services, and will be staffed by a full-time manager supported by an administrator. In the interim period prior to the opening, virtual programming for the upcoming term has developed in collaboration with students to support well-being and the transition back to campus.

**Launch of Indigenous Strategy**

Through a campus-wide collective effort by Indigenous groups, a new strategy has been developed by the Indigenous Education Council and McMaster Indigenous Research Institute.

*Indigenous Strategic Directions* was formally launched on September 30, and represents a major step forward. It will act as a guide for the University as a whole, with four main strategic goals of research, education, student experience, and leadership and governance. The overall aim of the strategy is to enhance the visibility and impact of the Indigenous community on campus and further the University’s commitment to a culturally safe campus for Indigenous students, staff, and scholars.

The strategic goals and directives were developed using a range of engagement strategies. To ensure that all feedback aligned, input was evaluated according to the following criteria:

- Advances and empowers Indigenous scholars, students, staff, and communities;
- Guards and protects Indigenous cultural integrity at McMaster;
- Responds to the Truth and Reconciliation Commission’s Calls to Action; and
- Upholds the United Nations Declaration on the Rights of Indigenous People

I look forward to working with Indigenous colleagues over the coming year to help advance and support this important strategy.

**Return to Campus: Back to Mac**

Our Provost, Susan Tighe, has been leading our gradual return to campus, which has seen more students, faculty, and staff making use of our labs, classrooms, equipment, libraries, and campus-based resources. We expect on-campus activity to continue to increase over the coming months.
and into the winter term. Dr. Tighe will provide an update on this work and planning as part of our Board Meeting on October 28.

CAMPUS UPDATE

THE Rankings Update
McMaster has been ranked 80th in the world in the 2022 Times Higher Education rankings released in September, one of only four Canadian universities in the world’s top 80. McMaster has been placed within the world’s top 100 universities by THE, a key international ranking that includes more than 1,600 institutions worldwide, for five consecutive years.

Maclean’s University Rankings Update
For the fourth consecutive year, McMaster has ranked fourth in the Maclean’s medical doctoral category for universities with a broad range of research and PhD programs, including medical schools. McMaster stands alongside McGill, the University of Toronto, and the University of British Columbia in Canada’s top four. Among medical doctoral universities, McMaster is ranked first in student services, second in total research dollars and grants, and second in library acquisitions.

National Day for Truth and Reconciliation – Commemoration at McMaster
McMaster’s Indigenous Studies Program, Indigenous Research Institute, Indigenous Student Services, and Indigenous Health Learning Lodge hosted a commemorative event on September 30 to honour the children who never made it home from residential schools and those who survived. The commemoration recognized the ongoing legacy and intergenerational trauma caused by the residential school system, and was livestreamed on McMaster’s Daily News website.

McMaster joins Canada’s Sustainable Development Solutions Network (SDSN)
As part of McMaster’s ongoing commitment to advancing the United Nations’ Sustainable Development Goals, the University has recently joined the Sustainable Development Solutions Network (SDSN) Canada. Part of a global network of SDSN organizations, the Canadian chapter has 52 members across universities and colleges, all seeking to advance sustainability research and collaboration. McMaster’s membership in this network creates additional supports for researchers and students tackling the UN Sustainable Development Goals. With an institutional membership, researchers will get advanced notice for sustainability-related funding, instructors will have access to online communities of practice, and students will be supported by a student SDSN representative on campus.

Research

Major Federal Investment renews National Research Platform on Aging
In August, Labour Minister, Filomena Tassi, announced grants totalling $61.5M to support the next phase of the Canadian Longitudinal Study on Aging (CLSA) hosted at McMaster. The funds include $52M to support research activities at McMaster, including funding for all the
participating institutions across Canada. This will ensure the collection of data from CLSA participants until 2027.

**Social Sciences launches Initiative for Advanced Research on Mental Health and Society**
Researchers in the Faculty of Social Sciences have launched the Initiative for Advanced Research on Mental Health and Society (ARMS), with a mission to highlight and bring awareness to the social dimensions of mental health. ARMS will provide a hub for interdisciplinary collaboration on mental health research among academics, students, and community members.

**Four Professors named to the Royal Society of Canada (RSC)**
This year, three McMaster researchers were elected as Fellows of the RSC, a highly prestigious award for Canadian academics. Fellows are elected by their peers for their outstanding scholarly, scientific, and artistic achievement. The newly-elected McMaster faculty members are:

- Narayanaswamy Balakrishnan, Professor of Mathematics and Statistics;
- Bonny Ibahowoh, Professor of History and founding Director of McMaster’s Centre for Human Rights and Restorative Justice; and
- Harriet MacMillan, Professor of Psychiatry and Behavioural Neurosciences.

Ryan Van Lieshout, Canada Research Chair in the Perinatal Programming of Mental Disorders, was named to the incoming class of the RSC College of New Scholars, Artists and Scientists, which recognizes the achievements of academics in the earlier stages of their careers.

**McMaster Professors join Canadian Academy of Health Sciences**
Five professors from the Faculty of Health Sciences are joining the Canadian Academy of Health Sciences (CAHS) as Fellows. This election is considered the highest recognition of excellence in Canadian academic health sciences. The five new McMaster CAHS Fellows are Lori Burrows, Maureen Dobbins, Alfonso Iorio, Mitchell Levine, and Maureen Markle-Reid.

**Canada Foundation for Innovation (CFI) awards nearly $3.3M to McMaster Researchers**
Eleven McMaster researchers have been awarded nearly $3.3M from the Canada Foundation for Innovation to advance their work in health, materials, and electrification research. The CFI funding helps universities attract and retain top research talent from around the world by providing researchers with the highly specialized infrastructure they need to be leaders in their field. McMaster’s CFI funding recipients span the Faculties of Science, Engineering, and Health Sciences.

**Students and Learning**

**$1M gift will create Innovative Learning Lab at the DeGroote School of Business**
McMaster’s DeGroote School of Business has received a $1M gift from the KPMG Foundation and KPMG in Canada’s Regions East offices to develop a new lab that will embrace digital technology and promote experiential learning among students. The KPMG Ignition Lab will be a
dedicated innovation, analytics, and advanced technology space housed within the new McLean Centre for Collaborative Discovery.

**McMaster’s 2021 Schulich Leaders Awarded**
Out of 1,500 applicants, 100 Schulich scholarships were awarded this year to students going into STEM programs at 20 partner universities across Canada. For the second year in a row, 10 scholarships were designated for McMaster—five students within the Faculty of Science, and five within the Faculty of Engineering. The scholarships are awarded based on academic excellence, leadership, creativity and charisma, with strong consideration for financial need. Schulich Leaders are entrepreneurial-minded students looking to pursue careers in technology, entrepreneurship and business enterprise, engineering or scientific research.

**McMaster Externs help Hospital with Nurse Shortage**
To help with the hospital nursing shortage during the pandemic, 87 McMaster nursing students are working as externs in Hamilton’s two hospital systems. The externships are paid roles for the students to gain work experience while finishing their studies. Ontario’s Ministry of Health launched the extern program in February to support nursing capacity while the province responds to the pandemic.

**McMaster Student Start-Ups claim Prizes in The Forge Startup Survivor**
Four student-founded start-ups working with McMaster’s Forge Business Incubator have won top prizes and $31,000 in cash awards for their innovative business ventures. The awards were given out earlier this month during a Survivor-themed virtual pitch competition before a panel of industry judges. Founded in 2015 and funded by McMaster, the Forge Business Incubator program serves startups in the Hamilton, Greater Toronto, and Niagara Regions. Clients receive expert mentorship, funding, investor introductions, and other entrepreneurial support. So far, 233 companies have been through program and have raised over $36 million while selling products in 50 countries.
a. Policy Framework

At its meeting on October 20, 2021, the Senate approved the establishment of the proposed Policy Framework for McMaster University.

It is now recommended,

that the Board of Governors approve the establishment of the proposed Policy Framework for McMaster University, effective October 28, 2021.

b. Establishment of the Fairley Gadsby Research Chair in Fluvial Geomorphology

At its meeting on October 20, 2021, the Senate approved the establishment of the Fairley Gadsby Research Chair in Fluvial Geomorphology.

It is now recommended,

that the Board of Governors approve the establishment of the Fairley Gadsby Research Chair in Fluvial Geomorphology.

c. Establishment of the Ronald Barr Professorship in Pediatric Oncology

At its meeting on October 20, 2021, the Senate approved the establishment of the Ronald Barr Professorship in Pediatric Oncology.

It is now recommended,

that the Board of Governors approve the establishment of the Ronald Barr Professorship in Pediatric Oncology.

d. Revised Terms of Reference - AbbVie Chair in Education in Rheumatology

At its meeting on October 20, 2021, the Senate approved the revised terms of reference for the AbbVie Chair in Education in Rheumatology.
It is now recommended,

that the Board of Governors approve the revised terms of reference for the AbbVie Chair in Education in Rheumatology.

Board of Governors: FOR APPROVAL
October 28, 2021
TO: Senate Executive Committee

FROM: Andrea Thyret-Kidd, University Secretary

RE: Policy Framework

The University Secretariat has prepared a policy framework document that is intended to help standardize processes and requirements related to developing, revising, and rescinding Senate and Board policies. It also outlines and/or defines a number of important policy areas, including the responsible executive, review timeframes, non-substantive revisions, and accountabilities.

The proposed Policy Framework was developed to provide guidance and to promote consistency across McMaster’s policy environment. Initially, the primary focus of the Framework is for policies approved by the Senate and Board of Governors. It is hoped that the Framework will become the primary reference document guiding campus-wide policy processes at McMaster.

The Policy Framework was developed with consultation from the President–Vice-Presidents group and representatives from the MUFA executive. A copy of the proposed Framework is attached with this memo.

It is recommended that,

the Senate Executive Committee approve, for recommendation to the Senate and Board of Governors, the establishment of the proposed Policy Framework for McMaster University, effective October 28, 2021.

SENATE EXECUTIVE: September 29, 2021
FOR APPROVAL
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**DISCLAIMER:** If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails.
SECTION I – INTRODUCTION

1. McMaster University is an international leader recognized for exceptional research, innovation, and teaching and learning. In order to maintain the highest standards of quality, the University strives to develop and maintain policies that facilitate good governance, accountability, equity, and the effective achievement of its mission and vision.

2. The objective of McMaster’s Policy Framework is to provide students, staff, and faculty with clear, transparent and equitable processes for developing, revising, and reviewing policies approved by the Senate and Board of Governors. This document seeks to ensure that the University’s policy environment operates based on principles of good governance, equity, and openness. Furthermore, it will provide definitions of key terminology and outline the primary processes for establishing, revising, and rescinding policy documents. It will also describe the responsibilities of senior leaders in the policy process.

3. Individuals and areas looking to establish, revise, or rescind Board and/or Senate policies are expected to comply with the provisions outlined in this Policy. To promote consistency and transparency, the University requires all policies submitted to governing bodies in a common format.

SECTION II – DEFINITIONS

4. **Policy**: a document providing guiding principles to facilitate the achievement of the University’s mission and vision based on good governance, informed decision making, consultation, and high standards. A policy will articulate responsibilities, oversight, and compliance in its subject area, and outline the processes and standards that are a mandatory requirement for all individuals and groups operating on behalf of the University.

5. **Procedure**: a set of required processes to be used in conjunction with a policy or policies, to ensure consistency and fairness in achieving a policy objective(s).

6. **Guidelines**: documents created to provide members of the University community with guidance, including best practices, when applying or implementing policies. Guidelines are to be read in combination with Board and Senate policies and are considered advisory, as opposed to mandatory.

7. **Approver**: the governing body, either the Senate and/or Board of Governors, responsible for oversight and approval of a policy document.

8. **Responsible Executive**: the Senior Academic Officer or Senior Administrative Officer who has responsibility for the operation and implementation of the Policy.

9. **Policy Inquiry Contact**: the position responsible for addressing questions or operational matters related to a policy, as delegated by the Responsible Executive.

10. **Policy Review**: a voluntary or mandated review of an existing policy with the objective of ensuring it is meeting the current standards required at McMaster University.
SECTION III – JURISDICTION

11. This Policy applies to campus-wide policies and procedures requiring approval at the Board of Governors and/or Senate. Policies specific to a Faculty, Department, or operational unit are outside the purview of McMaster’s Policy Framework, but can adopt it should they wish to do so.

12. The procedure for revising or amending the McMaster University Revised Policy And Regulations With Respect To Academic Appointment, Tenure And Promotion (Tenure and Promotion Policy), including Supplementary Policy Statements, are outlined in the Tenure and Promotion Policy.

SECTION IV – PROCESS

13. The establishment of new policies and the revision or rescinding of existing policies will comply with the standards articulated within this Policy and will receive approval from the Senate and/or Board of Governors. If a new policy supersedes an existing policy, a separate motion is required through governance to officially terminate the policy being replaced.

14. All new and revised policies will be submitted to governance, following consultation with the University Secretariat.

15. Responsible Executives will ensure that new policies are provided to key stakeholders for comment and consultation, as appropriate. Where a policy has a significant impact across campus, consultation should be sought from the University community.

16. The University Secretariat should be contacted at the beginning of the process to provide advice on governance pathways for policy approvals, including proposals to revise or rescind policies. It is expected that all policies and procedures will be reviewed by the appropriate committee prior to submission to the Senate and/or Board of Governors.

17. As an institution, McMaster is committed to promoting inclusive excellence through campus-wide equitable practices. Throughout all policy processes, including drafting, reviewing, and consultation, consideration should be given to equity, diversity, and inclusion. Policies should use inclusive language, seek to remove barriers to equity, promote accessibility and fairness, and wherever possible be reviewed by diverse members of the campus community, including members of communities who experience social inequities.

18. When a proposal is being made to re-name a policy, it requires approval through the full governance process.

19. Policies are effective upon final approval by either the Senate or Board of Governors, unless the approved resolution stipulates a later date.

SECTION V – NON-SUBSTANTIVE REVISIONS

20. It is recognized that, from time to time, policies will require updates that are necessary, but non-substantive. At the request of the Responsible Executive, the University Secretariat may make the following non-substantive changes to policies: employee title changes, inclusion of gender-neutral language, name
changes, and grammatical/editorial corrections. Such revisions do not require approval from the University’s governing bodies but shall be reported for information to the Chair of either Senate or Board of Governors, as applicable.

SECTION VI – ACCOUNTABILITY

21. The Responsible Executive is accountable for:

   a) developing and maintaining policies within their area of oversight. In some instances, it may be appropriate to strike a cross-functional group or ad hoc committee to propose new policies or review existing policies. In these cases, the process will be overseen by the Responsible Executive (or delegate);
   b) ensuring an equity lens is applied to the Policy and appropriate consultation has taken place prior to submission to McMaster’s governing bodies;
   c) communication and implementation of the policy following approval; and
   d) interpretation of the Policy.

22. The University Secretariat is responsible for:

   a) ensuring good governance throughout the policy approval process;
   b) managing and storing policy records;
   c) posting policies on its policy webpage;
   d) providing administrative assistance and policy coordination, in cooperation with Responsible Executives; and
   e) developing a policy review schedule of Board and Senate policies and working with Responsible Executives to meet review deadlines.

SECTION VII – POLICY REVIEW

23. It is expected that policies will be reviewed by the Responsible Executive within 5 years of the most recent approval. Reviews may be conducted earlier at the request of the Responsible Executive, Senate, or Board of Governors.

24. The Responsible Executive, in consultation with the University Secretary, will determine the scope and format of the review process. In specific cases it may be appropriate to consult with the policy owner on the review process required. For some policies it will be sufficient to undertake a smaller review focused on ensuring it is up-to-date and in compliance with relevant standards, while others, due to institutional changes or complexity, will require a comprehensive review by a working group or ad hoc committee.

SECTION VII – RELATED DOCUMENTS

Board of Governors By-Laws
Senate By-Laws
Accessibility Policy
Policy Statement on Inclusive Communications

Statement on Building an Inclusive Community with Shared Purpose
August 26, 2021

TO: Senate Committee on Appointments
FROM: Dr. Maureen J. MacDonald, Dean, Faculty of Science

SUBJECT: Terms of Reference and Establishment of the Fairley Gadsby Research Chair in Fluvial Geomorphology

On behalf of the Faculty of Science, I would like to recommend the establishment of the Fairley Gadsby Research Chair in Fluvial Geomorphology. Through the generous funding provided by donors, this Chair will be supported for five years, with potential renewal upon review (a signed Gift Agreement has been secured). The Chair will be appointed in the School of Earth, Environment & Society in the Faculty of Science. The appointment of the individual to the Chair will be made to the Committee under separate cover.

The request is made in accordance with the McMaster University Policy Guidelines for Establishing Named Chairs and Professorships, and has received the approval of the Provost & Vice-President (Academic) (June 14, 2021). The Terms of Reference are attached.

The Faculty of Science looks forward to establishing this Chair as we Transform our World through Science and build towards a Brighter World.

Electronic copies to:
- File
- Attachments
Terms of Reference

Fairley Gadsby Research Chair in Fluvial Geomorphology

General

The Fairley Gadsby Research Chair in Fluvial Geomorphology (the “Chair”) in the Faculty of Science at McMaster University is awarded to a faculty member with relevant expertise in the field of fluvial geomorphology. Brad Fairley and Margaret Gadsby have made a generous gift to support this Chair for a five-year term. The Chair will be reviewed at the conclusion of the term.

Details and Duties of the Chair

The individual occupying the Chair shall undertake the normal duties of a tenure-track faculty member in the School of Earth, Environment & Society. It is expected that the Chair will assume a leadership role in research, and undergraduate and graduate education programs that bear on the field of fluvial geomorphology.

Specifically, the Incumbent will:

- As holder of the Fairley Gadsby Research Chair in Fluvial Geomorphology, hold full-time faculty appointment in the Faculty of Science.
- Contribute significantly to the body of scholarship in the field of fluvial geomorphology.
- Undertake the normal duties of a faculty member in the Faculty of Science.
- Acknowledge that appointee holds the “Fairley Gadsby Research Chair in Fluvial Geomorphology” in all publications, lectures, and any other activities in which the faculty member participates.
- As holder of the Chair, provide an annual report of their teaching and research activities to the Director of the School of Earth, Environment & Society and Dean, Faculty of Science who will provide a copy to the Donors.

Selection Process

The Fairley Gadsby Research Chair in Fluvial Geomorphology will be conferred upon the new tenure-track faculty member appointed in the School of Earth, Environment and Society in the same field. The School’s selection committee will make the recommendation for the appointment of a candidate to the Chair through the Dean and Faculty Appointments Committee. In accordance with the McMaster University Policy Guidelines for Establishing Named Chairs and Professorships, a recommendation for the Chair will be forwarded to the Senate Committee on Appointments.

Financial Details

All funds made available by the Fairley Gadsby Research Chair in Fluvial Geomorphology shall be used for compensation costs of the Chair.
Appointment Term

An appointment to the Fairley Gadsby Research Chair in Fluvial Geomorphology shall be for five (5) years, renewable.
September 10, 2021

Senate Committee on Appointments
c/o University Secretariat
Gilmour Hall, Room 210

Re: Establishment of the Ronald Barr Professorship in Pediatric Oncology

On behalf of the Faculty of Health Sciences, I would like to recommend the establishment of the Ronald Barr Professorship in Pediatric Oncology.

Hamilton Health Sciences and McMaster University have both committed funding via research residuals to create a permanent endowment for this Chair. In addition, this endowment is being supplemented with matching funds from the Faculty of Health Sciences. The Professorship will support establishing and maintaining a world-class program in pediatric oncology and contribute through teaching, research, and/or clinical work at McMaster University and McMaster Children’s Hospital.

The terms of reference for the Professorship are attached.

Yours sincerely,

Paul M. O’Byrne, MB, FRCP(C), FRSC
Dean and Vice-President
Faculty of Health Sciences

Encl.

PO/bvd
TERMS OF REFERENCE

Ronald Barr Professorship in Pediatric Oncology

General

A transfer of funds has been directed to the Faculty of Health Sciences to provide support for the Ronald Barr Professorship in Pediatric Oncology. The incumbent will have demonstrated excellence in the area of pediatric oncology.

Details and Duties

The holder of the Professorship shall be an individual with sufficient educational, research and clinical experience.

Specifically, the Professor will:

- Hold a full-time appointment in the Department of Pediatrics in the Faculty of Health Sciences at McMaster University;
- Be an integral part of the institutional vision towards establishing and maintaining a world-class program in pediatric oncology that exemplifies the central values of the University and the Department of Pediatrics;
- Contribute significantly to the body of scholarship in the area of pediatric oncology, through teaching, research and/or clinical work at McMaster University and McMaster Children’s Hospital;
- Undertake the normal duties of a faculty member in the Faculty of Health Sciences and the Department of Pediatrics, including participation in the education programs of the Department.

Selection Process

The Dean and Vice-President of the Faculty of Health Sciences will appoint an appropriate ad-hoc selection committee that shall include, at minimum, the Associate Dean, Research and the Chair of the Department of Pediatrics. The Committee will forward its recommendation to the Senate Committee on Appointments.

Term

An appointment to the Professorship shall be for up to five (5) years, with the understanding that renewal for additional terms is possible.

Acknowledgement

The incumbent will acknowledge that they hold the “Ronald Barr Professorship in Pediatric Oncology” in all publications, lectures and other activities supported through the fund.

September 2021
September 10, 2021

Senate Committee on Appointments
c/o University Secretariat
Gilmour Hall, Room 210

Re: Revised Terms of Reference for the AbbVie Chair in Education in Rheumatology

On behalf of the Faculty of Health Sciences, I would like to recommend for approval revisions to the terms of reference for the AbbVie Chair in Education in Rheumatology.

In 2010, a gift was directed to the Faculty of Health Sciences from Abbott Laboratories, Ltd. (now AbbVie Corporation) to provide an endowment fund in support of this Chair.

The terms of reference for the Chair are being updated so that the position is officially aligned with the role of Division Director of Rheumatology in the Department of Medicine.

Thank you for considering this recommendation. Enclosed please find a copy of the original and revised terms of reference.

Yours sincerely,

Paul M. O’Byrne, MB, FRCP(C), FRSC
Dean and Vice-President
Faculty of Health Sciences

Encl.

PO/bvd
Revised Terms of Reference

TERMS OF REFERENCE

AbbVie Chair in Education in Rheumatology

General

In 2010, a gift was directed to the Faculty of Health Sciences from Abbott Laboratories, Ltd. to support the Abbott Chair in Education in Rheumatology. In 2012, the Abbott organization name was changed to AbbVie Corporation and the Chair name was updated. The research, education interests and accomplishments of the incumbent will encompass a broad and comprehensive range of issues.

In revising the terms of reference for this Chair, it is the intent of all parties that the Chair be directly associated with, and its tenure run concurrent with, an appointment to the position of Director, Division of Rheumatology, Department of Medicine, McMaster University.

Details and Duties of the Chair

The holder of the Chair shall be an individual with sufficient educational experience and who has demonstrated interest in and capability to implement the objectives set out below.

Specifically, the chairholder will:

- As the holder of the AbbVie Chair in Education in Rheumatology, hold an appointment in the Department of Medicine in the Faculty of Health Sciences at McMaster University.

- Be an integral part of the institutional vision towards establishing and maintaining a world class Centre of Excellence which exemplifies the central values of the University and the Department of Medicine.

- Contribute significantly to the body of scholarship in the area of rheumatology education through teaching at McMaster University.

- Undertake the normal duties of a faculty member in the Faculty of Health Sciences and the Department of Medicine, including participation in the education programs of the Department.

Selection Process

The Dean and Vice-President of the Faculty of Health Sciences will appoint an appropriate ad-hoc Selection Committee, which shall include, at a minimum, the Chair of the Department of Medicine. The Selection Committee will recommend the appointment of the AbbVie Chair in Education in Rheumatology to the Senate Committee on Appointments.

