McMaster University | UNIVERSITY SECRETARIAT

Board of Governors | Senate
Gilmour Hall, Room 210
1280 Main Street West
Hamilton, ON L8S 4L8

(905) 525-9140 x 24337
board@mcmaster.ca
senate@mcmaster.ca
secretariat.mcmaster.ca

BOARD OF GOVERNORS

9:00 AM, Thursday, October 26, 2023
Gilmour Hall, Council Room (Room 111)

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.

Page

OPEN SESSION

1. Remarks from the Chair (9:00 AM)

2. Notice of Meeting

3. Approval of the Agenda - Open Session

4. Declarations of Conflict of Interest

OPEN SESSION - CONSENT

5. Minutes of the Previous Meetings – June 8, 2023 and June 27, 2023 (Open Session)

8 - 21 *Approval*

1. Minutes - Open Session - Board of Governors - June 8, 2023
2. Minutes - Open Session - Board of Governors - June 27, 2023

6. Reports Received for Information

1. Health, Safety and Well-being Report
Information

22 - 29 Health Safety and Well-being Report

7. Recommendation from the Chair

1. Designating a Committee under the Tenure and Promotion Policy
Approval

30 - 34 Memo - Designating a Committee under the Tenure & Promotion Policy
Tenure and Promotion Policy - Section VI

8. Committee Reports

1. Executive and Governance Committee

a. Actions Taken on Behalf of the Board
Information

35 Memo from the Executive and Governance Committee

36 - 43 i. Board, Standing Committee, Judicial Panels List

ii. Report from the Senate

1. Revised Terms of Reference – The Walter G. Booth Chair in Engineering Entrepreneurship and Innovation
2. Revised Terms of Reference – Class of 1962 Mechanical Engineering Chair in Eco-Entrepreneurship

2. Planning and Resources Committee

44 - 45 Report from the Planning & Resources Committee

a. Appointment of Trustees to the McMaster University UK Trust
Approval
46 Appointment of Trustees to the McMaster University UK Trust

b. Statement of Investment Policies and Procedures - Hourly Pension Plan
Information
47 Statement of Investment Policies and Procedures Hourly Pension Plan

c. Annual Investment Performance Report on Cash & Short-term Investments
Information
48 Annual Investment Performance Report on Cash & Short-term Investments

d. Classroom Renovations 5-year Close-Out Report
Information
49 - 70 Executive Summary- Classroom Renovations 5-year Close-Out Report
Classroom Renovations 5-year Close-Out Report

e. Capital Funding and Expenditure Report
Information

71 - 81 Executive Summary - Capital Funding and Expenditure Report
Capital Funding and Expenditure Report

2. Remunerations Committee

82 Report from the Remunerations Committee

a. Request for Ratification - Unifor, Local 5555, Unit 4 (Special Constables)
Approval

83 - 87 Executive Summary - Request for Ratification - Unifor, Local 5555, Unit 4 (Special Constables)
Summary of Tentative Agreement - Unifor, Local 5555 Unit 4 (Special Constables)

OPEN SESSION - REGULAR

9. Business Arising

10. Communications

11. President's Report to the Board (9:10 AM)
D. Farrar
Information

88 - 98 President's Report to the Board

12. Committee Reports

1. Executive and Governance Committee (9:35 AM)

99 Report from the Executive and Governance Committee

a. Tobacco & Smoke Free University Policy
Approval

100 - 117 Tobacco & Smoke Free University Policy - CURRENT POLICY (2018)
Tobacco & Smoke Free University Policy - 2023- TRACK CHANGES
Tobacco & Smoke Free University Policy - 2023 CLEAN

b. President's Update on Strategic Plan
Information

118 - 138 President's Update on Strategic Plan

2. Planning and Resources Committee (9:45 AM)

139 Report from the Planning & Resources Committee

a. December 31, 2022 FLIT Financial Statement (McMaster Innovation Park)
T. Shattuck & S. Tran
Receive
140 - 166 December 31, 2022 FLIT Financial Statements

b. Statement of Investment Policies and Procedures - Salaried Pension Plan including Update on Asset Mix
Approve
167 - 252 Statement of Investment Policies and Procedures - Salaried Pension Plan including Asset Mix Update

3. Audit & Risk Committee (9:55 AM)

253 Report from the Audit and Risk Committee

a. Annual Financial Report (including Variance Report)
L. Scime
254 - 300 *Approval*
Executive Summary - Annual Financial Report
i. Annual Financial Report (including Variance Report)

301 - 336 *Approval*
ii. Draft Audited Financial Statements

337 - 349 *Approval*
Executive Summary - Financial Risk Report
iii. Financial Risk Report