Term

An appointment to the AbbVie Chair in Education in Rheumatology shall be for up to five (5) years, with the understanding that renewal for additional terms is possible. The incumbent will acknowledge that they hold the “AbbVie Chair in Education in Rheumatology” in all publications, lectures and any other activities in which the faculty member participates.
Original Terms of Reference

TERMS OF REFERENCE

AbbVie Chair in Education in Rheumatology

General

In 2010, a gift was directed to the Faculty of Health Sciences from Abbott Laboratories, Ltd. to support the Abbott Chair in Education in Rheumatology. In 2012, the Abbott organization name was changed to AbbVie Corporation and the Chair name was updated. The research, education interests and accomplishments of the incumbent will encompass a broad and comprehensive range of issues.

Details and Duties of the Chair

The holder of the Chair shall be an individual with sufficient educational experience and who has demonstrated interest in and capability to implement the objectives set out below.

Specifically the Incumbent Will:

- As the holder of the AbbVie Chair in Education in Rheumatology, hold an appointment in the Department of Medicine in the Faculty of Health Sciences at McMaster University.

- Be an integral part of the institutional vision towards establishing and maintaining a world class Centre of Excellence which exemplifies the central values of the University and the Department of Medicine.

- Contribute significantly to the body of scholarship in the area of rheumatology education through teaching at McMaster University.

- Undertake the normal duties of a faculty member in the Faculty of Health Sciences and the Department of Medicine, including participation in the education programs of the Department.

Selection Process

The Dean of the Faculty of Health Sciences will appoint an appropriate ad-hoc Selection Committee, which shall include, at a minimum, the Chair of the Department of Medicine, and the head of the Division of Rheumatology (or delegate). The Selection Committee will recommend the appointment of the AbbVie Chair in Education in Rheumatology to the Senate Committee on Appointments.

Term

An appointment to the AbbVie Chair in Education in Rheumatology shall be for up to five (5) years, with the understanding that renewal for additional terms is possible. The incumbent will acknowledge that she/he holds the “AbbVie Chair in Education in Rheumatology” in all publications, lectures and any other activities in which the faculty member participates.

December 2012
REPORT TO THE BOARD OF GOVERNORS
from the
BOARD OF GOVERNORS AUDIT AND RISK COMMITTEE

i. Annual Financial Report 2020-2021

The Audit and Risk Committee now recommends,
that the Board of Governors approve the Annual Financial Report 2020-2021, which includes the Audited Financial Statements for the year ended April 30, 2021.

ii. Appointment of External Auditor for 2021-2022
At its meeting on October 21, 2021, the Audit and Risk Committee reviewed and approved the re-appointment of KPMG LLP as the external auditors for McMaster University for 2021-2022.

The Audit and Risk Committee now recommends,
that the Board of Governors approve the re-appointment of KPMG LLP Chartered Accountants as the Auditors for McMaster University for the 2021-2022 fiscal year

Board of Governors: FOR APPROVAL
October 28, 2021
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FINANCIAL STATEMENTS ..............................................49
Through our cutting-edge research and world-class teaching and learning, we are working to advance human and societal health and well-being. McMaster’s strategic objectives are centred on inclusive excellence, teaching and learning, research and scholarship, community engagement, and operational excellence. Within this context McMaster is working to address some of the most pressing challenges facing communities across our planet, such as climate change, equity and inclusion, and infectious diseases. For example, McMaster is clustering its strengths associated with infectious diseases and vaccine development to support global preparedness for pandemic responses, vaccine development, and disease management as an outcome for COVID-19 and highlighted in last year’s 2019/20 Annual Financial Report.

This 2020/21 Annual Financial Report highlights McMaster’s recent contributions focused on improved environmental sustainability necessary to support our campus and surrounding communities. Key environmental sustainability strategies include waste reduction on campus, engaging our communities on sustainable practices, decarbonizing investment portfolios and increasing clean technology investments, managing climate risks associated with campus operations and invested assets, undertaking research to address food and water insecurity, and much more. Objectively, McMaster aspires to be a growing driving force in addressing climate change and enabling a more sustainable, less carbon-dependent future.
Year in Review
From Deidre Henne, Assistant Vice-President (Administration) and Chief Financial Officer

This 2020/21 Annual Financial Report is themed on sustainability, in part due to the global climate crisis affecting communities worldwide having broad implications to our future societal health. Beyond last year’s theme centred on the pandemic highlighting McMaster’s contributions to sequence identification, vaccine and policy development, and personal protective equipment design; climate change and environmentally balanced economics are critical priorities of our time. The sustainability focus of this report reflects McMaster’s ongoing long-term commitment to the Okanagan Charter and McMaster’s focus on achieving a net zero Greenhouse Gas (GHG) emissions campus, a net zero GHG emissions across invested asset pools, and being a global contributor through research and education into commercial applications needed to more rapidly transition the economy onto sustainable clean energy solutions that promote environmental sustainability and consequently societal health.

In addition to McMaster’s sustainability focus, the University continues pandemic response contributions both from vaccine development research to personal protective equipment solutions, and Canadian production and supply partnerships. The ambitions of McMaster as a global contributor and leader addressing current societal issues reflect the University’s strategic focus on solutions that can be translated into commercial solutions and serve today’s diverse communities. These directions are further captured in McMaster’s refreshed vision and updated three-year strategic plan organized around five themes and launched in 2021 following extensive community consultation. McMaster’s strategic themes focus University directions on supporting inclusive excellence, research and scholarship, teaching and learning, community engagement, and operational excellence. Faculty and department objectives will be underpinned by these strategic themes over the next three years.
McMaster’s 2020/21 consolidated surplus of $232.0 million is materially favourable driven by two key factors. First, extraordinary investment income provided a 26.1% return, net of fees, increasing planned investment income based on normalized returns of 5.6% by over $127.1 million. Secondly, the Operating Fund tuition revenue totalling $398.4 million was $61.1 million favourable to budget due to increased offers of admission based on an expectation that greater than normal enrolment deferrals would be realized due to the pandemic. However, McMaster’s increased offers translated into higher acceptances resulting in over-enrolled domestic participation and year-over-year growth in international student participation. Anticipated student enrolment deferrals did not materialize and consequently McMaster exceeded provincial domestic enrolment caps resulting in $22 million in unfunded operating grants for domestic student support. McMaster’s enrolment management team will work to reduce domestic offers back to provincially funded levels over the coming years.

Research income of $168.6 million is lower but relatively flat to prior year actuals based on pandemic-related closures causing some delays to research activity. Research funding received increased by $38.4 million, however research income is recognized as a matching function to current year research expenditures, and the lower spending caused an increase of $43.6 million reflected as deferred contributions for future years. The slower research spending in 2020/21 due to temporary closures is expected to increase in 2021/22 as campus resumes operations.
Original financial planning assumed University operations would fully re-open in January 2021, however mid-fiscal year McMaster made the decision to remain predominantly closed for the full academic year. The full year closure had the greatest impact on ancillary operations with a net sales decline of $58.2 million or 76.6% over prior year. Ancillary operations generally support on-campus student activities, areas of greatest impact include housing, food services, and parking, as well as other service impacts to campus stores and media/print production. However, continuing online education sales surpassed expectations due in part possibly to a larger population catchment upgrading skills and certifications during pandemic-related layoffs or while spending more time at home.

Capital projects progressed in 2020/21 namely on the Student Athletic Facility Expansion and on other renovation opportunities created by the closed campus operations. Some planned capital projects were delayed due to periods of pandemic-related closures resulting in $94.5 million in lower spending on capital projects than originally planned.

Extraordinary investment income in 2020/21 provided substantial capital preservation to long-standing external trusts and endowments. Further, the income on internal reserves is either allocated directly to unitized internal reserves or to the specific purpose reserve. The current year’s strong performance enabled extra one-time payments of $45.0 million into the post-retirement benefit reserve to support McMaster’s commitment to fund this obligation net of employee contributions, as well as an extra $25.0 million contribution to the McMaster capital reserve used to support strategic infrastructure needs and match Canada Foundation for Innovation (CFI) funding opportunities.

Subsequent to year-end McMaster issued two new long-term debentures to support initiatives associated with McMaster’s updated strategic plan. One of these debentures reflects McMaster’s first green bond of $25.0 million over 30 years at 3.255% along with a traditional bond of $125.0 million over 50 years at 3.405%. The 50-year bond was over-subscribed with 26 investors and reflects the lowest interest rate on a higher education 50-year bond issue in recent history. Much of the new financing will support McMaster’s key strategic objective to cluster its academic and research strengths associated with infectious diseases and pandemic responses into a new build Global Nexus located at McMaster Innovation Park, which will support education of undergraduate and graduate professionals and serve Canada and global societal needs associated with future epidemic, pandemic, and infectious disease tracking, vaccine and treatment development, and disease management.

Finally, McMaster continues to make progress on its commitment to fully adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) across all invested assets (including pension pools). In 2020/21, McMaster announced its investment pool GHG emission reduction target of 45% by 2030 and ambitiously net zero by 2050 based on a 2018 baseline. McMaster also received its first GHG emission measure for the salaried pension plan assets to inform its Phase 1 reporting requirements included in a new section to this report. During 2020/21, the salaried pension plan oversight committee will explore its GHG emission target setting for McMaster’s Phase 2 reporting. In 2020/21, McMaster became a signatory to the United Nations
Principles for Responsible Investment, and became an inaugural member to the University Network for Investor Engagement (UNIE). The UNIE program focuses on combined university members’ invested assets and tackles carbon and sustainability issues directly with companies based on combined ownership holdings. Further, McMaster became an inaugural member to the Canadian Climate Charter committing the University to work with other charter members on advancing carbon measurement disclosures, adopting responsible investing practices, setting carbon reduction strategies, and integrating carbon goals into manager performance objectives. McMaster is well advanced in Canada on its adoption of globally recognized responsible investing strategies and continues to serve as an advisory role to other institutions advancing decarbonization and clean technology initiatives.

The information contained in this Annual Financial Report is intended to provide the reader with financial information for the fiscal year ended April 30, 2021. While the focus of this document is the consolidated operations of all funds on an accrual basis, extended variance analysis information regarding the Operating Fund results, which operates on a modified cash basis for budgeting and accounting purposes, has been included on page 33.

**MEDIA LINKS**

Other media links to supplemental information providing additional in-depth discussion of University information include:

<table>
<thead>
<tr>
<th>McMaster University Strategic Plan 2021-2024</th>
<th>University Fact Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Mandate Agreement</td>
<td>Sustainability Report 2020-2021</td>
</tr>
<tr>
<td>Goals and Priorities</td>
<td>Net Zero Carbon Roadmap</td>
</tr>
<tr>
<td>Consolidated Budget – June 2021</td>
<td></td>
</tr>
</tbody>
</table>

“An abundance of initiatives are occurring across McMaster by students, faculty members and employees to promote sustainability.”

— Debbie Martin, Assistant Vice-President and Chief Facilities Officer

**RESPONSIBLE CONSUMPTION AND PRODUCTION INITIATIVES**

- Sustainable Food Purchasing
- Waste and Recycling Bin Labelling
- McMaster Campus Store Eliminates Single-Use Plastic Bags
- Promoting Reusable Bottles Through Campus Water Filling Stations
- Compostable Products
- From Trash to Treasure
- McMaster Teaching and Community Garden (MTCG)
- Sustainable Future Program
- Students Pitch Signs That Make the Green Choice Clear on Campus
- Environmentally Responsible Art
- McMaster Sustainability Week: Tree Planting
- Sustainable Chemistry Program
By the Numbers

$723,800,000
Available expendable resources vs. $598,300,000 last year

$1,300,700,000
Total revenue vs. $1,161,000,000 last year

$2,200,000
Excess of revenues over expenses vs. $28,900,000 last year

$109,300,000
Capital spending vs. $127,900,000 last year

$109,300,000
Capital spending vs. $127,900,000 last year

$2,200,000
Excess of revenues over expenses vs. $28,900,000 last year

$25,800
Endowment per FTE students vs. $22,800 last year

$37,500
Revenue per FTE students vs. $36,200 last year

$1,068,700,000
Total expenses vs. $1,068,900,000 last year

$232,000,000
Excess of revenues over expenses vs. $92,100,000 last year

$117,400,000
Pension employee future benefit unfunded obligation vs. ($171,200,000) last year

$(287,300,000)
Non-pension employee future benefit unfunded obligation vs. $(277,200,000) last year

$1,804,700,000
Total net assets vs. $1,185,400,000 last year

34,720
Enrolment (full time equivalent (FTE)) vs. 32,063 last year

8,103
Staff and Faculty head count vs. 7,954 last year

$2,200,000
Excess of revenues over expenses operating fund only vs. $28,900,000 last year

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Available expendable resources vs. $598,300,000 last year

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Staff and Faculty head count vs. 7,954 last year
GREEN SPACES

L.R. Wilson Hall, situated at the corner of Forsyth Avenue and Sterling Street, features a roof-line extending green landscaping.
Key Financial Indicators

**TOTAL REVENUES**
- Revenues increased 12.0% to $1,300.7 million from $1,161.0 million.
- Investment income increased by $172.7 million due to a 26.1% rate of return net of investment fees in the Investment Pool compared to -1.9% in the prior year.
- Tuition income increased by $55.8 million (15.5%) due to increased domestic and international enrolment at both the graduate and undergraduate levels, tuition rate changes for international students, and new programs.
- Enrollment-based operating grants remained frozen at 2016/17 levels with an increased international student recovery levy associated with higher enrolment. The performance-based Operating Grant includes research overhead support previously separately as research overhead income.
- Ancillary sales & other fees decreased by $88.3 million (-31.1%) due to temporary pandemic-related operational closures.

**TOTAL EXPENSES**
- Expenses remained relatively flat at $1,068.7 million compared to $1,068.9 million in the prior year.
- Salaries and wages increased by $7.1 million (1.3%) due to the planned faculty and staff hires to support increased enrolment and due to negotiated pay increases.
- Employee benefits increased by $10.2 million (7.7%) primarily due to increased current service and finance costs for pensions.
- Supplies and services decreased by $21.9 million (-7.3%) primarily due to pandemic-related travel restrictions and temporary operational closures.

**TOTAL ASSETS**
- Total assets increased 14.3% to $3,357.4 million from $2,937.3 million.
- Investment assets increased by $401.9 million (26.8%) due primarily to the 26.1% return on investments.
- Current assets increased by $90.4 million (23.5%) due primarily to greater short-term investments and loans receivable from McMaster Innovation Park, offset by deductions in accounts receivable and prepaid expenses.
- Capital assets increased by $23.0 million (1.9%) related to $109.3 million in capital additions for new buildings and equipment less $86.3 million in amortization and recoveries.

**TOTAL LIABILITIES**
- Liabilities decreased 11.4% to $1,552.7 million from $1,751.9 million.
- Employee future benefit liabilities decreased by $278.5 million (-82.1%) primarily due to a positive return on pension plan assets.
- Deferred contributions increased by $56.0 million (6.5%) due to temporary pandemic closures and delayed spending.
- Current liabilities increased by $23.4 million (13.5%) due to April 2020 operational campus closure versus April 2021 partially open campus.
- Long-term obligations remained relatively flat year over year.

**NET ASSETS**
- Net assets increased 52.2% to $1,804.7 million from $1,185.4 million.
- Net employee future benefit reserves increased by $351.0 million (97.7%) due to a positive return on invested pension plan assets and transfers from other internal reserves as part of McMaster’s funding strategy for post-retirement benefits.
- Internal and external endowments increased by $138.9 million (22.5%) due to the Investment Pool’s positive returns.
- Other internal reserves increased by $95.1 million (20.8%) mainly due to capital funding for projects either in progress and expected to be completed in 2022 or for future capital strategies to support enrolment growth.
Key Financial Indicators

LONG-TERM DEBT
- Long-term debt primarily relates to two $120.0 million bonds maturing in 2052 and 2065, respectively. Two sinking funds exist to repay these debts on maturity, valued at $42.9 million.
- The debt service coverage ratio improved to 21.6 from 10.8 due to the increase in net income.
- Total long-term debt decreased due to the $0.7 million principal repayment on the bank loan maturing in May 2033.
- Subsequent to year-end, additional long-term debt of $125.0 million maturing in 2071 and $25.0 million maturing in 2051 was issued. Two additional sinking funds have been established to settle these debts on maturity.

AVAILABLE EXPENDABLE RESOURCES (AER)
- AER represents equity (cash and non-cash funds) that is not externally committed, such as unrestricted net assets, specific purpose reserves, faculty and department appropriations, and internally restricted endowments.
- AER increased 21.0% to $723.8 million from $598.3 million.
- AER is internally restricted for specific purposes such as future financial obligations to settle debt, fund pension and non-pension liabilities, and invest in strategic and capital priorities. The financial statement notes provide full descriptions of each reserve held for future financial obligations.

TRUSTS AND ENDOWMENTS
- McMaster’s internal and external trusts and endowments increased 22.3% to $895.0 million from $731.9 million related to the 26.1% Investment Pool return, net of fees.
- Endowment funds per student increased 12.9% to $25,800, despite the 8.3% increase in student enrolment, again mainly due to the Investment Pool return.

DEFERRED MAINTENANCE
- Deferred maintenance is funded from multiple sources, including a facilities infrastructure grant, an allocation of operating revenues, and an annual contribution from residence revenues for residence infrastructure.
- Measurement methodology changes have been implemented to harmonize with colleges. The new measure includes the addition of a soft cost multiplier, generation of automatic maintenance requirements, and costs are now updated over three years instead of five years.
- The new approach is considered more accurate across the Ontario higher education sector, but it is not comparable to prior years’ assessments.
- Where required, asbestos abatement is conducted by external contractors as part of building renovations, and is not included in the deferred maintenance backlog, an approach that will differ from government-controlled universities in provinces outside of Ontario.

OPERATING FUND – NET EXPENDITURES BY ENVELOPE
- Operating Fund net expenditures increased 10.4% to $776.1 million from $703.2 million.
- Academic and Student Support increased 11.1% mainly as a result of higher revenues enabling greater investment in strategic capital projects such as the McLean Centre for Collaborative Discovery, Faculty of Engineering building expansion, and Faculty of Science infrastructure renovations, and other non-capital expenses mainly due to increased salary and benefits costs. Some expense savings occurred due to delayed spending and travel restrictions associated with the pandemic and temporary campus closures.
- Facilities Support increased 5.3% with internal rent waivers provided to ancillary operations and less internal revenues due to operational closures.
- Institutional Support increased 9.6% as a result of higher salaries and benefits, as well as legal and information technology expenses.
Revenues

Total revenues increased by $139.7 million (12.0%) to $1,300.7 million (2019/20: $1,161.0 million) reflecting revenue per student of $37,461 (2019/20: $36,209). Revenue increases relate to a $172.7 million increase in net investment income and a $55.8 million increase in tuition fees, partially offset by a $88.3 million decrease in ancillary sales and other fees. McMaster continues to focus on new alternative revenue generation opportunities with increased research commercialization spin-off entity equity investments, real estate investments with lease revenues, public-private partnerships to support operational infrastructure needs, new program developments, and other non-traditional areas. Within the academy, revenue growth and diversification across international student participation is a key priority and contributor to operating financial health. New revenue generation strategies occur in parallel with actively managing existing revenue streams with the overall aim to optimize investments to support the student experience, academic, and research missions.

OPERATING GRANTS INCOME

Operating grants from the Ministry of Colleges and Universities (MCU) remains flat compared to 2019/20. The MCU’s corridor funding model holds grants for domestic undergraduate enrolment at 2016/17 levels and allows universities to be plus or minus 3.0% of the enrolment funding mid-point. In 2020/21, domestic enrolment exceeded the funded cap as students did not decline offers or withdraw due to the pandemic as anticipated. While the additional students are welcome, the result is provincially unfunded domestic participation estimated at $22 million. Future enrolment will be managed to return domestic participation to funded corridor levels over the next several years.

The MCU has reallocated some funding in 2020/21 from an enrolment grant to performance-based funding. As part of this restructuring, the $3.6 million Research Overhead Infrastructure Envelope is now reported as part of Operating Grants. In addition, the Graduate Expansion Grant was rolled into a new base level at 2019/20 enrolment levels. In real terms, the operating grant amount reflects lower grant revenue per year due to inflation not factored into the annual funding amount, as well as lower grant revenue per student due to increased enrolment and unfunded domestic students.

RESEARCH GRANTS AND CONTRACTS

Research revenue is recognized in the period research expenditures occur. Research funding unspent is reflected as deferred contributions. Externally restricted funding is reconciled routinely throughout the year and is not used for unrelated operational expenses. McMaster’s research revenue does not include funding received and administered by affiliated hospitals or Networks of Centres of Excellence. Research funding Receipted in the year increased by $38.4 million (19.6%) to $234.9 million (2019/20: $196.5 million) as shown in Figure 1.

This increase in receipted funding is largely due to grants related to the investigation of the prevention, detection, and treatment of COVID-19. Research expenditures decreased by $5.1 million (-3.0%) due to restriction of on-campus activity, resulting in $168.6 million in research revenue recognized (2019/20: $173.7 million).
RESEARCH OVERHEAD GRANTS

Research overhead grants decreased by $3.0 million (-23.9%) to $12.6 million (2019/20: $15.6 million) mainly due to the movement of the Research Overhead Infrastructure Envelope (ROIE), representing $3.6 million, into Operating Grants. Research overhead grants assist the University in defraying indirect support costs associated with hosting research activities. The federal government contributes indirect costs based on a percentage of total direct federal research grants.

TUITION FEES

Revenue from tuition fees increased by $55.8 million (15.5%) to $416.5 million (2019/20: $360.7 million). In 2020/21, domestic enrolment increased by 7.6% and international enrolment increased by 12.1%. International students pay higher tuition fees than domestic students because there is no provincial operating grant to offset the total education costs of these students.

McMaster’s goal is to diversify the international student population and increase international participation. Along with the enrolment increase, revenue from international students makes up a growing proportion of tuition fees (Figure 2), offsetting the additional costs required to support the specialized needs of international students. The combination of the increase in international enrolment and higher international tuition fees increased international student revenue by $40.7 million (28.4%). International students now account for approximately 15.7% (2019/20: 15.1%) of the total student population and 44.1% (2019/20: 39.7%) of tuition revenue. Further contributing to improved tuition revenue are increases in fees for non-government funded programs not subject to the legislative cap, notably the McMaster English Language Development diploma program for prospective international students.

Figure 2: DOMESTIC VS. INTERNATIONAL TUITION AND FTE
ANCILLARY SALES AND SERVICES

Ancillary operations provide essential support services across the University, such as housing, food services, parking, campus stores, continuing education, and media/print production. Ancillary units are responsible for providing efficient and affordable services while covering all related operating and capital expenditures. Additionally, ancillaries contribute approximately 4.5% on sales toward direct student support and the Operating Fund while also providing employment opportunities to students.

A summary of ancillary sales by unit is shown in Table 1. Sales for all operations that depend on in-person campus attendance were significantly impacted by temporary pandemic-related closures with lost sales and refunds decreasing revenue by $58.2 million (-76.6%) to $17.8 million (2019/20: $76.0 million). Housing and Conference Services experienced the greatest revenue decline, decreasing sales by $27.9 million or 98.2% related to residence closure and refunds, and occupancy reserved for exceptional circumstances. Hospitality Services food and catering sales declined $25.2 million or 98.0% due to pandemic restrictions and operational closures. Parking Services sales dropped $5.2 million or 97.0% resulting from campus closure eliminating monthly permit and visitor parking revenues, and raising parking gates to support remaining campus essential workers. The Campus Store and Media Production Services sales declined $3.2 million or 22.9% and $2.8 million or 66.9%, respectively, again due to campus closures. The pandemic had a positive impact on Continuing Education, with revenue increasing $0.9 million or 11.2% due to registration increases for online certificate and diploma courses.

Ancillary losses were substantially mitigated through staff layoffs and other cost containment measures, however the net reserve balance of these operations reflects a $4.7 million deficit position. With the return to campus in 2021/22 the reserve is expected to return to a surplus within three years.

### Table 1: SALES BY ANCILLARY OPERATIONS

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<tbody>
<tr>
<td>Housing and Conference Services</td>
<td>26,110</td>
<td>27,231</td>
<td>27,792</td>
<td>28,440</td>
<td>524</td>
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<tr>
<td>Hospitality Services</td>
<td>25,303</td>
<td>27,641</td>
<td>27,240</td>
<td>25,696</td>
<td>506</td>
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<tr>
<td>Campus Store</td>
<td>16,364</td>
<td>15,897</td>
<td>14,978</td>
<td>14,073</td>
<td>10,849</td>
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<tr>
<td>Continuing Education</td>
<td>7,006</td>
<td>7,183</td>
<td>7,759</td>
<td>8,342</td>
<td>9,276</td>
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<tr>
<td>Parking</td>
<td>5,252</td>
<td>5,821</td>
<td>6,222</td>
<td>5,345</td>
<td>161</td>
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<tr>
<td>Media Production Services</td>
<td>3,742</td>
<td>4,190</td>
<td>4,331</td>
<td>4,194</td>
<td>1,388</td>
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<tr>
<td></td>
<td>83,777</td>
<td>87,963</td>
<td>88,322</td>
<td>86,090</td>
<td>22,704</td>
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<tr>
<td>Less internal sales</td>
<td>(9,504)</td>
<td>(10,851)</td>
<td>(10,120)</td>
<td>(10,131)</td>
<td>(4,937)</td>
</tr>
<tr>
<td></td>
<td>74,273</td>
<td>77,112</td>
<td>78,202</td>
<td>75,959</td>
<td>17,767</td>
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INDIGENOUS LEARNING CIRCLE

The Indigenous Circle or Karahakon Kateweienshta (Learning in the Forest) in Mohawk, and Nibwaajkaawin Teg (Place of Wisdom) in Ojibway, was created under the guidance of McMaster’s Indigenous Education Council as a space for learning, reconciliation and the remembrance of Indigenous people and the histories of this land.

The Indigenous Circle is bordered by both the McMaster campus and the lush canopy of Cootes Paradise. The space features tiered stone arranged around a stage in the form of a medicine wheel, a symbol that represents the interconnectivity of all beings. Plantings in the space were sourced from Six Nations of the Grand River. The area demonstrates the role nature and outdoor spaces play in teaching and learning and signifies the importance of Indigenous knowledge to the growth of the McMaster community.
INVESTMENT INCOME

The long-term investment pool (Investment Pool), consisting of both endowed and non-endowed funds, earned a total rate of return of 26.1% (2019/20: -1.9%). This return is net of investment management fees approximating 0.3%. The Investment Pool achieved a total rate of return before investment management fees of 26.4% (2019/20: -1.7%) compared to the investment policy benchmark return of 19.3% (2019/20: -1.1%).

Capital markets improved significantly in 2021, in part reflecting market expectations that global economic activity will improve post-pandemic as economies resume more normalized activity. The improved markets had a significant impact on investment returns in 2021 that are not typical, and expectations of reoccurrence are low. The Investment Pool strategy is to produce returns better than the four-year annualized policy benchmark. The April 30, 2021 four-year annualized return for the Investment Pool at 8.7% is 1.7% above the investment policy benchmark return of 7.0%.

Market volatility and interest rates remain key management concerns; as such, a broad geographic and asset class diversification strategy within the Investment Pool exists to help mitigate some volatility and protect capital. The Investment Pool is managed by external investment managers in accordance with the Statement of Investment Policy and Procedures, which deploys a responsible investment philosophy incorporating environmental, social and government considerations into its hiring and review practices. The Investment Pool is overseen by the Investment Pool Committee, a sub-committee of the Board of Governors, and includes advisory support from investment consultant and administration. Investments are diversified across several investment managers noted in Table 2.

Table 2: INVESTMENT POOL CONSULTANT AND INVESTMENT MANAGERS AS AT APRIL 30, 2021

<table>
<thead>
<tr>
<th>Investment Consultant: Russell Investments Canada Limited</th>
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¹Integrated Asset Management Corp. merged with Fiera Real Estate in 2020.

Sensitivity analysis is performed to highlight the significance of possible variances in investment income associated with market fluctuations. The endowment funds are invested based on a benchmark asset mix of 60.0% equities and 40.0% fixed income, real estate, and infrastructure.

Total investment earnings are allocated as either income in the Statement of Operations or direct changes to endowment balances as preservation of capital adjustments in the Statement of Changes in Net Assets (Table 3). The amounts posted directly to external endowments are a function of net annual returns, whereas the amounts posted to income are a function of both net returns and revenue recognition associated with required annual spending on some of the trust funds.

Table 3: ALLOCATION OF INVESTMENT INCOME EARNED $ Thousands

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<tbody>
<tr>
<td>Recognized income</td>
<td>98,432</td>
<td>52,275</td>
<td>70,820</td>
<td>26,392</td>
<td>199,111</td>
</tr>
<tr>
<td>Amount posted directly to external endowments</td>
<td>44,799</td>
<td>2,718</td>
<td>7,266</td>
<td>(33,302)</td>
<td>96,932</td>
</tr>
<tr>
<td>Total earned</td>
<td>143,231</td>
<td>54,993</td>
<td>78,086</td>
<td>(6,910)</td>
<td>296,043</td>
</tr>
</tbody>
</table>

Investment returns for endowed funds are used for purposes set out by donors or by the Board of Governors, where gifts are for discretionary purposes. Annual endowment spending is 4.0%, along with a 1.0% allowance for trust administration costs. The total 5.0% annual spending is monitored against the five-year smoothed average rate of return. Returns greater than spending and other expenses are allocated to capital preservation. Approximately $36.2 million (2019/20: $23.4 million) of expenses were funded from the external endowment of which a significant portion is directed towards student scholarships, bursaries and funding of Chairs and Professorships.
Compensation and Benefits

McMaster University provides compensation and various benefit plans for faculty and staff for both career and retirement phases of life. McMaster manages both current and future costs associated with total compensation plans to ensure long-term financial sustainability. Salary and wage expenses are shown together in the Statement of Operations, with related employee benefit costs identified separately. The employee benefit expenses include statutory benefit costs, other current benefit costs, and accruals for pension and other non-pension benefits (primarily medical benefits and dental care) that are earned in relation to service in the current year. Additional information related to the current year expenses, pension and non-pension liabilities and unfunded deficits are included in this section.

EXPENSE

Total compensation (salary and wage along with benefit costs) accounts for 64.9% of total expenditures (2019/20: 63.3%). Figure 3 shows the count of 8,103 academic and permanent staff members at October 2020 (October 2019: 7,954).

Figure 3: ACADEMIC AND PERMANENT STAFF AS OF OCTOBER 2020

Salary and wage expenses increased 1.3% due to the addition of faculty members and permanent staff and negotiated pay increases. Benefit expenses increased 7.7% primarily due to increased pension financing costs. Total compensation expenses of $693.9 million are up 2.6% (2019/20: $676.5 million).
EMPLOYEE FUTURE BENEFIT COSTS

Included in total compensation expenses are defined benefit pension, group RRSP and non-pension benefit costs. The non-pension benefit costs include extended health, dental and life insurance for some employees of the University depending on date of hire. Under the Canadian accounting standards for not-for-profit organizations the annual remeasurements, investment gains and losses, and other items specifically related to employee future benefits are recorded directly in the Statement of Changes in Net Assets. Only current year benefit costs are expensed in the Statement of Operations.

The pension and non-pension plan obligations continue to represent a significant liability (Figure 4). In 2020/21, returns on pension assets generated gains of $262.8 million. In combination with actuarial gains on pension obligations, the liability decreased by $278.5 million (-62.1%) to $169.9 million (2019/20: $448.4 million). The obligation for non-pension benefits increased slightly by $10.1 million (3.6%) to $287.3 million (2019/20: $277.2 million). Over the last several years, cost-balancing strategies have been put in place including plan eligibility, design changes, and increased employee contributions. Interest rate improvements in the future would further improve affordability of the benefit plans. However, changing mortality tables used to measure the liability, as a result of individuals living longer, are a permanent and ongoing increase to future benefit obligations.

The pension and non-pension obligations involve ongoing management monitoring and long-term strategic financial planning. The post-retirement obligation settlement strategy includes a 2011 threefold funding strategy approved by the Board of Governors, whereby (i) a fixed portion of the annual operating budget ($7.9 million) is allocated annually to the internal post-retirement settlement reserve, (ii) a departmental employee benefit cost is charged to each unit with staff associated within a benefit-eligible group, and (iii) the specific investment reserve allocates funding annually depending on investment performance. The Board-approved post-retirement benefit reserve is utilized in the Investment Pool and reflects the employer’s commitment to set aside necessary funding to settle this obligation net of employee contributions. The employer’s funding commitment is tied to employment-related agreements. The post-retirement obligation and reserve are reported to the University’s Budget Committee and Board of Governors annually, with financial statement note disclosure under internally restricted net assets.

Figure 4: NET POST RETIREMENT (UNFUNDED OBLIGATIONS)/SURPLUS $ Millions

McMaster deploys a cost-smoothing approach for charging benefit expenses to faculties and departments. Benefit costs are monitored and projected over three to ten years with an employer departmental benefit rate charged at a smoothed average rate approximating 30.0% of associated salaries each year, although annual benefit cash outflows can vary year over year.

Approximately 5,000 TREES are located on McMaster’s 300-ACRE main campus with new plantings added every year. 115 ACRES and 950 SPECIES are permanently protected through McMaster Forest.
PENSION PLANS

Steps taken over the last few years to manage the pension liability have included revised eligibility rules for some groups, increased employee contributions, and the introduction of a group RRSP plan in 2008 for new employees in some groups. The group RRSP now includes 511 full time employees (2019/20: 504).

McMaster filed an updated valuation for the Salaried Pension Plan as of July 1, 2018 under new pension rules which resulted in a negative remeasurement adjustment in the 2018/19 financial statements. The valuation included a new funding requirement for a Provision for Adverse Deviation (PfAD), which is based on the plan’s open or closed status and its asset mix. The initial regulations identified McMaster’s large salaried plan as closed. Since filing, the definition of a closed plan has changed and the large salaried plan is now under an open plan definition, affecting the PfAD calculation methodology. The open plan status will reduce the University’s PfAD liability at the next valuation. Both the salaried Plan 2000 and the Original Plan (“Salaried Plans”) are due for pension valuations as of July 1, 2021.

The valuation of the Hourly Pension Plan as of July 1, 2019 resulted in a solvency ratio below the minimum 85% required threshold. As a result, McMaster elected to provide an additional one-time contribution of $4.7 million into the plan, bringing the solvency ratio above 85%. The Hourly valuation was updated and re-filed as of January 1, 2020, reducing both required payments and annual filing requirements. The next required Hourly valuation is as of January 1, 2023.

Management continues to monitor the solvency funded status and future PfAD payments for both plans. The current benefit rate funding strategy continues to be effective, and the anticipated decrease in required payments for the Salaried Plans has enabled a reduction in the long-term smoothed benefit rate charged to faculties and departments.

Beyond the McMaster benefit plans, the province has initiated a jointly sponsored pension plan open to the Ontario higher-education sector. On July 1, 2021, the University Pension Plan (UPP) formally assumes responsibility for administering the pensions and investing the assets of the five existing pension plans in three universities, with the faculty plan with one additional university set to join in January 2022. The UPP as designed is more expensive than McMaster’s current plans, however management is monitoring UPP design and transition planning in the event the UPP becomes more cost neutral while serving the benefit needs of existing plan members.

The change in the funded status of the defined benefit pension plans is summarized in Table 4.

<table>
<thead>
<tr>
<th>Table 4: CHANGE IN FUNDED STATUS OF PENSION BENEFIT PLANS $ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status, opening balance</td>
</tr>
<tr>
<td>Current service and finance cost</td>
</tr>
<tr>
<td>Remeasurements</td>
</tr>
<tr>
<td>University contributions</td>
</tr>
<tr>
<td>Funded status, closing balance, net</td>
</tr>
</tbody>
</table>

A $274.0 million positive pension remeasurement adjustment was made in the Statement of Net Assets (2019/20: -$116.1 million) primarily related to the positive return on plan assets. Since remeasurements are adjusted directly in reserves, the remeasurement adjustment had no impact on 2020/21 expenses.
NON-PENSION POST-RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

These plans provide extended health benefits to retirees and to employees on long-term disability leave. The deficit status of the plans increased by $10.1 million (3.6%) to $287.3 million (2019/20: $277.2 million). Management continues to actively work with eligible employee groups to reduce the deficit and ongoing liability. The long-term funding strategy for these obligations, explained earlier, includes annual contributions to an internally restricted reserve estimated annually by third-party actuaries. Due to strong investment returns, $45.0 million (2019/20: $15.0 million) was transferred to the post-retirement benefits reserve from the internally restricted specific purpose reserve established to supplement other funding requirements in the event of a prolonged economic downturn. The strong Investment Pool performance contributed to the post-retirement reserve funding in 2021, however the reserve remains insufficient to settle the obligation. The Board-approved funding strategy is projected to fully fund the post-retirement obligation by the internal post-retirement benefit reserve by 2035.

In 2020/21, non-pension employee benefit expenses decreased by $0.9 million (-4.0%) to $22.0 million (2019/20: $22.9 million) primarily due to a reduction in current service cost (Table 5). Payments by the University for claims from the plans were roughly equal to the prior year at $7.0 million due to continued shutdowns of some benefit providers as a result of the pandemic.

Table 5: CHANGE IN FUNDED STATUS OF NON-PENSION BENEFIT PLANS $ Millions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status, opening balance</td>
<td>(208.0)</td>
<td>(220.3)</td>
<td>(247.7)</td>
<td>(274.7)</td>
<td>(277.2)</td>
</tr>
<tr>
<td>Current service and finance cost</td>
<td>(19.7)</td>
<td>(20.4)</td>
<td>(21.4)</td>
<td>(22.9)</td>
<td>(22.0)</td>
</tr>
<tr>
<td>Remeasurements</td>
<td>0.2</td>
<td>(14.9)</td>
<td>(12.9)</td>
<td>13.3</td>
<td>4.9</td>
</tr>
<tr>
<td>University contributions</td>
<td>7.2</td>
<td>7.9</td>
<td>7.3</td>
<td>7.1</td>
<td>7.0</td>
</tr>
<tr>
<td>Internally restricted reserve</td>
<td>(220.3)</td>
<td>(247.7)</td>
<td>(274.7)</td>
<td>(277.2)</td>
<td>(287.3)</td>
</tr>
<tr>
<td>Funded status, closing balance, net</td>
<td>(146.7)</td>
<td>(164.5)</td>
<td>(180.9)</td>
<td>(161.0)</td>
<td>(93.8)</td>
</tr>
</tbody>
</table>

EMPLOYEE FUTURE BENEFITS IN INTERNALLY RESTRICTED NET ASSETS

In order to promote innovation and accountability in departments, it is McMaster’s policy to allow unspent surpluses to be carried forward from year to year, segregated as part of internally restricted net assets. In 2013, there was recognition that charging departments for the full cost of benefits (both current service costs and any unfunded past service costs) was constraining efforts to achieve strategic priorities and reducing McMaster’s competitiveness for research funding. As a result, McMaster charges only current service costs to departments, and funds past service costs separately. Under this practice, fluctuations in the reserve for past employee future benefit costs do not impact the funding available to departments and are tracked separately within McMaster’s internally restricted net assets.

In order to obtain a complete picture of the net operating department reserves including all related employee future benefits, the reserves for employee future benefits must be netted against the total departmental funds carried forward. Table 6 demonstrates the true net position of McMaster’s department reserves after all employee benefit costs are applied.

Table 6: NET OPERATING FUND DEPARTMENTAL RESERVES $ Millions

<table>
<thead>
<tr>
<th></th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Faculties</td>
<td>Support/Ancillary</td>
</tr>
<tr>
<td>Departmental reserves</td>
<td>128.1</td>
<td>78.8</td>
</tr>
<tr>
<td>Pensions</td>
<td>(154.9)</td>
<td>(43.4)</td>
</tr>
<tr>
<td>Other post-employment benefits</td>
<td>(117.7)</td>
<td>(43.3)</td>
</tr>
<tr>
<td>Employee benefit reserve</td>
<td>5.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Net departmental reserves</td>
<td>(138.7)</td>
<td>(3.3)</td>
</tr>
</tbody>
</table>
Strategic Projects and Financing

McMaster’s refreshed vision statement and strategic plan reflect the University’s commitment to making a positive impact on the world, developing the partnerships and collaborations needed to support our scholars and ensure that we are well positioned to tackle major local and global issues, and build a clear sense of community and belonging for everyone. Underlying this strategy will be increased alignment and promotion of the United Nations’ Sustainable Development Goals.

CAPITAL PROJECTS

McMaster is committed to a safe and sustainable campus, building spaces with an emphasis on both purpose and technology, while also renewing existing infrastructure to ensure its research-focused, student-centered identity is maintained to support an environment of excellence, and becoming a net zero carbon campus no later than 2050.

The McMaster Campus Plan and annual Capital Plan provide a comprehensive framework guiding campus capital development. The University’s capital objectives are to preserve and enhance a high-quality campus while meeting McMaster’s changing needs. With the current amount of classroom space on campus close to 86% of the Council of Ontario Universities (COU) standard space requirements, McMaster will be taking advantage of opportunities for physical growth through increasing efficiencies in utilization of space on campus as well as off-campus expansion while managing new space design needs post-pandemic. In addition, the Net Zero Carbon Roadmap explores reducing greenhouse gas emissions through altering methods of power generation, energy conservation measures, electrification and heat recovery projects, and fleet transition to electric vehicles. Campus carbon reduction plans include consideration of net carbon impacts to alternative energy suppliers, such as increased hydro use impacting provincial energy production and carbon use in the supply of campus energy.

Construction of significant projects continued during 2020/21, albeit at a reduced pace due to the pandemic. Capital projects underway in 2020/21 included the Student Activity and Fitness Expansion (SAFE), the Peak Shaver project to reduce carbon emissions from 13,670 tonnes of CO2e annually to less than 1,000 tonnes, infrastructure projects that support research commercialization, and the McLean Centre for Collaborative Discovery.

In addition to these capital building projects, the University spent approximately $43.6 million on equipment, software, and furnishings. This represents an increase of $2.9 million (7.3%) over last year primarily due to an increase in research-related acquisitions.

The University’s total capital expenditures totalled $109.3 million (2019/20: $127.9 million) and are summarized in Table 7. Expenditures on buildings and construction in process have decreased largely due to provincial restrictions surrounding construction as well as supply chain challenges, both caused by the pandemic.

<table>
<thead>
<tr>
<th>Table 7: CAPITAL ASSET ADDITIONS</th>
<th>$ Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, Completed Building Projects &amp; Construction in Progress</td>
<td>76,317</td>
</tr>
<tr>
<td>Computers, Software, Furniture and Other Equipment</td>
<td>27,673</td>
</tr>
<tr>
<td>Library Materials</td>
<td>9,497</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>113,487</strong></td>
</tr>
</tbody>
</table>

OTHER STRATEGIC PROJECTS

New business growth in alignment with McMaster’s mission and vision will be key to building financial sustainability and generating cash flows to support core academic needs. Through public-private partnerships, work has started on a graduate residence with 630 beds and 265 parking spaces in downtown Hamilton, and main campus has been expanded to support a new undergraduate residence with 1,373 beds. In addition, McMaster continues to make equity investments in research spin-offs and research infrastructure for lease in support of the Research Commercialization Strategy. Finally, demand for the radiopharmaceutical isotopes produced by the Nuclear Reactor is growing, allowing this facility to transition toward a 24/5 operational model.
FINANCING

Completed projects with long-term funding sources such as user fees, parking levies, and future fundraising continued to be financed through internal central bank loans. In 2020/21, loans to some ancillaries were temporarily converted to interest-only payments as their operations were substantially impacted by the pandemic. All other scheduled loan repayments were received. The internal central bank capital loans decreased to $107.1 million in 2020/21 from $110.5 million last year as a result of scheduled loan repayments. The loans have varying repayment terms and interest rates, which reflect the date of issue and the project’s income stream.

Debt is considered a perpetual component of McMaster’s capital financing structure; as such, additional debt is contemplated annually in conjunction with Capital Plan updates, budgeted one-time permanent allocations of capital from faculties, and other strategic projects within the multi-year financial projections. The University has two long-term bonds outstanding, each for $120.0 million, one maturing in 2052 at 6.15% and the other maturing in 2065 at 4.105%. McMaster holds two sinking funds accumulating the required repayment of each bond.

During the first quarter of 2021/22, the University successfully issued two additional long-term bonds, $25.0 million maturing in 2051 at 3.225%, and $125.0 million maturing in 2071 at 3.405%, which represents the lowest 50-year coupon for a university in the Canadian debt capital markets. The issue was over-subscribed, reflecting McMaster’s strong financial position. The $25.0 million bond is a “green” bond with net proceeds to support sustainability and/or green initiatives of the University. McMaster has utilized the proceeds to refinance the energy efficiency initiatives associated with the Peter George Centre for Living and Learning (PGCLL). PGCLL has achieved LEED Silver Certification and is estimated to have an energy saving of approximately 38% relative to the Model National Energy Code for Buildings. Sustainable features include energy-efficient lighting and thermal controls and a solar reflective roof.

The new financing replenishes the central bank and underpins McMaster’s strategic plan, with sinking funds for future debt settlement. McMaster’s weighted average cost of capital used for internal loans was 5.75% including administration costs, and is projected to be 5.00% beginning in 2021/22 due to the new financing at a lower rates.

In partnership with Nature at McMaster and Trees for Hamilton, students in the McMaster Academic Sustainability Program held two drop-in tree-planting sessions on campus in October 2019. These events followed another tree-planting session held in the summer which was a collaboration between Facility Services and a national student Meal Exchange summit held at McMaster. Students from across Canada planted six apple trees and six pear trees, adding to the campus crop of 46 diverse fruit trees which includes cherry, mulberry, pawpaw, pear and three heritage apple trees which are 27 years old as of 2021.
Financial Health and Sustainability Metrics

The MCU has incorporated financial health metrics into the Strategic Mandate Agreement (SMA) and its annual reporting requirements. The inclusion of financial health metrics recognizes that financial health and sustainability are critical to achieving institutional mandates. In addition to the MCU metrics, the University’s Debt Policy ratios provide a framework for monitoring the ability to undertake additional external or internal debt to carry out strategic investments. McMaster’s strong financial health, as indicated also by its strong credit rating, is supported by the metrics outlined in Table 8.

| Table 8: FINANCIAL HEALTH AND SUSTAINABILITY METRICS |
|---------------------------------|----------|----------|----------|----------|----------|
| Expendable Net Assets to Debt (Target > 1.0x) | 1.9x     | 2.0x     | 2.2x     | 2.2x     | 2.7x     |
| Interest Burden (Target < 4.0%) | 1.5%     | 1.4%     | 1.4%     | 1.3%     | 1.3%     |
| Debt per FTE (Target < $12,000) | $9,575   | $9,321   | $8,998   | $8,525   | $7,826   |
| Net Income/(Loss) Ratio (McMaster Target > 1.0%) | 10.4%    | 9.6%     | 13.2%    | 7.9%     | 17.8%    |
| Net Operating Revenues (McMaster Target > 2.0%) | 14.3%    | 12.0%    | 15.7%    | 8.5%     | 29.7%    |
| Primary Reserves Ratio (McMaster Target > 91 days) | 200      | 205      | 214      | 204      | 247      |
| Viability Ratio (McMaster Target > 1.0) | 2.0      | 2.1      | 2.3      | 2.2      | 2.7      |

1 Measures cash flow from operating activities as a proportion of revenues.
2 Measures the number of days University reserves can cover operating expenses.
3 Measures the proportion of long-term debt that could be settled using unrestricted assets.

Trees@Mac is an interactive website designed to present accessible information about the wealth and diversity of trees on campus. It was created by Dr. Alison McQueen’s Arts & Science Program students.
Enterprise Risk Management

During 2020/21, the University initiated an external review of the Enterprise Risk Management Program. The external review will conclude into 2021/22 with a final report to be presented to the University’s senior leadership, followed by implementation of identified recommendations.

The Enterprise Risk Steering Committee, involving the President and Vice-Presidents, conducts an annual risk review and updates McMaster’s risk register to reflect current and emerging risks scan. The annual risk assessment is used to collect key risk mitigation strategies from assigned key risk leaders.

Key risks for 2021 are listed in Table 9. Modifications were made to various key risk rankings from the previous year based on factors including pandemic response actions taken, the higher education strategic and operational environment, current government initiatives and priorities, as well as the impact that various ongoing risk mitigation strategies and other strategic and operational initiatives have had on the University.

In addition to the above risk management approach, opportunities are incorporated into discussions with priorities established and aligned with strategic plans.

<table>
<thead>
<tr>
<th></th>
<th>2021 KEY RISKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Geopolitical</td>
</tr>
<tr>
<td>2.</td>
<td>Government Policy</td>
</tr>
<tr>
<td>3.</td>
<td>Mental Wellness</td>
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<tr>
<td>4.</td>
<td>Research</td>
</tr>
<tr>
<td>5.</td>
<td>Research Infrastructure</td>
</tr>
<tr>
<td>6.</td>
<td>Partnership</td>
</tr>
<tr>
<td>7.</td>
<td>Information Security</td>
</tr>
<tr>
<td>8.</td>
<td>People</td>
</tr>
<tr>
<td>9.</td>
<td>Reputation and Brand</td>
</tr>
<tr>
<td>10.</td>
<td>Pandemic</td>
</tr>
<tr>
<td>11.</td>
<td>Change Readiness</td>
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<tr>
<td>12.</td>
<td>UG Student Enrolment</td>
</tr>
<tr>
<td>13.</td>
<td>Physical Infrastructure</td>
</tr>
<tr>
<td>14.</td>
<td>Leadership</td>
</tr>
<tr>
<td>15.</td>
<td>Technology</td>
</tr>
<tr>
<td>16.</td>
<td>Financial</td>
</tr>
<tr>
<td>17.</td>
<td>Attract Graduate Students</td>
</tr>
<tr>
<td>18.</td>
<td>Student Experience, Retention &amp; Satisfaction</td>
</tr>
<tr>
<td>19.</td>
<td>Information Availability &amp; Quality</td>
</tr>
</tbody>
</table>

As well as the above key risks, the consideration of climate-related risks is included in a number of these areas, such as physical infrastructure, research infrastructure, and financial (invested assets). Risks considered potentially material to the financials are considered in McMaster’s multi-year financial projections and annual debt strategy, along with scenario modelling, to inform senior leadership risk mitigation planning.

The McMaster Teaching & Community Garden (MTCG) is a University sustainability initiative with the objective of facilitating local food production while providing teaching and learning opportunities and engaging the McMaster and greater Hamilton community. The MTCG is the product of collaboration between McMaster’s Integrated Science (iSci) Program and the Office of Sustainability. The ongoing success of the MTCG is a result of the outstanding contributions from countless students, faculty, staff, and members of the broader community who have supported its growth and development.
“The true meaning of life is to plant trees, under whose shade you do not expect to sit.”

– Nelson Henderson
Climate-Related Financial Disclosures

ALIGNING OUR RESEARCH

When research is aligned with the Sustainable Development Goals (SDGs), it has the potential to combat the most pressing challenges facing our communities and our planet. McMaster ranks 17th in the world in the Times Higher Education Impact Rankings, which assesses universities globally against the UN’s Sustainable Development Goals. Our commitment to research excellence is informed by six core values, outlined in our Strategic Plan for Research.
Climate-Related Financial Disclosures

McMaster is committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) across all invested portfolios. TCFD recommendations were issued in June 2017 providing an outline for disclosing clear, comparable, and consistent reporting of financial information related to climate change with an initial focus on carbon-related measures. McMaster’s phased-in TCFD adoption enables consistent measurement and reporting applying the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard that converts climate emissions into a single carbon dioxide (CO2) measure using globally aligned reporting standards, measurement, and target-setting to promote understandability and comparability with other TCFD-adopting organizations. In 2019, the Government of Canada issued the Final Report of the Expert Panel on Sustainable Finance: Mobilizing Finance for Sustainable Growth endorsing TCFD for voluntary adoption over two timeline phases linked to investment portfolio size with phases ending in 2026. McMaster is committed to early full TCFD adoption by 2023 across all invested assets, enhancing public reporting, and working with other TCFD universities internationally on refining practice comparability.

McMaster’s invested assets include three separate investment pools: the Investment Pool, the Salaried Pension Plans (Plan 2000 and Original Plan) pooled assets, and the Hourly Pension Plan assets. The phased implementation plan is shown in Table 10.

<table>
<thead>
<tr>
<th>Table 10: TCFD IMPLEMENTATION PHASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Portfolio</td>
</tr>
<tr>
<td>Investment Pool (consisting of both endowed and non-endowed assets)</td>
</tr>
<tr>
<td>Pension Trust (consisting of defined benefit pension plan assets of the Salaried Plans – Plan 2000 (open to new entrants) and Original Plan (closed to new entrants))</td>
</tr>
<tr>
<td>Hourly Pension Trust (consisting of defined benefit pension plan assets of the closed Hourly Plan)</td>
</tr>
</tbody>
</table>

TCFD Phase 2 reporting follows below, including identification of McMaster’s baseline year for setting and measuring further carbon reduction goals.

PhD candidate Alanna Bodo stands amongst tree sensors at Turkey Point. Bodo’s research aims to shed light on how the changing climate is affecting forests.
Governance

BOARD OVERSIGHT ROLE

Climate-related risks are incorporated into McMaster’s enterprise financial scenario modelling and annual multi-year financial projection analysis used to summarize an annual Debt Strategy Report for the Planning and Resources Committee and Board of Governors. Beginning in 2021, investment and pension sub-committees* will additionally be provided these reports for disclosure and discussion. Refer below to the abbreviated Board of Governors structure (not intended to capture all Board-related sub-committees).

In addition to annual multi-year financial projections, a more fulsome Financial Risk Report is produced annually incorporating consideration of material climate-related risks. This risk report is provided to the Audit and Risk Committee, the Planning and Resources Committee and the Board of Governors, accompanying the Annual Financial Report.

Further to this report, in 2020/21 carbon reduction targets were set using 2018 as McMaster’s original baseline measure year, reflecting the inception of McMaster’s decarbonization strategy, and are reported publicly on McMaster’s website. McMaster’s carbon reduction goals are incorporated into the performance objectives of the University Chief Financial Officer and Treasurer.

The Investment Pool and Salaried Pension Plan represent approximately $1.4 billion and $2.5 billion in assets under management, respectively. The investments for both the Investment Pool and Salaried Pension Plan are diversified across asset classes, investment managers, and geography whereby environmental, societal, and governance (ESG) issues are routinely discussed with investment managers and the Investment Pool consultant. Additional analysis to support climate risks and opportunities is obtained through a third-party service (MSCI), which provides climate-related emissions converted to a single CO2 measure by holding. MSCI reporting identifies the top ten contributors to McMaster’s portfolio carbon intensity and provides analysis on whether these contributors are leaders or laggards on climate mitigation efforts. The MSCI information is used to engage in climate discussions with investment managers to ensure the investment rationale is acceptable and aligned to McMaster’s responsible investing philosophy.

Other information where available – from MSCI, investment consultants, and/or in some cases the investment managers – examines additional broader issues of watershed, energy consumption, waste tonnage, land repatriation in partnership with Indigenous peoples, diversity, equity and more.
MANAGEMENT ROLE

The University is the administrator of the Investment Pool and the Board of Governors is responsible for the overall direction-setting and management delegation. The Board of Governors has delegated certain duties and responsibilities (including the power to sub-delegate) to the Planning and Resources Committee which, in turn, has delegated certain duties and responsibilities to the Investment Pool Committee, the Treasury Department within Financial Affairs, and to various third-party agents it has retained to assist in carrying out its duties in respect to the Investment Pool.

Pension-related assets are governed by two committees, one overseeing the Salaried Plans and another for the Hourly Plan. The pension committees have shared membership between University administrators and pension plan members. The Salaried Plans are in Phase 1 TCFD adoption with the governance, strategy, and measure disclosure for April 30, 2021. The Salaried Plans’ oversight committee will determine whether it will maintain its current carbon levels as its target or set a reduction target against an initial 2021 baseline year during fiscal 2021/22. The Hourly Plan will adopt Phase 1 disclosure in 2021/22 with a target assessment in 2022/23.

Proxy voting across all asset pools is delegated to investment managers hired with approaches aligned to McMaster’s investment statement of beliefs. Annual summary level disclosures of proxy votes are organized by environmental, social, and governance matters. Proxy summaries are provided to the oversight committees for disclosure and discussion.

Management assesses climate-related risks and opportunities for the overall portfolios using investment manager, investment consultant, and other third-party service reports. Management assesses investment manager performance against traditional performance benchmarks set by the applicable investment policy, along with ESG scores assigned by the investment consultant. Management actively discusses climate-related risks related to regulatory risks (such as carbon tax regimes), physical risks (including stranded assets), and transitional risks (such as innovations in renewable and solar technology disrupting traditional fuel). Management’s role with the Investment Pool Committee is to actively monitor investment manager approaches, review any specific holdings along with justification and rationale for any Carbon Underground 200™ (CU200) holdings, and assess routinely whether both the investment managers’ performance and investment beliefs are aligned with McMaster’s applicable investment policy. Management is required to make recommendations for replacement of underperforming or misaligned investment managers during routine meetings (occurring at minimum quarterly).
Strategy and Risk Management

**STRATEGY – PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS**

Annual multi-year projections are prepared holistically incorporating all capital and strategic plans. Key potentially material risks, including climate- and pandemic/epidemic-related risks, are factored into financial scenario modelling. Scenarios are formed based on consultation with University stakeholders and reviewed with the President and Vice-Presidents to discuss the effectiveness of mitigation strategies and refine further before finalizing for the Board of Governors and its sub-committees. Results of scenario modelling define the University’s annual Debt Strategy Report that consolidates all findings.

**RISK MANAGEMENT – PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS**

For invested assets, climate-related risks are factored into reporting updates by investment managers and discussed during Investment Committee presentations to ensure valuations used by managers in the investment decision process consider climate-related risks where appropriate. Annual scenario modelling includes both invested assets exposure to climate-related risks as well as physical campus infrastructure and operations.

Dr. M. Altaf Arain is a Professor in the School of Earth, Environment & Society at McMaster University and the founding Director of the McMaster Centre for Climate Change. Dr. Arain holds a Bachelor’s degree in Civil Engineering and completed his M.Sc. and Ph.D. in Hydrology at the University of Arizona. He has extensively studied forest ecosystems and their restoration using field measurements and ecosystem and hydrologic models. Dr. Arain has established Turkey Point Observatory comprising of four flux tower stations in Southern Ontario to examine the impacts of climate change and extreme weather events on different-age and different species forest ecosystems. Turkey Point Observatory is part of Global Water Futures (GWF), global Fluxnet, Canadian FloodNet and North American Carbon Program. Dr. Arain has been involved in the development of the coupled Canadian Land Surface Scheme and the Canadian Terrestrial Ecosystem Model (CLASS-CTEM), used in the Canadian Earth System Model (CanESM) for climate predictions. He has also focused on investigating the effects of air pollution and electric mobility adoption on the environment and human health in urban areas in Canada.
Metrics and Targets

METRICS – SCOPE 1 AND 2 GREENHOUSE GAS (GHG) EMISSIONS

McMaster completes a third-party measurement of its weighted average carbon intensity (WACI) relative to its policy benchmark annually. This measure translates GHG emissions into a single carbon dioxide (CO2) measure and is reported as tonnes of CO2 emitted per million dollars in sales converted to Canadian dollars at the year-end US exchange rate (written as tCO2e/$1MS). As of April 30, 2020, the Investment Pool public equities WACI was 198.1 tCO2e/$1MS (2018/19: 215.1 tCO2e/$1MS) relative to the fund policy benchmark of 206.0 tCO2e/$1MS (2018/19: 266.9 tCO2e/$1MS). This WACI measure is 28.9% lower than the 2018 baseline measurement year of 278.5 tCO2e/$1MS (Figure 5).

The primary measure used to track McMaster’s Investment Pool is WACI or tCO2e/$1MS for public equity investments which has measurement data availability of more than 90%. Total Investment Pool carbon measurements, which include both public equity and fixed income, have lower data availability ranging between 72% and 82% and are therefore less reliable. McMaster’s total pool WACI at April 30, 2020 is 197.4 tCO2e/$1MS, down 32.7% from the 2018 baseline year (Figure 6). McMaster will continue to incorporate the best available measures to track and monitor its carbon footprint.

Figure 5: INVESTMENT POOL – PUBLIC EQUITIES AND INFRASTRUCTURE WEIGHTED AVERAGE CARBON INTENSITY

Figure 6: INVESTMENT POOL – EQUITY AND FIXED INCOME WEIGHTED AVERAGE CARBON INTENSITY
McMaster monitors and reports scope 1 and scope 2 GHG carbon emissions. McMaster’s WACI measure incorporates only scope 1 and 2 GHG emissions due to the lack of complete and reliable data availability for scope 3 greenhouse gas emissions. Table 11 demonstrates scope 1 and 2 data availability for the total investment pool. Inclusion and use of scope 3 by McMaster would require assumption-driven assessments for at least 50% of the invested asset holdings. As more reliable, comparable, and complete data becomes available, McMaster will consider adding scope 3 greenhouse gas emissions as appropriate.

| Table 11: PROPORTION OF SCOPE 1 AND 2 DATA AVAILABILITY (TOTAL PORTFOLIO) |
|---|---|---|
| 2017/18 | 2018/19 | 2019/20 |
| Investment Pool | 81.5% | 78.1% | 78.6% |
| Investment Policy Benchmark | 72.3% | 76.4% | 75.5% |

McMaster further specifically monitors its investment holdings in the Carbon Underground 200TM (CU200). Table 12 summarizes the investments in the CU200 expressed as a percentage of total investments in the Investment Pool.

Additionally, McMaster has been tracking the clean technology companies invested in the endowment portfolio.

| Table 12: McMaster Carbon Underground 200TM Top 5 Exposure |
|---|---|---|
| 2020 Company | Market Value ($Millions) | Investment Pool (%) |
| Glencore plc | 3.7 | 0.3% |
| Canadian Natural Resources Ltd. | 3.0 | 0.3% |
| Suncor Energy Inc. | 2.9 | 0.3% |
| Teck Resources Ltd. | 1.5 | 0.1% |
| Imperial Oil Ltd. | 1.4 | 0.1% |
| Subtotal – Top 5 CU200 Exposure | 12.4 | 1.2% |
| Total CU200 Exposure | 22.2 | 2.1% |

| 2019 Company | Market Value ($Millions) | Investment Pool (%) |
| Canadian Natural Resources Ltd. | 7.7 | 0.7% |
| Suncor Energy Inc. | 7.4 | 0.7% |
| Husky Energy Inc. | 3.8 | 0.3% |
| Imperial Oil Ltd. | 3.3 | 0.3% |
| Glencore plc | 3.0 | 0.3% |
| Subtotal – Top 5 CU200 Exposure | 25.2 | 2.2% |
| Total CU200 Exposure | 37.6 | 3.3% |

The Salaried Plans’ WACI has been measured as at June 30, 2020 as part of McMaster’s initial Phase 1 reporting. The Salaried Plans’ WACI for publicly listed assets is 138.0 tCO2e/$1MS compared to the portfolio’s benchmark WACI of 195.8 tCO2e/$1MS. The Salaried Plans’ WACI at the total pool level is 169.1 tCO2e/$1MS compared to the portfolio’s benchmark WACI of 208.5 tCO2e/$1MS. The oversight committee for the Salaried Plans have received these measures for initial review and discussions will occur over 2021/22 to establish Phase 2 GHG emission targets.

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2Scope 1 refers to all direct GHG emissions of a company. Scope 2 refers to indirect GHG emissions from a company from its consumption of purchased energy. Scope 3 includes all other indirect GHG emissions that occur in a company’s value chain.
TARGETS

McMaster has set the investment pool carbon reduction target based on weighted average carbon intensity of scope 1 and 2 GHG emissions, aligned to the optimal measure recognized by over 1,100 companies worldwide replying to TCFD recommendations. McMaster’s investment pool carbon reduction target is to reduce carbon from the 2018 baseline measure by 45% by 2030 and ambitiously aim for net zero by 2050. McMaster’s primary target is focused on publicly listed equities and infrastructure (Figure 5) where data availability is more than 90%. McMaster also tracks the carbon reduction objective against a secondary target covering the total investment pool where data availability is more than 70%.

Karen Kidd, Professor, jointly of School of Earth, Environment & Society and Department of Biology and Stephen A. Jarislowsky Chair in Environment and Health, is seen here performing water research in Desjardins Canal, Dundas, Ontario. The main focus of her research is on understanding the effects of human activities – food production, natural resource extraction, urban environments – on the health of freshwater and marine ecosystems. These field studies assess how industrial, agricultural, aquacultural and municipal effluents and runoff affect the diversity, abundance and health of aquatic organisms and the structure of food webs, and why fish and other aquatic life from some areas are higher in contaminants than others.
Supplemental Information: Variances to Plans

BEE CITY CAMPUS
Through the teamwork of students, staff and faculty, McMaster has been designated a Bee City Campus. Students participating in The Solitary Bee Project, offered through the Academic Sustainability Programs Office, partnered with the facilities services team and academic bee experts at McMaster to plan a virtual native species planting. More than 100 native trees and shrubs were planted close to bee houses installed on campus. Read the article Meet the bee team: Mac students protect solitary bees on the Daily News website.
Supplemental Information: Variances to Plans

The audited financial statements are prepared as required by statute in accordance with accounting standards for not-for-profit organizations as prescribed by the Chartered Professional Accountants of Canada using the deferral method of accounting and consolidation of all activity. For external reporting under the deferral method, all funds are consolidated in a single column on the Statement of Operations.

McMaster University’s daily finances are managed pursuant to the concepts of fund accounting. Under this method, budgets are established for each fund, which is comprised of assets, liabilities, revenues, and expenses. Fund accounting enhances accountability over resources ensuring restricted grants and contributions are spent only for the purposes intended. McMaster uses the following segregated funds: Operating, Specifically Funded, Research, Capital, Externally Restricted Trusts and Endowments, Internally Restricted Endowments, and Ancillary Operations. The University budget model focuses on the allocation of resources within the Operating Fund; however, the consolidated Statement of Operations and Statement of Financial Position represents the results of all funds combined.

The 2020/21 Operating Fund financial results compared to the approved budget on a modified cash basis are presented in this section as well as a comparison to the consolidated results on a full accrual basis.

Operating Fund Summary

The Operating Fund represents approximately 72.6% of the consolidated budget and includes all revenue and expenses for faculties and support departments, such as offices of the President and Provost, student affairs, libraries, financial affairs, human resources, facilities, and information technology. The 2020/21 Operating Fund budget included several strategic funding priorities, such as continued wireless network expansion, inflationary journal costs, digital audio-visual classroom upgrades, teaching and learning supports, research operations support, and the Archway student mentorship program. Overall, the budget supported McMaster’s Strategic Mandate Agreement objectives, including key differentiation goals, enrolment targets, and other targeted program outcomes. The Operating Fund ended 2020/21 in a more favourable position compared to the budget due to greater revenues as well as a more favourable closing appropriation balance from the prior year, and more favourable than projection due to both greater revenues and lower expenditures (Table 13). Tuition revenue is materially greater than budget due to extraordinary circumstances of issuing increased offers of admission and translated acceptances surpassing expected deferrals associated with the pandemic. Further, campus closures led to an opportunity to increase renovations beyond original budget, as well as additional pandemic-related equipment and renovation expenditures required for social distancing and operational safety.
Table 13: OPERATING FUND SUMMARY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial grants</td>
<td>235,540</td>
<td>236,355</td>
<td>239,572</td>
<td>4,032</td>
<td>1.7%</td>
</tr>
<tr>
<td>Tuition</td>
<td>337,244</td>
<td>398,355</td>
<td>61,111</td>
<td>122</td>
<td>0.0%</td>
</tr>
<tr>
<td>Research Overhead income</td>
<td>28,993</td>
<td>28,032</td>
<td>24,475</td>
<td>(4,518)</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Investment income</td>
<td>9,467</td>
<td>10,467</td>
<td>1,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other income</td>
<td>109,508</td>
<td>95,813</td>
<td>105,389</td>
<td>(4,120)</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Total revenues</td>
<td>720,753</td>
<td>768,900</td>
<td>778,258</td>
<td>57,505</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and benefits</td>
<td>522,608</td>
<td>509,688</td>
<td>498,485</td>
<td>24,123</td>
<td>4.6%</td>
</tr>
<tr>
<td>Utilities and maintenance</td>
<td>43,051</td>
<td>39,716</td>
<td>38,753</td>
<td>4,297</td>
<td>10.0%</td>
</tr>
<tr>
<td>Equipment and renovations</td>
<td>62,021</td>
<td>122,872</td>
<td>120,044</td>
<td>(58,023)</td>
<td>-93.6%</td>
</tr>
<tr>
<td>Scholarships, bursaries and work study</td>
<td>34,737</td>
<td>32,536</td>
<td>32,723</td>
<td>2,014</td>
<td>5.8%</td>
</tr>
<tr>
<td>Library acquisitions</td>
<td>14,253</td>
<td>15,116</td>
<td>15,414</td>
<td>(1,161)</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Debt and financing charges</td>
<td>18,448</td>
<td>18,410</td>
<td>18,446</td>
<td>2</td>
<td>0.0%</td>
</tr>
<tr>
<td>All other expenses</td>
<td>79,495</td>
<td>67,944</td>
<td>52,221</td>
<td>27,274</td>
<td>34.3%</td>
</tr>
<tr>
<td>Total expenses</td>
<td>774,612</td>
<td>806,283</td>
<td>776,085</td>
<td>(1,473)</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

Excess (deficiency) of revenues over expenses

<table>
<thead>
<tr>
<th>Excess (deficit) of revenues over expenses</th>
<th>53,859</th>
<th>37,383</th>
<th>2,173</th>
<th>56,032</th>
<th>104.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance, beginning of year</td>
<td>157,672</td>
<td>196,580</td>
<td>196,580</td>
<td>38,908</td>
<td>24.7%</td>
</tr>
<tr>
<td>Fund balance, end of year</td>
<td>103,812</td>
<td>159,197</td>
<td>198,753</td>
<td>94,941</td>
<td>91.5%</td>
</tr>
</tbody>
</table>

The Operating Fund surplus highlights McMaster’s continuing strong academic reputation and resulting enrolment growth as well as impacts on the expenses related to the campus closures and remote teaching and working environments due to the pandemic (Figure 7).

Figure 7: OPERATING FUND REVENUE AND EXPENSES TREND

Surplus (deficit) $25.8 $44.2 $25.0 $28.9 $2.2
SOURCES OF FUNDING

Total Operating Fund revenues were $778.3 million as compared to the budgeted funding of $720.8 million or to the projected funding of $768.9 million. Growth in overall revenue continues to come from tuition through increased enrolment and international tuition rate increases, while other sources of revenue remain relatively flat with a slight drop due to the pandemic (Figure 8).

Figure 8: OPERATING FUND REVENUE TREND BY TYPE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial Grants</td>
<td>$233.8</td>
<td>$235.9</td>
<td>$236.0</td>
<td>$236.9</td>
</tr>
<tr>
<td>Tuition</td>
<td>$265.6</td>
<td>$294.3</td>
<td>$327.1</td>
<td>$342.7</td>
</tr>
<tr>
<td>Research Overhead Income</td>
<td>$28.6</td>
<td>$29.7</td>
<td>$31.0</td>
<td>$28.6</td>
</tr>
<tr>
<td>Investment Income</td>
<td>$13.4</td>
<td>$13.2</td>
<td>$12.9</td>
<td>$12.6</td>
</tr>
<tr>
<td>Other Income</td>
<td>$91.3</td>
<td>$104.0</td>
<td>$111.6</td>
<td>$111.2</td>
</tr>
</tbody>
</table>

Solitary bees, who do not live in hives, can be found laying eggs in over 50 bee homes that students and facilities services team members installed throughout campus in 2019.
PROVINCIAL GRANTS

In 2017/18, the MCU introduced a corridor funding model, which limits enrolment-based funding to the 2016/17 grant level, while allowing universities to be plus or minus 3.0% (corridor) of the funding mid-point. MCU funding is now flowed to universities via funding envelopes defined as follows:

- Enrolment Envelope: enrolment-based funding that is based on a revised weighted grant unit (WGU) value;
- Differentiation Envelope: funding based on performance and/or achievement of priorities as set out in the Strategic Management Agreement; and
- Special Purpose Envelope: grants based on government priorities such as improving access for Indigenous learners and students with disabilities.

McMaster’s Graduate Expansion Grant previously funded growth in graduate students over 2016/17 levels; this funding has been rolled into a new graduate funding level based on 2019/20 enrolment. In addition, MCU began shifting funding previously included in the Enrolment Envelope to the Differentiation Envelope or performance-based category during 2021, however MCU has delayed implementing performance-based metrics affecting 2022/23 funding due to the pandemic (Table 14).

In 2020/21, the total provincial grant (all envelopes) was favourable to projection by $3.2 million (1.4%) due to the Research Overhead Infrastructure Envelope (ROIE) grant previously captured as Research Overhead income being rolled into the performance-based funding. The International Student Reduction is a $750 per international student reduction in provincial funding. This levy continues to grow with associated enrolment growth, increasing to $3.5 million in 2020/21 from $2.9 million the prior year.

<table>
<thead>
<tr>
<th>Table 14: PROVINCIAL GRANTS</th>
<th>2020/21 Budget</th>
<th>2020/21 Projection</th>
<th>2020/21 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrolment Envelope</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Operating Grant</td>
<td>215,371</td>
<td>219,480</td>
<td>178,366</td>
</tr>
<tr>
<td>Graduate Expansion Grant</td>
<td>3,498</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>218,869</td>
<td>219,480</td>
<td>178,366</td>
</tr>
<tr>
<td><strong>Differentiation Envelope</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance/Student Success Grant</td>
<td>19,169</td>
<td>19,787</td>
<td>64,247</td>
</tr>
<tr>
<td>Graduate Expansion – Performance</td>
<td>315</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,484</td>
<td>19,787</td>
<td>64,247</td>
</tr>
<tr>
<td><strong>Special Purpose Envelope</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant for Clinical Programs</td>
<td>457</td>
<td>457</td>
<td>458</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>457</td>
<td>457</td>
<td>458</td>
</tr>
<tr>
<td><strong>International Student Recovery</strong></td>
<td>(3,270)</td>
<td>(3,369)</td>
<td>(3,499)</td>
</tr>
<tr>
<td><strong>Total Provincial Grants</strong></td>
<td>235,540</td>
<td>236,355</td>
<td>239,572</td>
</tr>
</tbody>
</table>
TUITION

Actual tuition increased compared to budget due to higher enrolment from both domestic and international students (Table 15).

Table 15: UNDERGRADUATE AND GRADUATE ENROLMENT

<table>
<thead>
<tr>
<th></th>
<th>2020/21 Budget</th>
<th>2020/21 Projection</th>
<th>2020/21 Actual</th>
<th>Variance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020/21</td>
<td></td>
<td></td>
<td>Actual vs. Budget</td>
<td>Actual vs. Projection</td>
</tr>
<tr>
<td>Undergraduate FFFTEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>23,759</td>
<td>25,882</td>
<td>26,062</td>
<td>2,303</td>
<td>9.7%</td>
</tr>
<tr>
<td>International</td>
<td>3,296</td>
<td>4,200</td>
<td>4,326</td>
<td>1,030</td>
<td>31.3%</td>
</tr>
<tr>
<td>Total</td>
<td>27,055</td>
<td>30,082</td>
<td>30,388</td>
<td>3,333</td>
<td>12.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>180</td>
<td>0.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>126</td>
<td>3.0%</td>
</tr>
<tr>
<td>Graduate FTEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>3,061</td>
<td>3,218</td>
<td>3,218</td>
<td>157</td>
<td>5.1%</td>
</tr>
<tr>
<td>International</td>
<td>1,087</td>
<td>1,114</td>
<td>1,114</td>
<td>27</td>
<td>2.4%</td>
</tr>
<tr>
<td>Total</td>
<td>4,148</td>
<td>4,332</td>
<td>4,332</td>
<td>184</td>
<td>4.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total UG &amp; G Combined</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>26,820</td>
<td>29,100</td>
<td>29,280</td>
<td>2,460</td>
<td>9.2%</td>
</tr>
<tr>
<td>International</td>
<td>4,383</td>
<td>5,314</td>
<td>5,440</td>
<td>1,057</td>
<td>24.1%</td>
</tr>
<tr>
<td>Total</td>
<td>31,203</td>
<td>34,414</td>
<td>34,720</td>
<td>3,517</td>
<td>11.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>180</td>
<td>0.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>126</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

The Adam Chiaravalle bee sanctuary is located adjacent to parking lot P on main campus. Only surplus honey is harvested; that is, excess honey the bees themselves will not consume before the next season. All the honey produced on campus is sold on campus with a McMaster label. The proceeds go towards the ongoing maintenance of the hives.
Overall enrolment in 2020/21 rose above the SMA-funded levels and enrolment management targets (Figure 9 and Table 16) because anticipated impacts of the pandemic on acceptances did not materialize. Further, the provincial tuition rate cut of 10% in 2019/20 followed by domestic tuition held flat for 2020/21 was mitigated by planned increases to international enrolment, as well as transparent increases to international tuition rates incorporated into offers, required to cover inflationary costs of support.

Figure 9: TUITION AND FTE ENROLMENT

Table 16: TUITION AND FTE ENROLMENT

<table>
<thead>
<tr>
<th></th>
<th>Tuition ($ Millions)</th>
<th>FTE Enrolment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Undergraduate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>173.4</td>
<td>181.2</td>
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<tr>
<td>International</td>
<td>48.6</td>
<td>65.9</td>
</tr>
<tr>
<td>Total</td>
<td>222.1</td>
<td>247.1</td>
</tr>
<tr>
<td><strong>Graduate</strong></td>
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<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>31.8</td>
<td>34.6</td>
</tr>
<tr>
<td>International</td>
<td>11.7</td>
<td>12.6</td>
</tr>
<tr>
<td>Total</td>
<td>43.5</td>
<td>47.3</td>
</tr>
<tr>
<td><strong>Total UG &amp; G Combined</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>205.2</td>
<td>215.8</td>
</tr>
<tr>
<td>International</td>
<td>60.4</td>
<td>78.5</td>
</tr>
<tr>
<td>Total</td>
<td>265.6</td>
<td>294.3</td>
</tr>
</tbody>
</table>
RESEARCH OVERHEAD

Research overhead income was $4.5 million (-15.6%) unfavourable to budget in part due to reduced royalty revenues associated with pandemic-delayed activities, and $3.6 million (-12.7%) unfavourable to projection due to the Research Overhead Infrastructure Envelope (ROIE) grant previously captured in Research Overhead income rolled into the performance-based grant funding in 2020/21 by the MCU.

Research contract overhead was in line with budget and projection. Research contract overhead is levied as a percentage of research grants and contracts where allowed, with the objective of recovering the full amount of indirect costs.

Royalty income is payment for commercial use of intellectual property owned by McMaster as a result of research discoveries. Both contract overhead and royalties fluctuate depending on activity (Figure 10).

![Figure 10: RESEARCH OVERHEAD INCOME](chart)

INVESTMENT INCOME

The investment income attributed to the Operating Fund is fixed at a predetermined amount. Any differences between the budgeted investment income and actual returns are absorbed by McMaster’s specific purpose reserve, disclosed in note 11 to the audited financial statements.

The specific purpose reserve is used primarily to provide an internal insurance fund to support annual expenditure requirements associated with trust-related scholarships, bursaries, and chair salaries in the event of prolonged economic downturns. Additionally, this reserve provides funding stability to the Operating Fund, enabling a fixed allocation of $9.5 million in investment income each year regardless of investment returns in the year. In 2020/21, a one-time additional investment income contribution of $1.0 million was made to the Operating Fund to support the President’s Strategic Support Fund from this reserve. Finally, the specific purpose reserve will also support supplemental funding to long-term obligations, such as the post-retirement benefits the employer has committed to fund beyond employee contributions, and toward capital priorities through transfers into the McMaster capital reserve.

OTHER INCOME

Pandemic-related changes to activities had an impact on the other income in the Operating Fund. The unfavourable variance of $4.1 million (-3.8%) compared to budget was primarily due to reduced student services fees, suspension of summer study abroad programs, and cancellation of alumni events and other fee-generating campus activities. This was partially offset by higher external recoveries and application fees. The favourable variance of $9.6 million (10.0%) compared to projection was due to higher external recoveries, application fees, special purpose grants, and higher than expected revenues for the Nuclear Reactor, and research institutes and centres.
EXPENDITURES

Total Operating Fund expenditures were $776.1 million (Figure 11 and Figure 12) compared to budget and projected expenditures of $774.6 million and $806.3 million, respectively. The variances are small as a percentage of both the original budget (-0.2%) and projection (3.7%) and are caused by the impacts of the pandemic on spending plans and the normally observed effect of conservative budgeting.

Under the current budget model, faculties (activity units) are allocated all central revenue net of support unit costs. Early finalization of support unit projections in the fall allows for more certain inputs to activity unit budgets, which are prepared in the spring. However, this means that there is greater chance that support unit plans will change during the remainder of the year. This greater variability is not considered a significant risk to planning and will continue for 2021/22 and beyond.

Figure 11: 2020/21 TOTAL OPERATING FUND ACTUAL EXPENSE BY TYPE $ Millions

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Salaries</td>
<td>$184.8</td>
<td>23.8%</td>
</tr>
<tr>
<td>Teaching Assistants</td>
<td>$24.7</td>
<td>3.2%</td>
</tr>
<tr>
<td>Non-academic Salaries</td>
<td>$172.5</td>
<td>22.2%</td>
</tr>
<tr>
<td>Benefits</td>
<td>$116.5</td>
<td>15.0%</td>
</tr>
<tr>
<td>Total salaries, wages and benefits</td>
<td>$498.5</td>
<td>64.2%</td>
</tr>
<tr>
<td>Non-salary expenses</td>
<td>$277.6</td>
<td>35.8%</td>
</tr>
</tbody>
</table>

Figure 12: 2020/21 OPERATING FUND ACTUAL NON-SALARY EXPENSE BY TYPE $ Millions

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities and maintenance</td>
<td>$38.8</td>
<td>5.0%</td>
</tr>
<tr>
<td>Equipment and renovations</td>
<td>$120.0</td>
<td>15.5%</td>
</tr>
<tr>
<td>Scholarships, bursaries and work study</td>
<td>$32.7</td>
<td>4.2%</td>
</tr>
<tr>
<td>Library acquisitions</td>
<td>$15.4</td>
<td>2.0%</td>
</tr>
<tr>
<td>Debt and financing charges</td>
<td>$18.4</td>
<td>2.4%</td>
</tr>
<tr>
<td>All other expenses</td>
<td>$52.2</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
Total expenses were unfavourable by $1.5 million (-0.2%) compared to budget:

- Salaries, wages, and benefits were favourable by $24.1 million (4.6%) primarily due to reductions in part-time staff as a result of the pandemic, delayed hiring, and unfilled staff vacancies.
- Utilities and maintenance were favourable by $4.3 million (10.0%) primarily due to savings in utilities costs due to the campus closure and limited campus activities.
- Equipment and renovations were unfavourable by $58.0 million (-93.6%) due to increased investments in strategic projects such as the McLean Centre for Collaborative Discovery, and future Faculty of Engineering and Faculty of Science capital priorities. Increased investments in equipment and software to facilitate online teaching, lab delivery, and student advising and engagement, and staff working from home also drove the unfavourable variance. Additional equipment purchases have also been made to enable social distancing protocols for lab delivery, and for classroom audio-visual equipment.
- Scholarships, bursaries, and work study were favourable by $2.0 million (5.8%) due to lower Student Access Guarantee (SAG) obligations.
- Library acquisitions were unfavourable by $1.1 million (-8.1%) due to slightly higher acquisitions costs than budget.
- All other expenses were favourable by $27.3 million (34.3%) primarily due to lower than anticipated expenses related to the shutdown of campus and remote working including materials and supplies, office expenses, travel, meeting expenses, special events and delayed projects. This was partially offset by lower internal recoveries, increased consulting and professional services fees and pandemic-related expenses.
- Variances in debt and financing charges were insignificant.

Total expenses were favourable by $30.2 million (3.7%) compared to projection:

- Salaries, wages, and benefits were favourable by $11.2 million (2.2%) primarily due to unfilled staff vacancies.
- Utilities and maintenance were favourable by $1.0 million (2.4%) due to lower utility rates and consumption for gas, fuel, and cooling than projected, partially offset by higher hydro costs as a result of increased air circulation.
- Equipment and renovations were favourable by $2.8 million (2.3%) primarily due to lower renovation costs than projected.
- All other expenses were favourable by $15.7 million (23.1%) primarily due to lower than budget expenses related to subcontractors, special events and delayed projects.
- Variances in scholarships, bursaries and work study, library acquisitions, and debt and financing charges were insignificant.

**APPROPRIATIONS**

The favourable results increase the Operating Fund appropriations balance by $2.2 million (1.1%) to $198.8 million (Figure 13), which represents an improvement of $56.0 million on budget and $39.8 million on projection. Appropriations are carried forward for expenditure in 2021/22 and future years by activity or support units. Appropriation balances are used for capital renovations and/or Strategic Mandate Agreement initiatives. Of the $198.8 million held in appropriations, $113.3 million is held by faculties and another $36.5 million is held for academic priorities (Table 17). Further, some faculty appropriation balances have been transferred to a capital projects holding account, until approved, to support long-term infrastructure growth and support needs of the faculty based on student enrolment growth and changing space use needs post-pandemic.

Support unit appropriations improved in 2020/21 (mainly linked to academic, student, and institutional support) due to pandemic-related expenditure delays. These balances are anticipated to be drawn down to normalized values when operations fully re-open.
Table 17: APPROPRIATIONS/ENVELOPE ANALYSIS, YEAR ENDED APRIL 30, 2021

<table>
<thead>
<tr>
<th>Faculties and Academic Programs</th>
<th>Appropriations May 1, 2020</th>
<th>Net Surplus (Deficit)</th>
<th>Appropriations April 30, 2021</th>
<th>Net Surplus (Deficit) Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>9,627</td>
<td>(6,145)</td>
<td>3,482</td>
<td>2,469</td>
</tr>
<tr>
<td>Engineering</td>
<td>33,272</td>
<td>(17,364)</td>
<td>15,907</td>
<td>3,946</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>47,110</td>
<td>(1,476)</td>
<td>45,634</td>
<td>3,033</td>
</tr>
<tr>
<td>Humanities</td>
<td>5,879</td>
<td>4,948</td>
<td>10,827</td>
<td>1,278</td>
</tr>
<tr>
<td>Science</td>
<td>21,591</td>
<td>50</td>
<td>21,641</td>
<td>6,242</td>
</tr>
<tr>
<td>Medical Radiation – Mohawk Share</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>9,191</td>
<td>5,097</td>
<td>14,288</td>
<td>1,160</td>
</tr>
<tr>
<td>Arts &amp; Science</td>
<td>1,386</td>
<td>102</td>
<td>1,488</td>
<td>80</td>
</tr>
<tr>
<td>Sub-total</td>
<td><strong>128,056</strong></td>
<td><strong>(14,788)</strong></td>
<td><strong>113,268</strong></td>
<td><strong>18,209</strong></td>
</tr>
</tbody>
</table>

| Academic Priorities             | 38,340                    | (1,832)               | 36,507                        | 1,595                         |
| Academic Support                | 12,365                    | 3,027                 | 15,392                        | 5,470                         |
| Research Support                | 5,064                     | 5,842                 | 10,906                        | 3,821                         |
| Student Support                 | 9,940                     | 3,587                 | 13,527                        | 6,075                         |
| Facilities Support              | 1,235                     | 67                    | 1,302                         | (991)                         |
| Institutional Support           | 16,781                    | 387                   | 17,169                        | 5,525                         |
| Institutional Priorities*       | (15,201)                  | 5,862                 | (9,319)                       | (148)                         |
| Total Operating Fund            | **196,580**               | **2,173**             | **198,753**                   | **39,556**                    |

*Includes the approved funding for the Mosaic project, which will be repaid by 2023/24
Consolidated Results – Full Accrual Basis

The consolidated financial statements are prepared on the accrual accounting basis for accounting standards compliance and auditing purposes. Adjustments from McMaster’s modified cash basis budgeting approach to accrual accounting involve the following key changes (Table 18):

- Net capital expenditures within faculties and departments are reversed and capitalized as an asset with only one year of asset use expensed or amortized. Asset lives vary between 1 and 40 years.
- Share of investment income/loss on internal endowments and not already assigned to the Operating Fund and income earned/lost on non-operating funds are booked to revenue.
- Non-cash adjustments for pension and non-pension employee accrued future benefit costs measured at April 30 are recorded.
- Adjustments eliminating internal revenue and expense transactions between funds occur.

| Table 18: RECONCILIATION OF OPERATING FUND SURPLUS TO CONSOLIDATED STATEMENT OF OPERATIONS | $ Thousands |
| --- | --- | --- | --- | --- |
| | 2020/21 Budget | 2020/21 Projection | 2020/21 Actual | Actual vs. Budget | Actual vs. Projection |
| Excess (deficiency) of Operating Fund revenues over expenses | (53,859) | (37,383) | 2,173 | 56,032 | 39,556 |
| Capital expenditures net of amortization | 96,215 | 14,951 | 37,779 | (58,436) | 22,827 |
| Investment income (loss) on internal endowments | (1,318) | 1,637 | 30,481 | 31,799 | 28,843 |
| Pension and non-pension adjustments | 13,638 | 11,876 | 72,083 | 58,445 | 60,407 |
| Changes in other reserves | (67,664) | 52,516 | 89,494 | 157,158 | 36,978 |
| Total accrual adjustment | 40,871 | 80,781 | 229,836 | 188,965 | 149,055 |
| Excess (deficiency) of revenues over expenses | (12,988) | 43,398 | 232,009 | 244,997 | 188,611 |

The 2020/21 budget was completed at the beginning of the pandemic and employed a conservative approach as the situation was evolving daily. The situation was clearer at the time of the projection but was still conservative, not anticipating the exceptionally favourable investment returns, which produced material positive variances in endowments, pension and non-pension adjustments, and other reserves. The total 2020/21 positive accrual adjustment of $229.8 million compared to the projected $80.8 million results in a $149.1 million favourable variance, explained by:

- Better investment returns of 26.1% net of expenses compared to the projected long-term average gain of 5.6%; producing a $127.1 million positive variance to projection.
- Lower adjustment for capital expenditures due to continuing delays on construction.

**The McMaster Community Bee Project** tackles bee declines by providing both habitat and managed native and honey bee colonies without the use of pesticides, antibiotics, or other harmful chemicals. Local organic beekeeping business Humble Bee is working with Hospitality Services and Facility Services to manage native blue orchard bee and honey bee colonies located in the Adam Chiaravalle Bee Sanctuary adjacent to parking Lot P.
## STATEMENT OF OPERATIONS

### Table 19: CONSOLIDATED STATEMENT OF OPERATIONS (ACCRUAL BASIS) $ Thousands

<table>
<thead>
<tr>
<th></th>
<th>2020/21 Budget</th>
<th>2020/21 Projection</th>
<th>2020/21 Actual</th>
<th>Actual vs. Budget</th>
<th>Actual vs. Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>273,794</td>
<td>278,603</td>
<td>278,446</td>
<td>4,652</td>
<td>(157)</td>
</tr>
<tr>
<td>Research grants and contracts</td>
<td>183,403</td>
<td>176,326</td>
<td>168,585</td>
<td>(14,818)</td>
<td>(7,741)</td>
</tr>
<tr>
<td>Tuition fees</td>
<td>349,130</td>
<td>416,153</td>
<td>416,510</td>
<td>67,380</td>
<td>356</td>
</tr>
<tr>
<td>Ancillary sales and services</td>
<td>55,172</td>
<td>19,309</td>
<td>17,767</td>
<td>(37,404)</td>
<td>(1,542)</td>
</tr>
<tr>
<td>Other revenues</td>
<td>211,017</td>
<td>182,504</td>
<td>178,985</td>
<td>150,981</td>
<td>138,221</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>48,131</td>
<td>60,891</td>
<td>199,111</td>
<td>150,981</td>
<td>138,221</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>45,033</td>
<td>39,650</td>
<td>42,761</td>
<td>(2,272)</td>
<td>3,111</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>1,165,679</td>
<td>1,173,436</td>
<td>1,300,662</td>
<td>134,983</td>
<td>127,226</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>558,181</td>
<td>546,106</td>
<td>551,060</td>
<td>7,121</td>
<td>(4,954)</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>129,187</td>
<td>133,106</td>
<td>142,809</td>
<td>(13,622)</td>
<td>(9,703)</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>384,703</td>
<td>357,022</td>
<td>278,985</td>
<td>105,717</td>
<td>78,037</td>
</tr>
<tr>
<td>Interest on long-term obligations</td>
<td>13,155</td>
<td>13,151</td>
<td>13,211</td>
<td>(56)</td>
<td>(60)</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>93,441</td>
<td>80,652</td>
<td>82,587</td>
<td>10,855</td>
<td>(1,934)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,178,667</td>
<td>1,130,038</td>
<td>1,068,652</td>
<td>110,015</td>
<td>61,386</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues over expenses</strong></td>
<td>(12,988)</td>
<td>43,398</td>
<td>232,009</td>
<td>244,997</td>
<td>188,611</td>
</tr>
</tbody>
</table>

With the conservative approach to the budget and projection, both revenues and expenses experienced favourable variances. Budgets were prepared using the assumption that on-campus operations would resume as usual in January 2021. The updated projection took into account new information of a full year closure without complete knowledge of how the pandemic might impact each area.

Total revenues were favourable primarily due to higher investment income. Further, enrolment deferrals and withdrawals that were anticipated due to the pandemic did not materialize, resulting in over-enrolled domestic participation and overall higher domestic and international tuition revenue. A negative offset to net favourable revenues were greater than expected ancillary sales declines due to an extended full year campus closure versus an originally planned re-opening in January 2021. Campus closures also reduced research activity, affecting research revenue recognition and other campus use and athletics revenues.

Total expenses were favourable primarily due to conservative estimates for unknown impacts of the pandemic. Less spending on supplies and services relate to extended campus closures and remote work, which further limited travel, conference expenditures, and contributed to decisions to delay some previously planned projects more suitable to on-campus working conditions.

Salaries were 1.2% favourable to budget because of the extended layoffs due to the extended campus closure, while salaries were close to projection with a 0.9% unfavourable variance. Increased employee benefits expense reflects the increased costs for pensions.
## Statement of Financial Position

### Table 20: Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2020/21 Budget</th>
<th>2020/21 Projection</th>
<th>2020/21 Actual</th>
<th>Variances Increase (Decrease)</th>
<th>Actual vs. Budget</th>
<th>Actual vs. Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>33,224</td>
<td>17,223</td>
<td>19,406</td>
<td>(13,818)</td>
<td>2,183</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>166,118</td>
<td>195,100</td>
<td>284,351</td>
<td>118,233</td>
<td>89,251</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>990,848</td>
<td>1,317,138</td>
<td>1,614,783</td>
<td>623,935</td>
<td>297,645</td>
<td></td>
</tr>
<tr>
<td>Capital assets</td>
<td>1,354,513</td>
<td>1,235,399</td>
<td>1,231,476</td>
<td>(123,036)</td>
<td>(3,922)</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>164,689</td>
<td>232,127</td>
<td>207,334</td>
<td>42,645</td>
<td>(24,793)</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,709,391</td>
<td>2,996,987</td>
<td>3,357,350</td>
<td>647,959</td>
<td>360,363</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and deferred contributions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>197,207</td>
<td>176,373</td>
<td>196,383</td>
<td>(824)</td>
<td>20,010</td>
<td></td>
</tr>
<tr>
<td>Deferred contributions for future expenses</td>
<td>854,336</td>
<td>859,308</td>
<td>918,726</td>
<td>64,390</td>
<td>59,418</td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>267,654</td>
<td>267,201</td>
<td>267,635</td>
<td>(20)</td>
<td>434</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and deferred contributions</strong></td>
<td>1,665,412</td>
<td>1,760,296</td>
<td>1,552,671</td>
<td>(112,740)</td>
<td>(207,625)</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>10,755</td>
<td>-</td>
<td>-</td>
<td>(10,755)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Internally restricted</td>
<td>(91,900)</td>
<td>102,350</td>
<td>543,693</td>
<td>635,592</td>
<td>441,342</td>
<td></td>
</tr>
<tr>
<td>Equity in capital assets</td>
<td>619,119</td>
<td>502,893</td>
<td>504,770</td>
<td>(114,349)</td>
<td>1,876</td>
<td></td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>1,043,979</td>
<td>1,236,691</td>
<td>1,804,679</td>
<td>760,699</td>
<td>567,988</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>2,709,391</td>
<td>2,996,987</td>
<td>3,357,350</td>
<td>647,959</td>
<td>360,363</td>
<td></td>
</tr>
</tbody>
</table>

The Statement of Financial Position is the University’s consolidated balance sheet. Larger than usual variances to budget and projection are primarily due to the two main causes already described:

- Significantly better returns increased the value of investment asset holdings, which in turn increased the value of internal and external endowments, as well as allocations to internally restricted reserves for employee future benefits and capital. Higher investment returns also increased the value of pension plan assets, reducing the liability for employee future benefits.

- Capital projects continued to experience delays due to lockdowns and material shortages, resulting in lower than expected capital assets and increased deferred contributions as projects have not been completed as originally scheduled.
STATEMENT OF CASH FLOWS

Table 21: CONSOLIDATED STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th></th>
<th>2020/21 Budget</th>
<th>2020/21 Projection</th>
<th>2020/21 Actual</th>
<th>Variances Favorable (Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenues over expenses</td>
<td>(12,888)</td>
<td>43,398</td>
<td>232,009</td>
<td>244,897</td>
</tr>
<tr>
<td>Adjustments for non-cash items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>(45,033)</td>
<td>(39,650)</td>
<td>(42,761)</td>
<td>2,272</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>93,441</td>
<td>80,652</td>
<td>82,587</td>
<td>(10,955)</td>
</tr>
<tr>
<td>Increase in decommissioning obligation</td>
<td>1,138</td>
<td>1,107</td>
<td>694</td>
<td>(443)</td>
</tr>
<tr>
<td>Net change in deferred contributions</td>
<td>19,180</td>
<td>30,684</td>
<td>66,890</td>
<td>47,710</td>
</tr>
<tr>
<td>Net change in other non-cash items</td>
<td>(1,998)</td>
<td>(5,600)</td>
<td>62,435</td>
<td>64,433</td>
</tr>
<tr>
<td>Financing and investing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of capital assets, net</td>
<td>(200,149)</td>
<td>(107,596)</td>
<td>(105,607)</td>
<td>94,542</td>
</tr>
<tr>
<td>Net change in investments</td>
<td>152,978</td>
<td>(15,030)</td>
<td>(401,925)</td>
<td>(554,904)</td>
</tr>
<tr>
<td>Net change in external endowments</td>
<td>(4,020)</td>
<td>12,559</td>
<td>108,385</td>
<td>112,405</td>
</tr>
<tr>
<td>Principal repayments on long-term obligations</td>
<td>(654)</td>
<td>(709)</td>
<td>(709)</td>
<td>(55)</td>
</tr>
<tr>
<td>Increase/(decrease) in cash</td>
<td>1,996</td>
<td>(184)</td>
<td>1,998</td>
<td>2</td>
</tr>
<tr>
<td>Cash, beginning of year</td>
<td>31,228</td>
<td>17,408</td>
<td>17,408</td>
<td>(13,820)</td>
</tr>
<tr>
<td>Cash, end of year</td>
<td>33,224</td>
<td>17,224</td>
<td>19,406</td>
<td>(13,818)</td>
</tr>
</tbody>
</table>

The impacts of the pandemic as discussed above reflected in the variances on the Statement of Cash Flows, with the net change in cash balance close to budget and projection.

Solitary bees are some of the most important pollinators, are non-aggressive, and lay their eggs in these homes. As a designated Bee City Campus, McMaster is committed to creating healthy, biodiverse habitats for pollinators and fostering awareness about the importance of bees to our ecosystem. These homes were designed, built and installed by Facility Services and the Academic Sustainability Programs Office, and are monitored by SUSTAIN students each year.
“Protecting pollinators like solitary bees also aligns with the United Nation’s Sustainable Development Goals related to zero hunger, life on the land, and sustainable cities.”

– Callum Hales, student and participant in The Solitary Bee Project.
GREEN VEHICLES
A cutting-edge partnership between Ali Emadi and his research group at the McMaster Automotive Resource Centre (MARC) and Fiat Chrysler Automobiles (FCA) continues to push electric and hybrid vehicles to new heights in Canada. The collaboration is driven by a commitment to make electrified vehicles more efficient and cost-effective to decrease harmful emissions, protect automotive manufacturing jobs in North America and advance technological innovations in the field. Read the article Ali Emadi receives NSERC award with Fiat Chrysler Automobiles for developing the electrified car of the future on the Daily News website.
Statement of Management Responsibility

Management of the University is responsible for the preparation of the financial statements, the notes thereto and all other financial information contained in this Annual Financial Report.

Management has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Management believes the financial statements present fairly the University's financial position as at April 30, 2021 and the results of its operations, changes in net assets and its cash flows for the year ended April 30, 2021. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgements were employed. Additionally, management has ensured that financial information presented elsewhere in this Annual Financial Report has been prepared in a manner consistent with that in the financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

Mercer (Canada) Limited has been retained by the University in order to provide an estimate of the University's current year position for pension and other employee future benefits. Management has provided the valuation actuary with the information necessary for the completion of the University's report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefits liabilities reported.

The Board of Governors carries out its responsibility for review of the financial statements and this Annual Financial Report principally through the Planning and Resources Committee and its Audit and Risk Committee. No members of the Audit and Risk Committee are officers or employees of the University. The Audit and Risk Committee meets regularly with management, as well as the internal auditors and the external auditors, to discuss the results of the audit examinations and financial reporting matters, and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit and Risk Committee with and without the presence of management.

The financial statements for the year ended April 30, 2021 have been reported on by KPMG LLP, Chartered Professional Accountants, the auditors appointed by the Board of Governors. The Independent Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Vice-President, Operations and Finance            President            AVP (Administration) & CFO
October 28, 2021
INDEPENDENT AUDITORS’ REPORT

To the Board of Governors of McMaster University

Opinion

We have audited the accompanying financial statements of McMaster University (the "University"), which comprise:

• the statement of financial position as at April 30, 2021
• the statement of operations for the year then ended
• the statement of changes in net assets for the year then ended
• the statement of cash flows for the year then ended
• and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2021, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors’ report thereon, included in the Annual Financial Report document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors’ report thereon, included in Annual Financial Report document as at the date of this auditors’ report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University’s financial reporting process.
Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
Page 4

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
October 28, 2021
McMASTER UNIVERSITY
Statement of Financial Position
April 30, 2021, with comparative figures for 2020
(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$19,406</td>
<td>$17,408</td>
</tr>
<tr>
<td>Short-term investments (note 2)</td>
<td>284,351</td>
<td>183,222</td>
</tr>
<tr>
<td>Accounts receivable (note 3)</td>
<td>124,481</td>
<td>138,067</td>
</tr>
<tr>
<td>Loans receivable (note 4)</td>
<td>22,989</td>
<td>12,892</td>
</tr>
<tr>
<td>Inventories</td>
<td>6,357</td>
<td>6,379</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>16,967</td>
<td>26,154</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (note 2)</td>
<td>1,614,783</td>
<td>1,313,986</td>
</tr>
<tr>
<td>Other investments (note 4)</td>
<td>34,405</td>
<td>30,012</td>
</tr>
<tr>
<td>Other assets (note 5)</td>
<td>2,135</td>
<td>697</td>
</tr>
<tr>
<td>Capital assets (note 6)</td>
<td>1,231,476</td>
<td>1,208,455</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>474,551</td>
<td>384,122</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities, Deferred Contributions and Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities (note 7)</td>
<td>$170,342</td>
<td>$150,058</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>25,285</td>
<td>22,192</td>
</tr>
<tr>
<td>Current portion of long-term obligations (note 8)</td>
<td>756</td>
<td>709</td>
</tr>
<tr>
<td></td>
<td>196,383</td>
<td>172,959</td>
</tr>
<tr>
<td>Long-term obligations (note 8)</td>
<td>267,635</td>
<td>267,697</td>
</tr>
<tr>
<td>Accrued employee future benefits (note 9)</td>
<td>169,928</td>
<td>448,446</td>
</tr>
<tr>
<td>Deferred contributions (note 10):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred for future expenses</td>
<td>437,990</td>
<td>371,100</td>
</tr>
<tr>
<td>Deferred capital contributions</td>
<td>480,736</td>
<td>491,662</td>
</tr>
<tr>
<td></td>
<td>918,726</td>
<td>862,762</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Internally restricted (note 11)</td>
<td>543,692</td>
<td>97,679</td>
</tr>
<tr>
<td>Equity in capital assets (note 12)</td>
<td>504,770</td>
<td>470,378</td>
</tr>
<tr>
<td>Endowments (note 13):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>171,813</td>
<td>141,333</td>
</tr>
<tr>
<td>External</td>
<td>584,403</td>
<td>476,018</td>
</tr>
<tr>
<td></td>
<td>1,804,678</td>
<td>1,185,408</td>
</tr>
<tr>
<td>Commitments and contingencies (note 14)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$3,357,350</td>
<td>$2,937,272</td>
</tr>
</tbody>
</table>

On behalf of the Board of Governors:

__________________________ Chair, Board of Governors

__________________________ Chair, Audit and Risk Committee

See accompanying notes to financial statements
## McMASTER UNIVERSITY

### Statement of Operations

**Year ended April 30, 2021, with comparative figures for 2020**

(Thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>$278,446</td>
<td>$275,906</td>
</tr>
<tr>
<td>Research grants and contracts</td>
<td>168,585</td>
<td>173,720</td>
</tr>
<tr>
<td>Tuition fees</td>
<td>416,510</td>
<td>360,665</td>
</tr>
<tr>
<td>Other (note 15)</td>
<td>113,377</td>
<td>122,183</td>
</tr>
<tr>
<td>Ancillary sales and services</td>
<td>17,767</td>
<td>75,959</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>199,111</td>
<td>26,392</td>
</tr>
<tr>
<td>Donations and other grants</td>
<td>51,543</td>
<td>69,809</td>
</tr>
<tr>
<td>Research overhead grants</td>
<td>12,561</td>
<td>15,563</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>42,761</td>
<td>40,773</td>
</tr>
<tr>
<td></td>
<td>1,300,661</td>
<td>1,160,970</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>551,060</td>
<td>543,930</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>142,809</td>
<td>132,576</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>278,985</td>
<td>300,877</td>
</tr>
<tr>
<td>Interest on long-term obligations</td>
<td>13,211</td>
<td>13,257</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>82,587</td>
<td>78,260</td>
</tr>
<tr>
<td></td>
<td>1,068,652</td>
<td>1,068,900</td>
</tr>
<tr>
<td><strong>Excess of revenues over expenses</strong></td>
<td>$232,009</td>
<td>$92,070</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
McMASTER UNIVERSITY
Statement of Changes in Net Assets
Year ended April 30, 2021, with comparative figures for 2020
(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Internally restricted</th>
<th>Equity in unallocated</th>
<th>Endowments</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>$ - $</td>
<td>$ 97,679</td>
<td>$ 470,378</td>
<td>$ 141,333</td>
<td>$ 476,018</td>
<td>$ 1,185,408</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over expenses</td>
<td>271,835</td>
<td>-</td>
<td>(39,826)</td>
<td>-</td>
<td>-</td>
<td>232,009</td>
</tr>
<tr>
<td>External endowment contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions (note 13)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,453</td>
<td>11,453</td>
</tr>
<tr>
<td>Protection of capital (note 13)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>96,932</td>
<td>96,932</td>
</tr>
<tr>
<td>Transfers and adjustments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers for specific purposes</td>
<td>(163,429)</td>
<td>167,137</td>
<td>(3,708)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital transactions from operating (note 12)</td>
<td>(77,926)</td>
<td>-</td>
<td>77,926</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to internal endowments (note 13)</td>
<td>(30,480)</td>
<td>-</td>
<td>-</td>
<td>30,480</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Remeasurements and other items (note 9)</td>
<td>-</td>
<td>278,876</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>278,876</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>446,013</td>
<td>34,392</td>
<td>30,480</td>
<td>108,385</td>
<td>619,270</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$ - $</td>
<td>$ 543,692</td>
<td>$ 504,770</td>
<td>$ 171,813</td>
<td>$ 584,403</td>
<td>$ 1,804,678</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements

9
##McMASTER UNIVERSITY

**Statement of Cash Flows**  
**Year ended April 30, 2021, with comparative figures for 2020**  
(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash provided by (used in):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenues over expenses</td>
<td>$232,009</td>
<td>$92,070</td>
</tr>
<tr>
<td>Adjustments for non-cash items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>(42,761)</td>
<td>(40,773)</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>82,587</td>
<td>78,260</td>
</tr>
<tr>
<td>Employee future benefits</td>
<td>358</td>
<td>(11,578)</td>
</tr>
<tr>
<td>Equity loss (earnings) of other investments</td>
<td>883</td>
<td>(5,548)</td>
</tr>
<tr>
<td>Increase in decommissioning obligation</td>
<td>694</td>
<td>665</td>
</tr>
<tr>
<td>Net change in contributions deferred for future expenses</td>
<td>66,890</td>
<td>7,932</td>
</tr>
<tr>
<td>Net change in other non-cash working capital</td>
<td>46,172</td>
<td>(22,065)</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>$273,770</td>
<td>113,096</td>
</tr>
<tr>
<td><strong>Net change in other non-cash working capital:</strong></td>
<td>46,172</td>
<td>(22,065)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash:</strong></td>
<td>$1,998</td>
<td>(4,536)</td>
</tr>
<tr>
<td><strong>Cash, beginning of year:</strong></td>
<td>17,408</td>
<td>21,944</td>
</tr>
<tr>
<td><strong>Cash, end of year:</strong></td>
<td>$19,406</td>
<td>$17,408</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements*
McMaster University (the “University”), which operates by authority of The McMaster University Act, 1976, is governed by a Board of Governors (the “Board”) and Senate, the powers and responsibility of which are set out in the Act. The University is a comprehensive research institution offering a broad range of undergraduate, graduate and continuing education programs and degrees. The University is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Basis of presentation:

These financial statements include the accounts, transactions and operations for which the University has jurisdiction. They do not include the accounts, transactions and operations of the following entities which are independently governed and managed, and certain other related entities which carry out fundraising and other activities and are not material to these financial statements:

Independent entities:
- McMaster Divinity College
- McMaster Students Union, Inc.
- McMaster University Centre Incorporated
- McMaster Children’s Centre, Inc.
- McMaster Association of Part-Time Students (MAPS)
- Graduate Students Association (GSA)

Other entities:
- The McMaster University Trust
- Friends of McMaster Incorporated

The Gore District Land Trust:

The Gore District Land Trust (GORE) is controlled by the University based on Board composition. The investment is accounted for by the equity method (note 4) as permitted by accounting standards for not-for-profit organizations. Since GORE has a fiscal year end of December 31st, the University records its share of the operating results effective on that date.

The First Longwood Innovation Trust (FLIT):

The First Longwood Innovation Trust (FLIT) is not controlled by the University. The investment is accounted for by the equity method (note 4) as permitted by accounting standards for not-for-profit organizations. Since FLIT has a fiscal year end of December 31st, the University records its share of the operating results effective on that date.

Other investments in for-profit entities subject to significant influence are accounted for using the equity method, whereby the investment is initially recorded at cost, net of any impairment and adjusted thereafter for the University’s share of the entity’s net surplus or deficit and any further impairments. Any distributions received are accounted for as a reduction in the investment.

Halton McMaster Family Health Centre:

These financial statements include the University’s 50% contribution to the Halton McMaster Family Health Centre (note 4). This joint venture is a project with Joseph Brant Hospital involving the construction and establishment of a family health centre and hospital clinical and administration building. The joint venture is in the process of registering the constructed building as a leasehold condominium corporation.
1. Significant accounting policies (continued):

(b) Revenue recognition:

The University follows the deferral method of accounting for contributions which include donations and government grants. The principles under this method are summarized as follows:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for purposes other than endowment and capital assets are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions externally restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related capital asset.

External endowment contributions, income preserved and activity under the endowment capital protection policy (note 1(m)) are recognized as a direct increase (decrease) in endowment net assets. Income earned from the investment thereof, to the extent it is allocated, is recorded as deferred contributions and recorded as revenue in the periods in which the related expenses are incurred.

Tuition fees which relate to academic terms or parts thereof occurring after April 30th are recorded as deferred revenue. Gifts-in-kind are recorded at their fair market value on receipt, or at nominal value when fair market value cannot be reasonably determined. Pledges from fundraising and other donations are recorded in the period in which they are collected. Ancillary sales and services revenue is recognized at point of sale or when the service has been provided.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry investments in equity instruments, fixed income and other securities at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.
1. Significant accounting policies (continued):

(d) Derivative financial instruments:

The University is party to an interest rate swap agreement which is used to manage the exposure to fluctuations in interest rates. The University uses the accrual basis of accounting for hedges. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

At the inception of the hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

Hedge accounting is used only when the notional amount of the swap matches the principal amount of the hedged item, the fair value of the swap at the inception is $nil, the fixed rate is the same throughout the swap and the variable rate is based on the same index and includes the same or no adjustment and the debt instrument cannot be settled before maturity and the swap matures within two weeks of the maturity date of the debt.

(e) Investments:

Short-term investments are investments with a remaining term to maturity of one year or less and are intended to be converted to cash within one year. Short-term investments recorded at cost plus accrued income which together approximates fair value. Short-term investments includes cash and short-term investments held within pooled fund investments.

Long-term investments are carried at fair values. Changes in fair values are included in investment income.

Investments in publicly traded research entities not subject to significant influence are carried in investments at fair values. Changes in fair values are included in other income. Investments in private research entities are carried in other assets at cost, net of any impairment.

Externally restricted investment income to the extent it is allocated is included with deferred contributions and recognized as revenue when the related expenses are incurred.

Unrestricted investment income is recognized as revenue during the period in which it is earned. Investment income from internal endowments is recorded as unrestricted revenue and transferred to internal endowments.

(f) Inventories:

Campus stores, scientific stores, and the nuclear reactor inventories are recorded at the lower of cost and net realizable value. Other inventories are recorded at cost which is a reasonable estimate of net realizable value.

(g) Capital assets:

Capital assets are recorded at cost, or if donated, at fair value on the date of receipt. Amortization is recorded on the straight-line basis at the following annual rates:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Annual Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and building components</td>
<td>2.5% to 10%</td>
</tr>
<tr>
<td>Decommissioning retirement costs</td>
<td>4%</td>
</tr>
<tr>
<td>Site improvements</td>
<td>5%</td>
</tr>
<tr>
<td>Library materials</td>
<td>20%</td>
</tr>
<tr>
<td>Computing systems</td>
<td>5% to 10%</td>
</tr>
<tr>
<td>Equipment, furnishings and vehicles</td>
<td>20%</td>
</tr>
<tr>
<td>Computing equipment</td>
<td>33.3%</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>term of lease</td>
</tr>
</tbody>
</table>


1. Significant accounting policies (continued):

   (g) Capital assets (continued):

   Capital assets in progress are carried at cost, with no amortization recorded until such time as the assets are
   available for their intended use. The carrying amount of capital assets is tested for recoverability whenever events
   or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is
   recognized in the Statement of Operations when the asset's carrying amount is not recoverable and exceeds its
   fair value.

   (h) Collections and works of art:

   The value of collections has been excluded from the statement of financial position except for a nominal value of
   $1. Donations of works of art are recorded as revenue at values based on appraisals and are expensed in the year
   received. Purchased collections are expensed in the year of acquisition.

   (i) Contributed services:

   The University acknowledges the receipt of donated services. Because of the difficulty of determining their fair
   value, donated services are not recognized in the financial statements.

   (j) Ancillary enterprises:

   Ancillary enterprises are self-sustaining operations which fund their own replacements and renovations of
   equipment and facilities. Substantially all of the net operating results are transferred annually from unrestricted net
   assets to internally restricted net assets.

   (k) Employee future benefits:

   The University maintains defined benefit registered and non-registered pension plans, a retirement incentive
   program and group registered retirement savings plans. Non-pension post-retirement and post-employment
   benefits plans are also provided. Financial information is disclosed in note 9.

   The University accrues its obligations for the defined benefit plans as the employees render the services necessary
   to earn the benefits. The current service cost and the finance cost for the year are charged to excess of revenues
   over expenses. The actuarial method of determining the accrued benefit obligations for the defined benefit plans
   uses the funding valuation method, which reflects the long-term nature of the plan and reflects management’s
   estimates of investment yields, salary inflation, benefit cost trends and other factors.

   The University has elected to accrue its obligations and related costs for unfunded plans on a basis consistent with
   funded plans.

   Remeasurement and other items are recognized as a direct increase (decrease) to net assets and are not
   reclassified to the statement of operations in subsequent periods. Remeasurement and other items comprise the
   aggregate of: the difference between the actual return on plan assets and the return calculated using the discount
   rate used to determine the defined benefit obligation; the actuarial gains and losses; the effect of any valuation
   allowance in the case of a net defined benefit asset; past service costs; and any gains and losses arising from
   settlements and curtailments.

   The University also makes regular contributions to its Group Registered Retirement Savings Plan ("RRSP"),
   administered by a third party, on behalf of each eligible employee. Group RRSP contributions are expensed in the
   year made.
1. Significant accounting policies (continued):

(i) Net assets:

Net assets are classified as follows:

Unrestricted: excess of revenues over expenses without specific restrictions.

Internally restricted:

Employee future benefits: unfunded portion of pension and other non-pension retirement and post-employment benefits, net of funds set aside to meet estimated future obligations.

Other internal reserves: as approved by the Board, amounts include unexpended departmental carry forward amounts for future expenditures or amounts set aside to settle future oriented obligations.

Equity in capital assets: funds invested in capital assets, exclusive of capital assets financed through long-term obligations or deferred capital contributions.

Internal endowments: unrestricted contributions including unspent investment income which have been restricted by action of the Board.

External endowments: external contributions, the principal of which is non-expendable pursuant to the restrictions by the donor, and income retained under the endowment capital protection policy.

(m) Endowment capital protection policy:

In order to protect the capital value of endowment investments, an endowment capital protection policy limits the amount of investment income allocated for spending to 4%, plus 1% administration spending, and requires the reinvestment of excess income earned (interest, dividends, realized and unrealized capital gains, net of investment expenses).

Should endowment spending commitments exceed allocated income, amounts will be drawn from accumulated net investment income balances to fund deficiencies.

For endowments without sufficient accumulated investment income, temporary encroachment on capital is permitted. The encroached amounts will be recovered from future investment returns.

(n) Decommissioning obligation:

The fair value of a future asset retirement obligation is recognized when a legal obligation for the retirement of tangible long-lived assets is incurred and a reasonable estimate thereof can be determined. Concurrently, the associated decommissioning costs are capitalized as a part of the carrying amount of the asset and amortized over its remaining useful life. The liability and the related asset may be adjusted periodically due to changes in estimates until settlement of the obligation.

(o) Foreign currency translation:

The University accounts for transactions in foreign currencies at the exchange rates in effect at the time of the transactions. At year end, monetary assets and liabilities in foreign currencies are translated at year end exchange rates. Foreign exchange gains and losses on investments have been included in investment income.

(p) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to the use of management estimates and assumptions include the valuation of financial instruments, the carrying amount of capital assets, the valuation allowance for receivables, the valuation of pension and other employee future benefits, provisions for contingencies, and the decommissioning obligation. Actual results could differ from those estimates.
2. Investments:
Details of investments are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair value</td>
<td>Cost</td>
</tr>
<tr>
<td><strong>Equities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian</td>
<td>$ 169,960</td>
<td>$ 142,075</td>
</tr>
<tr>
<td>United States</td>
<td>406,541</td>
<td>184,807</td>
</tr>
<tr>
<td>Non-North American</td>
<td>288,690</td>
<td>191,065</td>
</tr>
<tr>
<td><strong>Total Equities</strong></td>
<td>865,191</td>
<td>517,947</td>
</tr>
<tr>
<td><strong>Fixed income</strong></td>
<td>686,570</td>
<td>690,762</td>
</tr>
<tr>
<td>Other</td>
<td>63,022</td>
<td>47,108</td>
</tr>
<tr>
<td><strong>Total Fixed Income</strong></td>
<td>1,614,783</td>
<td>1,255,817</td>
</tr>
<tr>
<td><strong>Short-term investments</strong></td>
<td>284,351</td>
<td>285,084</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>$ 1,899,134</td>
<td>$ 1,540,901</td>
</tr>
</tbody>
</table>

Investments are exposed to foreign currency risk, interest rate risk, and market volatility. The University manages these risks through policies and procedures in place governing asset mix, equity and fixed income allocations, and diversification among and within categories.

3. Accounts receivable:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research grants</td>
<td>$ 86,466</td>
<td>$ 94,680</td>
</tr>
<tr>
<td>Students</td>
<td>13,738</td>
<td>14,223</td>
</tr>
<tr>
<td>Government grants</td>
<td>5,182</td>
<td>7,938</td>
</tr>
<tr>
<td>Other</td>
<td>25,058</td>
<td>27,357</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>130,444</td>
<td>144,198</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>5,963</td>
<td>6,131</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>$ 124,481</td>
<td>$ 138,067</td>
</tr>
</tbody>
</table>
4. Other investments:

Details of other investments are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Gore District Land Trust (a)</td>
<td>$13,598</td>
<td>$13,598</td>
</tr>
<tr>
<td>The First Longwood Innovation Trust (b)</td>
<td>9,073</td>
<td>10,269</td>
</tr>
<tr>
<td>Halton McMaster Family Health Centre (c)</td>
<td>4,720</td>
<td>4,720</td>
</tr>
<tr>
<td>KCAP McMaster Grad GP Inc. (d)</td>
<td>6,464</td>
<td>750</td>
</tr>
<tr>
<td>Other investments (e)</td>
<td>550</td>
<td>675</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34,405</strong></td>
<td><strong>$30,012</strong></td>
</tr>
</tbody>
</table>

(a) The Gore District Land Trust:

The Gore District Land Trust (Gore) was created by the University in 2006 to develop an entity for research, education, training, innovation and commercialization.

Details of the investment are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$13,598</td>
<td>$12,552</td>
</tr>
<tr>
<td>Equity earnings</td>
<td>313</td>
<td>2,089</td>
</tr>
<tr>
<td>Distribution</td>
<td>(313)</td>
<td>(1,043)</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td><strong>$13,598</strong></td>
<td><strong>$13,598</strong></td>
</tr>
</tbody>
</table>

Included in loans receivable for Gore are the following items:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gore Hamilton Spectator building acquisition loan</td>
<td>$11,533</td>
<td>$11,549</td>
</tr>
<tr>
<td>Gore demand loan</td>
<td>1,356</td>
<td>1,043</td>
</tr>
<tr>
<td>Gore demand loan operations</td>
<td>10,100</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,989</strong></td>
<td><strong>12,592</strong></td>
</tr>
</tbody>
</table>

During the year, the University extended the $11,500,000 (2020 - $11,500,000) loan to Gore for an additional year. The loan has been extended to February 28, 2022. The loan bears a new fixed interest rate of 1.65% (2020 - 2.54% fixed rate).

The University has a demand loan in the amount of $1,355,999 (2020 - $1,042,809) representing distribution of net earnings for 2019 and 2020 declared by the trust. The $1,042,809 demand loan is interest free and is payable at any time at the sole discretion of the lender. During the year, the University provided an additional loan of $313,190. The demand loan bears interest at a fixed rate of 3% and is payable at any time at the sole discretion of the lender.

During the year, the University approved a $13,000,000 (2020 - $nil) non-revolving demand loan to Gore. The loan proceeds are being provided in 2 separate draws. As of April 30, 2021, McMaster has provided $10,000,000. The remaining $3,000,000 will be drawn by December 31, 2021. The loan bears interest at a fixed rate of 3%. The demand loan is payable at any time at the sole discretion of the lender.
4. Other investments (continued):

(a) The Gore District Land Trust (continued):

Pertinent information from The Gore District Land Trust's financial statements are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>December 31, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$40,089</td>
<td>$14,641</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$26,491</td>
<td>$1,043</td>
</tr>
<tr>
<td>Total trusts' equity</td>
<td>$13,598</td>
<td>$13,598</td>
</tr>
<tr>
<td>Total</td>
<td>$40,089</td>
<td>$14,641</td>
</tr>
</tbody>
</table>

Results of operations:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$619</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>306</td>
<td>-</td>
</tr>
<tr>
<td>Earnings before the undernoted item</td>
<td>$313</td>
<td>-</td>
</tr>
<tr>
<td>Gain on exchange of land</td>
<td>-</td>
<td>2,089</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$313</td>
<td>$2,089</td>
</tr>
</tbody>
</table>

Cash flows:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided by operating activities</td>
<td>(3,824)</td>
<td>(38)</td>
</tr>
<tr>
<td>Used in financing and investing activities</td>
<td>3,824</td>
<td>38</td>
</tr>
<tr>
<td>Increase in cash</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(b) The First Longwood Innovation Trust

The First Longwood Innovation (FLIT) was created by the University in 2006 to develop an entity for research, education, training, innovation and commercialization.

Details of the investment are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$10,269</td>
<td>$6,690</td>
</tr>
<tr>
<td>Equity earnings</td>
<td>(1,196)</td>
<td>3,579</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$9,073</td>
<td>$10,269</td>
</tr>
</tbody>
</table>
4. Other investments (continued):

(b) The First Longwood Innovation Trust (continued):

Included in Other assets in note 5 are two loans receivable from FLIT at April 30, 2021. One loan receivable in the amount of $454,954 (2020 - $482,219) and another loan receivable in the amount of $1,458,682 (2020 - $300,619 included in short term loan receivable).

The University is party to a Debt Service Deficiency Agreement as disclosed in note 14(c). As part of the agreement, the University receives a fee of 0.5% on the monthly outstanding balance. For the year ended April 30, 2021, $94,355 (2020 - $99,731) in income was recorded by the University.

Included in rent expense for the University for the year ended April 30, 2021 is $4,066,069 (2020 - $2,966,570). Included in accounts receivable at April 30, 2021 is $1,672,499 (2019 - $820,495) receivable from FLIT. Included in note 14(f) are $28,879,117 (2019 - $11,387,268) in operating lease commitments with FLIT.

During the year the University provided payroll services at a fee which amounted to $13,200 (2020 - $13,200) and earned interest income of $6,606 (2020 - $28,950) on the accounts receivable balance.

Pertinent information from the First Longwood Innovation Trust’s financial statements are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>December 31, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$116,659</td>
<td>$99,144</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$107,586</td>
<td>$87,276</td>
</tr>
<tr>
<td>Total deferred capital grants</td>
<td>9,073</td>
<td>10,269</td>
</tr>
<tr>
<td>Total trusts’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$116,659</td>
<td>$99,144</td>
</tr>
</tbody>
</table>

Results of operations:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$14,696</td>
<td>$14,034</td>
</tr>
<tr>
<td>Total expenses</td>
<td>15,892</td>
<td>12,260</td>
</tr>
<tr>
<td>Earnings before the undernoted item</td>
<td>(1,196)</td>
<td>1,774</td>
</tr>
<tr>
<td>Other revenue</td>
<td>-</td>
<td>1,805</td>
</tr>
<tr>
<td>Net earnings</td>
<td>(1,196)</td>
<td>3,579</td>
</tr>
</tbody>
</table>

Cash flows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided by operating activities</td>
<td>(10,086)</td>
<td>1,683</td>
</tr>
<tr>
<td>Used in financing and investing activities</td>
<td>11,117</td>
<td>(1,569)</td>
</tr>
<tr>
<td>Increase in cash</td>
<td>1,031</td>
<td>114</td>
</tr>
</tbody>
</table>

(c) Halton McMaster Family Health Centre:

The investment in the Halton McMaster Family Health Centre represents the University's contribution of the base costs to construct the building.
4. Other investments (continued):

(d) KCAP McMaster Grad GP Inc.:

The $6,464,000 (2020 - $750,000) is McMaster’s equity contribution in a partnership for two developments in downtown Hamilton. $2,564,000 has been contributed to the McMaster Graduate Student Residence which will be located at 10 Bay Street, Hamilton. The contribution is to fund various pre-construction development costs of the project that have been incurred for the mutual benefit of the partnership. $3,900,000 is McMaster’s equity contribution to facilitate the initial acquisition of a property located at 22 Bay Street, Hamilton. 22 Bay Street is located on the corner of Bay Street North & George Street.

(e) Other investments:

Other investments consist of shares in privately held companies in which McMaster does not have significant control or influence, recorded at cost.

5. Other assets:

Details of other assets are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans receivable (a)</td>
<td>$2,135</td>
<td>$697</td>
</tr>
<tr>
<td>Collections (b)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$2,135</td>
<td>$697</td>
</tr>
</tbody>
</table>

(a) Loans receivable:

The University has a loan receivable from a lessee in the amount of $221,052 (2020 - $214,912) for lease fit out costs as of April 30, 2021 (2020 - $214,912). The loan bears interest at a rate of 0% per annum and is payable over 10 years beginning in February 2016.

The University has a loan receivable from First Longwood Innovation Trust (FLIT) in the amount of $454,954 (2020 - $482,219). The loan bears interest at a fixed rate of 5.75% and is repayable in monthly payments of $4,113 over 15 years, beginning in May 2019.

During the year, the University converted the short-term non-revolving demand grid loan to FLIT, operating as McMaster Innovation Park in the amount of $1,500,000 to a long-term loan. The balance at April 30, 2021 was $1,458,682 (2020 - $300,619). The loan now has a 15-year amortization period and bears a new interest at a fixed rate of 3%.

(b) Collections:

The McMaster Museum of Art has significant collections of works of art and coins. Donations of works of art during the year amounted to $nil (2020 - $5,000).
6. Capital assets:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>Accumulated cost</th>
<th>Accumulated amortization</th>
<th>2021</th>
<th>Cost</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$88,741</td>
<td>$-</td>
<td>$88,741</td>
<td>$-</td>
<td>$88,741</td>
</tr>
<tr>
<td>Buildings and building components</td>
<td>1,437,149</td>
<td>516,672</td>
<td>920,477</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decommissioning retirement costs</td>
<td>3,238</td>
<td>1,077</td>
<td>2,161</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site improvements</td>
<td>30,128</td>
<td>16,855</td>
<td>13,273</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>80,768</td>
<td>27,043</td>
<td>53,725</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library materials</td>
<td>211,067</td>
<td>184,653</td>
<td>26,414</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment, furnishings and vehicles</td>
<td>423,001</td>
<td>350,195</td>
<td>72,806</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computing systems and computing equipment</td>
<td>148,812</td>
<td>94,733</td>
<td>53,879</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,422,704</strong></td>
<td><strong>$1,191,228</strong></td>
<td><strong>$1,231,476</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Included in buildings is $87,353,000 (2020 - $62,576,000) representing buildings currently under construction and not available for use or subject to amortization.

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable, which includes amounts payable for payroll related taxes of $4,913,000 (2020 - $3,257,000).
8. Long-term obligations:

Details of long-term obligations are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest rate</td>
<td>Current portion</td>
</tr>
<tr>
<td>Long term debt:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank term loan (a)</td>
<td>May 2033</td>
<td>floating</td>
</tr>
<tr>
<td>Debentures (b)</td>
<td>Oct 2052</td>
<td>6.15%</td>
</tr>
<tr>
<td>Debentures (c)</td>
<td>Nov 2065</td>
<td>4.105%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decommissioning obligations (d)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 756</td>
<td>$ 267,635</td>
</tr>
</tbody>
</table>

Principal payments due in each of the following five years are as follows (in thousands of dollars):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$ 756</td>
</tr>
<tr>
<td>2023</td>
<td>805</td>
</tr>
<tr>
<td>2024</td>
<td>858</td>
</tr>
<tr>
<td>2025</td>
<td>915</td>
</tr>
<tr>
<td>2026</td>
<td>975</td>
</tr>
</tbody>
</table>

(a) The bank term loan is unsecured and is being amortized over 30 years. The outstanding loan amount is subject to a 30 year interest rate swap agreement on an original notional principal of $20,954,441 with the banker whereby the University receives a floating interest rate while paying a fixed (10 year) rate of 6.384%.

(b) The debentures, which are unsecured, bear interest at 6.15% payable semi-annually in April and October. The proceeds of the issue are being used to finance various capital projects.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 11(k)), has been established to provide funds to repay the debenture principal upon maturity. An annual increase to the sinking fund is charged to operations and other annual increases represent interest income of the fund. The value of the fund at April 30, 2021 amounted to $27,218,000 (2020 - $21,531,000).

(c) The debentures, which are unsecured, bear interest at 4.105% payable semi-annually in May and November. The proceeds of the issue are being used to finance various capital projects.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 11(k)), has been established to provide funds to repay the debenture principal upon maturity. An annual increase to the sinking fund is charged to operations and other annual increases represent interest income of the fund. The value of the fund at April 30, 2021 amounted to $15,710,000 (2020 - $12,421,000).
8. Long-term obligations (continued):

(d) It is expected that the nuclear reactor will be decommissioned at some undeterminable future date. Under an agreement with the Canadian Nuclear Safety Commission (CNSC), a trust fund has been established which requires annual funding contributions to provide for the decommissioning costs. As at April 30, 2021, the fair value of the trust funds amounted to $15,026,000 (2020 - $11,701,000). The net present value of the estimated cost for decommissioning at April 30, 2021 is $14,264,000 (2020 - $13,594,000) using risk free rates ranging between 4.0% and 5.1%.

During fiscal 2015, an additional decommissioning obligation related to non-reactor radioactive materials was recognized. The obligation was recognized based on an estimated useful life of 25 years and using a risk free rate of 4.0%. At April 30, 2021, the amount of the obligation was $813,000 (2020 - $789,000), an increase of $24,000 to reflect changes in the number of non-reactor radioactive materials in service. The CNSC does not require that a trust fund be established to satisfy this obligation, however, an internal reserve to offset this obligation is included in Other internal reserves.

(e) The University has in place an interest rate swap agreement for 30 years which expires in 2033. Under the terms of the agreement, the University agrees to receive a floating interest rate on the loan (note 8(a)) while paying a fixed rate of 6.384%. The use of the agreement effectively enables the University to convert the floating rate interest obligation of the loan into a fixed rate obligation and thus manage its exposure to interest rate risk.

The notional and fair values of the interest rate swap agreement is as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notional value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-year interest rate swap</td>
<td>13,314</td>
<td></td>
</tr>
<tr>
<td>Fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(thousands of dollars)</td>
<td>(3,957)</td>
<td>(5,468)</td>
</tr>
<tr>
<td>Notional value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13,314</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3,957)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14,023</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5,468)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The change in fair value of the swap for the year ended April 30, 2021 is $1,511,000 (2020 - ($859,000)).

9. Employee future benefits:

The University maintains three contributory defined benefit registered pension plans, one for full-time hourly employees and two for salaried employees (Plan 2000 and Original Plan). The plan for hourly employees was closed to new members on March 15, 2010. The Original Plan was closed to new members on January 14, 2003 and Plan 2000 remains open to new members. The defined benefit registered pension plans provide a pension for life based on the best average earnings of the member and years of pensionable service in the plan. The University also maintains both defined contribution and non-contributory defined benefit supplementary non-registered pension plans, a retirement incentive program and a group RRSP.
9. Employee future benefits (continued):

The University additionally maintains a non-pension post-retirement benefit plan which provides health, dental and life insurance benefits to retirees, a post-employment benefit plan which provides health benefits to employees on long-term disability and a special retirement arrangement for some senior administrators. In order to satisfy its funding commitment to plan members and determine the level of required funding contributions, the University must prepare actuarial funding valuations on an ongoing and periodic basis.

The accrued benefit obligations are determined by independent actuaries and the fair values of the plans’ assets are recorded as at April 30th.

(a) Information on the accrued benefit liability is as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued benefit obligation</td>
<td>$2,389,107</td>
<td>$70,448</td>
<td>$287,287</td>
<td>$2,746,842</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>2,576,914</td>
<td>-</td>
<td>-</td>
<td>2,576,914</td>
<td></td>
</tr>
<tr>
<td>Funded status - surplus (deficiency)</td>
<td>$187,807</td>
<td>$(70,448)</td>
<td>$(287,287)</td>
<td>$(169,928)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2020</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued benefit obligation</td>
<td>$2,317,672</td>
<td>$72,237</td>
<td>$277,215</td>
<td>$2,667,124</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>2,218,678</td>
<td>-</td>
<td>-</td>
<td>2,218,678</td>
<td></td>
</tr>
<tr>
<td>Funded status - deficiency</td>
<td>$(98,994)</td>
<td>$(72,237)</td>
<td>$(277,215)</td>
<td>$(448,446)</td>
<td></td>
</tr>
</tbody>
</table>

(b) Information on the benefit expense is as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>$39,400</td>
<td>$37</td>
<td>$6,672</td>
<td>$46,109</td>
<td></td>
</tr>
<tr>
<td>Interest cost, net</td>
<td>5,559</td>
<td>3,934</td>
<td>15,348</td>
<td>24,841</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$44,959</td>
<td>$3,971</td>
<td>$22,020</td>
<td>$70,950</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2020</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>$34,104</td>
<td>$35</td>
<td>$7,675</td>
<td>$41,814</td>
<td></td>
</tr>
<tr>
<td>Interest cost, net</td>
<td>686</td>
<td>3,816</td>
<td>15,274</td>
<td>19,976</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$34,990</td>
<td>$3,851</td>
<td>$22,949</td>
<td>$61,790</td>
<td></td>
</tr>
</tbody>
</table>
9. Employee future benefits (continued):

(c) Information on remeasurements and other items is as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Investment gain</em></td>
<td>$262,758</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$262,758</td>
</tr>
<tr>
<td><em>Valuation allowance</em></td>
<td>(5,675)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>(5,675)</td>
</tr>
<tr>
<td><em>Actuarial gain (loss) on accrued benefit obligation</em></td>
<td>17,700</td>
<td>(777)</td>
<td>4,870</td>
<td>21,793</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$274,783</strong></td>
<td><strong>(777)</strong></td>
<td><strong>4,870</strong></td>
<td><strong>278,876</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2020</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Investment loss</em></td>
<td>$(112,877)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$(112,877)</td>
</tr>
<tr>
<td><em>Actuarial loss on accrued benefit obligation</em></td>
<td>3,399</td>
<td>(6,590)</td>
<td>13,334</td>
<td>10,143</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$(109,478)</strong></td>
<td><strong>(6,590)</strong></td>
<td><strong>13,334</strong></td>
<td><strong>$(102,734)</strong></td>
<td></td>
</tr>
</tbody>
</table>

(d) Information on the pension plan assets includes the following:

<table>
<thead>
<tr>
<th>Percentage of</th>
<th>Target allocation percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>total plan</td>
<td>67.7% 65.0% 32.0% 35.0% 0.3% 0.0%</td>
</tr>
</tbody>
</table>

(e) The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

<table>
<thead>
<tr>
<th>Pension</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.58% 5.55%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>3.98%</td>
</tr>
</tbody>
</table>

(f) The significant actuarial assumptions adopted in measuring the net benefit expense are as follows:

<table>
<thead>
<tr>
<th>Pension</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.58% 5.54%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>3.98%</td>
</tr>
</tbody>
</table>
9. Employee future benefits (continued):

(g) Details of annual contributions and benefits paid are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>Other</th>
<th>2020</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer contributions</td>
<td>$63,514</td>
<td>$7,078</td>
<td>$66,306</td>
<td>$7,081</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>29,292</td>
<td>-</td>
<td>28,286</td>
<td>-</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>115,573</td>
<td>$7,078</td>
<td>115,221</td>
<td>$7,081</td>
</tr>
</tbody>
</table>

(h) For measurement purposes, a 5.22% annual increase in per capita drug costs was assumed for 2019, grading down to 4.00% in and after 2031. For all other health care costs, an annual rate of increase of 4.00% was assumed.

(i) Details of actuarial valuation completion for funding purposes and filing dates of the respective plans are as follows:

- hourly rated employee pensions: completed as at January 1, 2020, the next required filing date is January 1, 2023.
- salaried employees' pensions: completed as at July 1, 2018, the next required filing date is July 1, 2021.
- other (post-retirement benefit): completed as at March 31, 2019; the next valuation date is March 31, 2022.
- other (post-employment and retirement allowance): completed as at April 30, 2021.

The results of valuations not completed as of April 30, 2021, have been extrapolated to April 30, 2021, which is the measurement date used to determine the accrued benefit obligation for all employee future benefit plans.

The July 1, 2018 valuation of salaried plans was completed using the Pension Benefit Act definition of closed plan. The definition of closed plan was amended under the Act in 2019 such that Plan 2000 no longer meets the closed plan definition and will be filed as an open plan at July 1, 2021. This change is expected to reduce the plan liabilities and the funding requirements for the Provision for Adverse Deviation upon filing the next actuarial valuation.

(j) In 2008, the University created a group RRSP for certain types of new employees. University and employees' contributions in 2021 amounted to $4,779,000 (2020 - $4,144,000).

(k) The University has internal reserves set aside in the amount of $193,519,000 (2020 - $116,252,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan included in (note 11(b)).
10. Deferred contributions:

(a) Deferred for future expenses:

Deferred contributions represent external contributions restricted for research and trust expenses to be incurred in subsequent fiscal years. Details of the change in deferred contributions are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning</td>
<td>$371,100</td>
<td>$363,168</td>
</tr>
<tr>
<td>Deferred contributions</td>
<td>377,541</td>
<td>334,774</td>
</tr>
<tr>
<td>received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts recognized as</td>
<td>(287,876)</td>
<td>(304,637)</td>
</tr>
<tr>
<td>revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred capital</td>
<td>(22,775)</td>
<td>(22,205)</td>
</tr>
<tr>
<td>contributions transfer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$437,990</td>
<td>$371,100</td>
</tr>
</tbody>
</table>

Deferred contributions consist of the following:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research grants and</td>
<td>$277,177</td>
<td>$233,612</td>
</tr>
<tr>
<td>contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations, other grants</td>
<td>138,782</td>
<td>114,511</td>
</tr>
<tr>
<td>and investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other restricted funds</td>
<td>22,031</td>
<td>22,977</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$437,990</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. Unspent deferred capital contributions are recorded as amounts not subject to amortization until such time as the capital expenditures are incurred. Details of the change in the unamortized deferred capital contributions are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning</td>
<td>$491,662</td>
<td>$505,591</td>
</tr>
<tr>
<td>Add: contribution</td>
<td>31,835</td>
<td>26,844</td>
</tr>
<tr>
<td>received and transfers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: amount amortized</td>
<td>(42,761)</td>
<td>(40,773)</td>
</tr>
<tr>
<td>to revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$480,736</td>
<td>$491,662</td>
</tr>
</tbody>
</table>

Deferred capital contributions consist of the following:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts subject to</td>
<td>$474,310</td>
<td>$484,980</td>
</tr>
<tr>
<td>amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts not subject</td>
<td>6,426</td>
<td>6,682</td>
</tr>
<tr>
<td>to amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$480,736</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
11. Internally restricted net assets:

Details of internally restricted net assets are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions (a)</td>
<td>$85,460</td>
<td>$(198,301)</td>
</tr>
<tr>
<td>Other retirement and post employment benefit plans (net) (b)</td>
<td>$(93,768)</td>
<td>$(160,963)</td>
</tr>
<tr>
<td>Employee future benefits</td>
<td>(8,308)</td>
<td>(359,264)</td>
</tr>
<tr>
<td>Unexpended departmental carryforwards (c)</td>
<td>198,753</td>
<td>196,580</td>
</tr>
<tr>
<td>Unexpended research funds (d)</td>
<td>55,334</td>
<td>44,836</td>
</tr>
<tr>
<td>Employee benefit (e)</td>
<td>11,200</td>
<td>10,360</td>
</tr>
<tr>
<td>Ancillaries (f)</td>
<td>(4,677)</td>
<td>10,300</td>
</tr>
<tr>
<td>Specific purpose (g)</td>
<td>99,664</td>
<td>82,787</td>
</tr>
<tr>
<td>Research investments (h)</td>
<td>2,353</td>
<td>1,769</td>
</tr>
<tr>
<td>MIP investment (i)</td>
<td>4,082</td>
<td>4,965</td>
</tr>
<tr>
<td>Other (j)</td>
<td>14,814</td>
<td>14,834</td>
</tr>
<tr>
<td>Sinking funds (k)</td>
<td>42,928</td>
<td>33,952</td>
</tr>
<tr>
<td>Internally financed capital projects (l)</td>
<td>(107,147)</td>
<td>(110,535)</td>
</tr>
<tr>
<td>Capital reserves (m)</td>
<td>100,215</td>
<td>64,495</td>
</tr>
<tr>
<td>Facilities services projects (n)</td>
<td>134,481</td>
<td>102,600</td>
</tr>
<tr>
<td>Other internal reserves</td>
<td>552,000</td>
<td>456,943</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$543,692</strong></td>
<td><strong>$97,679</strong></td>
</tr>
</tbody>
</table>

(a) Pensions: the net pension funding position, determined by a third-party actuary, using the funding methodology.

(b) Other retirement and post employment benefit plans (net): unfunded portion of health, dental and life insurance benefits for retirees and employees on long term disability of $287,287,000 (2020 - $277,215,000), net of employer committed funding held in internal reserves of $193,519,000 (2020 - $116,252,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan (note 9(k)).

(c) Unexpended departmental carryforwards: departmental operating reserves available for spending by faculties to protect against possible adverse circumstances such as changes in student enrolment (tuition fee impacts) and/or operating grant reductions.

Departmental and ancillary carryforwards in (c) and (f) do not reflect the share of future obligations to the related employees for settlement of pensions and other post-employment benefits costs as outlined in items (a) and (b). Allocation of these obligations to the related carryforward would reduce the available balances as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unexpended departmental carryforwards (c)</td>
<td>$198,753</td>
<td>$196,580</td>
</tr>
<tr>
<td>Ancillaries (f)</td>
<td>(4,677)</td>
<td>10,300</td>
</tr>
<tr>
<td>Employee benefit (e)</td>
<td>11,200</td>
<td>10,360</td>
</tr>
<tr>
<td>Pensions (a)</td>
<td>85,460</td>
<td>(198,301)</td>
</tr>
<tr>
<td>Other retirement and post employment benefit plans (b)</td>
<td>(93,768)</td>
<td>(160,963)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$196,968</strong></td>
<td><strong>$142,024</strong></td>
</tr>
</tbody>
</table>

(d) Unexpended research funds: represent research residual funds and other research contributions specifically to fund research operations, facilities and projects.

(e) Employee benefit: funds collected from departments toward benefit related pension and non-pension payments not yet due in the fiscal period.

(f) Ancillaries: funds accumulated to maintain existing infrastructure and/or invest in new infrastructure or projects associated with ancillary operations.
11. Internally restricted net assets (continued):

(g) Specific purpose: funds to mitigate the risks associated primarily with volatility in income from equity investments, representing accumulated realized and unrealized investment earnings (losses) after commitments to the operating fund. The primary use of this reserve is to supplement endowment funding to support student bursaries, scholarships, and other expenditures when investment income is insufficient. It may also be used to fund other strategic reserves such as the post-retirement benefits and capital reserves. In fiscal 2021, $45 million was transferred to the post-retirement benefit reserve and $25 million to the capital reserve as part of the long term funding strategy for these commitments.

(h) Research investments: represents the fair value of publicly held research entities, including accumulated realized and unrealized investment earnings, as well as the cost of privately held research entities.

(i) MIP investment: represents accumulated investment earnings from the investment in The Gore District Land Trust and The First Longwood Innovation Trust.

(j) Other: non-cash reserve which primarily represents timing differences between cash accounting and accrual accounting.

(k) Sinking funds: funds set aside to settle debt bullet repayments of $120 million due in each of 2052 and 2065.

(l) Internally financed capital projects: long term loans for capital projects which have been internally financed by capital reserves as outlined in note 11(m).

Details of the internally financed capital projects which have various recovery terms and periods are as follows:

<table>
<thead>
<tr>
<th>Project</th>
<th>Funding source</th>
<th>April 30, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stadium and Parking Project</td>
<td>Parking fees, pledges, fundraising</td>
<td>$12,407</td>
</tr>
<tr>
<td>Les Prince Residence</td>
<td>Ancillary operations</td>
<td>(12,644)</td>
</tr>
<tr>
<td>David Braley Athletic Centre</td>
<td>Student levies, pledges, fundraising</td>
<td>(2,093)</td>
</tr>
<tr>
<td>Peter George Centre for Living and Learning</td>
<td>Ancillary operations</td>
<td>(46,094)</td>
</tr>
<tr>
<td>McMaster Automotive Resource Centre (MARC)</td>
<td>Various</td>
<td>(5,197)</td>
</tr>
<tr>
<td>McMaster University Medical Centre (MUMC)</td>
<td>Various</td>
<td>(2,438)</td>
</tr>
<tr>
<td>Comprehensive Energy Reduction Program</td>
<td>Various</td>
<td>(23,837)</td>
</tr>
<tr>
<td>Biomedical Engineering and Advanced Manufacturing (BEAM)</td>
<td>Various</td>
<td>(672)</td>
</tr>
<tr>
<td>Other</td>
<td>Various</td>
<td>(1,765)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>(107,147)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project</th>
<th>Funding source</th>
<th>April 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stadium and Parking Project</td>
<td>Parking fees, pledges, fundraising</td>
<td>$12,931</td>
</tr>
<tr>
<td>Les Prince Residence</td>
<td>Ancillary operations</td>
<td>(12,644)</td>
</tr>
<tr>
<td>David Braley Athletic Centre</td>
<td>Student levies, pledges, fundraising</td>
<td>(3,473)</td>
</tr>
<tr>
<td>Peter George Centre for Living and Learning</td>
<td>Ancillary operations</td>
<td>(46,094)</td>
</tr>
<tr>
<td>McMaster Automotive Resource Centre (MARC)</td>
<td>Various</td>
<td>(5,647)</td>
</tr>
<tr>
<td>McMaster University Medical Centre (MUMC)</td>
<td>Various</td>
<td>(2,938)</td>
</tr>
<tr>
<td>Comprehensive Energy Reduction Program</td>
<td>Various</td>
<td>(24,482)</td>
</tr>
<tr>
<td>Biomedical Engineering and Advanced Manufacturing (BEAM)</td>
<td>Various</td>
<td>(889)</td>
</tr>
<tr>
<td>Other</td>
<td>Various</td>
<td>(1,437)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>(110,535)</strong></td>
</tr>
</tbody>
</table>
11. Internally restricted net assets (continued):

(m) Capital reserves: funds for planned capital projects committed and confirmed by governance approvals, as outlined in note 14(d).

(n) Facilities services projects: holding accounts for temporarily unspent funds for construction projects in progress.

12. Equity in capital assets:

The equity in capital assets is calculated as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets</td>
<td>$1,231,476</td>
<td>$1,208,455</td>
</tr>
<tr>
<td>Less amounts financed by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net long-term obligations</td>
<td>(252,396)</td>
<td>(253,097)</td>
</tr>
<tr>
<td>Deferred capital contributions subject to amortization</td>
<td>(474,310)</td>
<td>(484,980)</td>
</tr>
<tr>
<td></td>
<td>$504,770</td>
<td>$470,378</td>
</tr>
</tbody>
</table>

Details of the transfer for capital transactions are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of long-term debt</td>
<td>$709</td>
<td>$665</td>
</tr>
<tr>
<td>Capital asset purchases from operating, net of disposals</td>
<td>$77,217</td>
<td>107,737</td>
</tr>
<tr>
<td></td>
<td>$77,926</td>
<td>$108,402</td>
</tr>
</tbody>
</table>

13. Endowments:

(a) Internal:

Details of the change in internally restricted endowments are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$141,333</td>
<td>$150,410</td>
</tr>
<tr>
<td>Donations</td>
<td>59</td>
<td>248</td>
</tr>
<tr>
<td>Investment (loss) income</td>
<td>$36,030</td>
<td>(3,840)</td>
</tr>
<tr>
<td>Net transfers and expenses</td>
<td>(5,609)</td>
<td>(5,485)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$171,813</td>
<td>$141,333</td>
</tr>
</tbody>
</table>

Included in internal endowments is an amount of $78,003,000 (2020 - $64,392,000) reflecting the legacy of Dr. H. L. Hooker and $73,716,000 (2020 - $60,435,000) related to the Salaried Pension Plan surplus withdrawal from 2003. A portion of annual investment income generated from this capital is used to fund programs that enrich the academic achievements of the University as approved annually by the Board.
13. Endowments (continued):

(b) External:

Details of the change in externally restricted endowments are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$476,018</td>
<td>$500,819</td>
</tr>
<tr>
<td>External contributions</td>
<td>11,453</td>
<td>8,501</td>
</tr>
<tr>
<td>Income (withdrawn) retained - capital protection policy</td>
<td>96,932</td>
<td>(33,302)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$584,403</td>
<td>$476,018</td>
</tr>
</tbody>
</table>

Investment income on external endowments amounted to $116,321,000 (2020 - $14,671,000 loss). In accordance with the endowment capital protection policy, this income/loss is added/withdrawn to/from net endowment assets, together with reduction of the amount made available for spending of 19,394,000 (2020 - $18,759,000), plus net transfers of $5,000 (2020 - $129,000). The amount made available for spending is recorded as investment income in the statement of operations.

14. Commitments and contingencies:

(a) Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange "CURIE", a self-insurance cooperative comprised of approximately sixty Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

(b) Legal claims:

The University is involved in certain legal matters and litigation in the normal course of operations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are determined. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

(c) Debt Service Deficiency Agreement:

The University has guaranteed the scheduled principal and interest payments, up to $23 million of long-term debt extended to The First Longwood Innovation Trust, in the event of default. The total amount of debt outstanding and subject to the Debt Service Deficiency Agreement at April 30, 2021 was $18.4 million (2020 - $19.3 million). Since the agreement may expire without being drawn upon, it does not necessarily represent future cash requirements. As of April 30, 2021, no obligation exists under the agreement and as a result, no amount has been recognized as a liability on the statement of financial position.

(d) Capital commitments:

The estimated cost to complete approved major capital and system projects amounted to $339.1 million at April 30, 2021 (2020 - $294.4 million). The major commitments are as follows: DeGroote School of Business expansion ($125.1 million), PeakShavers and Boilers project ($31.2 million) and Commercialization of Research ($45.8 million).

(e) Energy Retrofit Agreement:

In 2007, the University signed a multi-year agreement with Hamilton Health Sciences Corporation ("HHSC") when HHSC undertook a significant energy retrofit project at the McMaster University Medical Centre. Under the terms of the agreement, the University is required to pay approximately 40% of the related costs of the retrofit project. At April 30, 2021, the University’s remaining share of the costs is estimated to be $7.8 million (2020 - $8.6 million). Payments to HHSC will take place up to 2029.
14. Commitments and contingencies (continued):

(f) Leases:

The University has entered into operating lease agreements for office equipment and buildings. The total annual minimum lease payments in each of the next five years are approximately as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$5,749</td>
</tr>
<tr>
<td>2023</td>
<td>6,753</td>
</tr>
<tr>
<td>2024</td>
<td>6,631</td>
</tr>
<tr>
<td>2025</td>
<td>4,876</td>
</tr>
<tr>
<td>2026</td>
<td>4,871</td>
</tr>
</tbody>
</table>

(g) McMaster Main Street Student Residence:

The University is working with a private developer to provide an approximately 1,400 bed undergraduate residence that includes learning, research and additional ancillary university spaces along Main Street West on lands McMaster owns. The project land once developed will be an extension of main campus. At April 30, 2021, $16.3 million (2020 - $16.3 million) is recorded in land. The project is expected to be completed by 2023/24. The residence will be managed, operated and used by the University to support its mission.

(h) Grad Residence and Parking Garage:

The University is working with a private developer to provide a new graduate residence with approximately 630 beds and a 265 space parking garage in downtown Hamilton. The residence project is designed to be a public-private partnership project, for which the University is in ongoing negotiations. The project is expected to be completed by 2023/24. To support this project the University has entered into a 99 year land lease effective October 1, 2019, with four 25 year renewal options.

(i) Research Commercialization:

In June 2017 the Board approved an investment of up to $25 million in facilities at MIP, including up to $5 million in in-kind rental space and rent subsidies over the next five years in exchange for leases and other financial arrangements, which may include equity interest in one or more of the entities renting the space. The Board approved additional investments of up to $25 million in June 2018 and up to $13 million in June 2020. In June 2021 an additional investment of up to $7 million was approved. These facilities investments are in support of research commercialization opportunities for early stage commercialization and established businesses. Construction on this space has begun and third party tenants moved in into the space in fiscal 2021. $22 million of the total $70 million approved investment has been spent as of April 30, 2021 (2020 - $17.3 million).

(j) Issuance of Debentures:

In June 2021 the Board approved the issuance of up to $125 million in Senior Unsecured Series B Debentures ("Series B Debentures") and up to $25 million in Senior Unsecured Series C Debentures ("Series C Debentures"). Series B Debentures of $125 million were issued at 3.405% per annum with a maturity date of June 2071. The $125 million proceeds will be used to fund capital projects and for general corporate purposes of the University as directed or approved by the Board of Governors. Series C Debentures of $25 million were issued at 3.255% per annum with a maturity date of June 2051. The $25 million proceeds with be used to finance and/or refinance eligible green projects as directed or approved by the Board of Governors. As a result, Long-term obligations will increase by $150 million for the fiscal year ended April 30, 2022. Voluntary sinking funds were established in June 2021 to provide funds to repay the debentures' principal upon maturity. A sinking fund of $12.5 million was established for the Series B Debentures debentures and a sinking fund of $2.5 million for the Series C debentures. Annual increases to the sinking funds will be charged to operations and other annual increases represent interest income of the fund. The sinking funds will be reflected in internally restricted net assets for the year ended April 30, 2022.
15. Other income:

Details of other income are as follows:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>Major Sources</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty of Health Sciences</td>
<td>Non-degree educational fees, specifically funded programs, international postgraduates stipends, space/equipment rentals, other student fees</td>
<td>$57,955</td>
<td>$57,821</td>
</tr>
<tr>
<td>Other Faculties</td>
<td>Non-degree educational fees, international postgraduate stipends, space/equipment rentals, other student fees</td>
<td>7,862</td>
<td>10,218</td>
</tr>
<tr>
<td>Academic Services</td>
<td>Contracts and patent royalties, registrar administration fees</td>
<td>10,475</td>
<td>10,724</td>
</tr>
<tr>
<td>Student Services</td>
<td>Athletics and Recreation memberships and user fees</td>
<td>15,553</td>
<td>20,237</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Nuclear reactor sales, application fees, late payment fees, sales of utilities and other departmental sales</td>
<td>21,242</td>
<td>19,800</td>
</tr>
<tr>
<td>Other Investment Income</td>
<td>Gore, FLIT, Adiga Life Sciences Inc. and all private or publicly traded entities.</td>
<td>290</td>
<td>3,383</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$113,377</strong></td>
<td><strong>$122,183</strong></td>
</tr>
</tbody>
</table>

16. Related party transactions:

In addition to certain transactions and balances disclosed in note 4, the University received funds of approximately $196,000 (2020 - $2,142,000) during the year from fundraising entities.

17. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. In managing liquidity risk, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur and to provide it with the flexibility to take advantage of opportunities that will advance its mission. The need for sufficient liquid resources is considered in the preparation of its annual and capital budgets and by monitoring and forecasting of cash flows. The University has a $75 million line of credit. The credit facility can be used for general corporate purposes including shorter term funding in the event of a short-term deficiency in cash flow. The line of credit was not used in 2021. In addition, the University could issue unsecured debentures or enter into other long term debt to assist in the financing of capital projects. There has been no material change to the risk exposure from 2020.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University is exposed to credit risk with respect to accounts receivable. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts (note 3).

(c) Interest rate risk:

The University is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2 and the long-term obligations are included in note 8.

(d) Currency risk:

Investments denominated in foreign currency are exposed to currency risk as the price in local terms in foreign markets is converted to Canadian dollars to determine fair value. The University's overall currency positions are monitored on a daily basis by the portfolio manager. There has been no material change to the risk exposure from 2020.
18. Ontario student opportunity trust fund:

External endowments include grants for funding student aid provided by the Government of Ontario's Student Opportunity Trust Fund matching program. Under the program, the Province has matched qualifying external endowment donations received with equal contributions.

(a) Ontario Student Opportunity Trust Fund - Phase I

The following schedule represents the changes for the years ended April 30th, in the first phase of the Ontario Student Opportunity Trust Fund (OSOTF I) balance:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment balance, beginning of year</td>
<td>$32,271</td>
<td>$32,163</td>
</tr>
<tr>
<td>Investment income retained for protection of capital</td>
<td>(854)</td>
<td>540</td>
</tr>
<tr>
<td>Investment income transferred to expendable income</td>
<td>(238)</td>
<td>(432)</td>
</tr>
<tr>
<td>Endowment balance, end of year</td>
<td>31,179</td>
<td>32,271</td>
</tr>
<tr>
<td>Funds available for awards, beginning of year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,669</td>
<td>1,583</td>
</tr>
<tr>
<td>Bursaries awarded (2021 - 1,622 awards; 2020 - 1,993 awards)</td>
<td>(1,907)</td>
<td>(2,015)</td>
</tr>
<tr>
<td>Investment income transferred from endowment balance</td>
<td>238</td>
<td>432</td>
</tr>
<tr>
<td>Funds available for awards, end of year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total funds at book value</td>
<td>$31,179</td>
<td>$32,271</td>
</tr>
</tbody>
</table>

The market value of the endowment as at April 30, 2021 was $44,878,000 (2020 - $37,157,000).

(b) Ontario Student Opportunity Trust Fund - Phase II

The Ontario government requires separate reporting of balances as at April 30th, and details of the changes in the balances for the period then ended with respect to the second phase of the Ontario Student Opportunity Trust Fund (OSOTF II) of McMaster University including Divinity College.

The following is the schedule of changes for the years ended April 30th:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment balance, beginning of year</td>
<td>$6,018</td>
<td>$6,178</td>
</tr>
<tr>
<td>Investment income transferred to retained for protection of capital</td>
<td>164</td>
<td>(160)</td>
</tr>
<tr>
<td>Endowment balance, end of year</td>
<td>6,182</td>
<td>6,018</td>
</tr>
<tr>
<td>Funds available for awards, beginning of year</td>
<td>56</td>
<td>72</td>
</tr>
<tr>
<td>Investment income for expenditures</td>
<td>294</td>
<td>289</td>
</tr>
<tr>
<td>Bursaries awarded (2021 - 374 awards; 2020 - 377 awards)</td>
<td>(271)</td>
<td>(305)</td>
</tr>
<tr>
<td>Funds available for awards, end of year</td>
<td>79</td>
<td>56</td>
</tr>
<tr>
<td>Total funds at book value</td>
<td>$6,261</td>
<td>$6,074</td>
</tr>
</tbody>
</table>

The market value of the endowment as at April 30, 2021 was $8,282,000 (2020 - $6,894,000).
19. Ontario trust for student support:

External endowments include grants for funding student aid provided by the Government of Ontario’s Ontario Trust for Student Support (OTSS) matching program. Under the program, the Province will provide an equivalent matching contribution for external endowment contributions made to a specified ceiling.

The following is the schedule of changes in the endowment and expendable balances for the years ended April 30th:

<table>
<thead>
<tr>
<th>(thousands of dollars)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment balance, beginning of year</td>
<td>$39,022</td>
<td>$39,915</td>
</tr>
<tr>
<td>Investment income (transferred to) retained for protection of capital</td>
<td>1,285</td>
<td>(893)</td>
</tr>
<tr>
<td>Endowment balance, end of year</td>
<td>40,307</td>
<td>39,022</td>
</tr>
<tr>
<td>Funds available for awards, beginning of year</td>
<td>841</td>
<td>935</td>
</tr>
<tr>
<td>Investment income for expenditures</td>
<td>1,720</td>
<td>1,746</td>
</tr>
<tr>
<td>Bursaries awarded (2021 - 690 awards; 2020 - 774 awards)</td>
<td>(1,808)</td>
<td>(1,840)</td>
</tr>
<tr>
<td>Funds available for awards, end of year</td>
<td>753</td>
<td>841</td>
</tr>
<tr>
<td>Total funds at book value</td>
<td>$41,060</td>
<td>$39,863</td>
</tr>
</tbody>
</table>

The market value of the endowment as at April 30, 2021 was $60,142,000 (2020 - $49,994,000).

20. Pledges:

Outstanding but unrecorded pledges for donations and other fund raising amounted to approximately $86,333,000 (2020 - $79,062,000) (Unaudited).

21. Impact of COVID-19 pandemic:

In March 2020, the World Health Organization declared the spread of coronavirus (“COVID-19”) to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions in and out of and within Canada, barring gathering of people and requirements to stay at home. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions. The entire 2020-21 academic year remained mostly in an online format with some exceptions where access to campus facilities were required.

As a result of the reduced on-campus activity, campus services such as residences, food, and parking were particularly hard hit and experienced significant reductions in revenues. However, due to high demand enrolment targets were exceeded and increased over 2020 levels. In addition, volatility and declines in the global public equity markets towards the end of fiscal 2020 recovered their losses and generated strong returns in fiscal 2021. It is uncertain whether market volatility relating to COVID-19 will occur again in the near future.

The University is currently planning for a phased return to campus with significant online and hybrid elements with some on-campus instruction in the fall of 2021, and mostly on-campus teaching, learning and work, with online and hybrid elements as needed in the winter of 2022. Enrolment targets are expected to be achieved. As a result, as at April 30, 2021, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Management has assessed the going concern assumptions and believes there are no issues, given the University has a strong working capital base and access to liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.