350 - 351 *Information*
iv. Affiliates and Associations - Annual Status Report

13. Presentation to the Board of Governors (10:30 AM)

Dr. K. Hassanein, Dean, Faculty of Business
DeGroote School of Business

BREAK (10:50 AM)

GOVERNANCE BODY	Board of Governors/Audit & Risk Committee
ITEM/SUBJECT	Health, Safety and Well-being Report
DATE	October 19, 2023
LEAD(S)	Wanda McKenna, Associate Vice-President & Chief Human Resources Officer Maggie Pooran, Executive Director, Health, Safety, Well-being & Labour Relations Dane DeMan, Associate Director, University Health & Safety
GOVERNANCE PATH	Board of Governors/Audit & Risk Committee
MOTION (*If this is for information only, please note here)*	For information
**JURISDICTION (*If applicable)* ****include associated bylaw or policy*	RMM 100 – Workplace and Environmental Health and Safety Policy
SUPPLEMENTAL MATERIALS	N/A

EXECUTIVE SUMMARY

This report is presented as a regular update by the Health, Safety, Well-being & Labour Relations portfolio of Human Resources Services, which works in cooperation with other University partners to promote the health, safety, well-being, and engagement of all McMaster employees. Highlights from the report include:

- Mandatory health and safety training revitalization project update. First of a series of updated training modules launched October 2, 2023.
- Fall 2023 COVID-19 adjustments to health and safety measures. Includes retiring of the McMaster vaccination policies, MacCheck vaccination validation tool, Mosaic COVID-19 positive case reporting tool and introduction of new illness prevention webpage.
- Initiation of a University incident reporting and response review through the Vice-President of Operations and Finance.
- Summary of injuries, incidents and hazardous situations reported over the reporting period.
- Summary of Ministry of Labour, Immigration, Training, and Skills Development visits over the reporting period.
- WSIB Lost Time and Health Care Claims Update.
- Summary of workplace wellbeing initiatives over the reporting period.

BACKGROUND

Quarterly update on the health, safety, and well-being programming at the University.

STRATEGIC ALIGNMENT

The University health, safety and well-being programming promotes a healthy and safe environment where all members of the community can work towards the strategic priorities of inclusive excellence, teaching and learning, research and scholarship, engagement with community and operational excellence.

RISK AND RISK MITIGATION STRATEGIES

N/A

RECOMMENDATIONS AND NEXT STEPS

N/A

KEY TERMS

The Risk Management Manual (RMM) contains the programs and policies designed to implement and support the Risk Management System at the University.

https://hr.mcmaster.ca/employees/health_safety_well-being/our-safety/risk-management-manuals-rmms/

QUESTIONS AND ANSWERS

N/A

Health, Safety and Well-being Report

Report 2023-1 for the period January 1, 2023 – June 30, 2023

This report is presented by the Health, Safety, Well-being & Labour Relations portfolio of Human Resources Services, which works in cooperation with other University partners to promote the health, safety, well-being, and engagement of all McMaster employees.

Training and Loss Prevention Initiatives

- The University Health and Safety (UHS) team has finalized a new mandatory health and safety training module as part of the training revitalization project. The new module is a combination of four previous mandatory training modules; Slips, Trips, & Falls, Asbestos Awareness, Fire Safety, Ergonomics – S.A.F.E., which launched October 2, 2023.

- The UHS team and Faculty of Health Sciences Safety Office (FHSSO) continue to facilitate the University joint health and safety committee structure, which includes ongoing support and expert advice to 28 committees, most of which meet monthly. The Central JHSC meets regularly to provide strategic oversight to the local JHSCs. The UHS team is preparing for a strategic refocus of the Central JHSC as part of various efforts to expand University health and safety culture.

- Fall 2023 COVID-19 recommendations were approved by the President and Vice-President's group. The recommendations include the retiring of University vaccination policies, the MacCheck and AppArmour vaccination validation tools, and the Employee positive COVID-19 case reporting tool. Facility Services will continue to maximize building ventilation where possible. Individuals will be encouraged to self-screen and stay home if feeling unwell and to remain up to date on vaccinations. A new 'Guidance for Illness Prevention' website has been created to be shared with the University community. https://hr.mcmaster.ca/employees/health_safety_well-being/communicable-illnesses-prevention/

- The UHS team provided support and expert student event risk management guidance to all stakeholders involved in the Fall 2023 Welcome Week activities. This support included the review and approval of numerous Welcome Week events hosted both on and off campus by Faculty Societies and MSU student clubs.

- The UHS team has completed three modules as part of the WISB Health and Safety Excellence Program. The modules have been submitted for review and approval by the WSIB after which a WSIB financial rebate is anticipated. This marks the second year of participation in the program.

- 2023 Safety and Health Week programming was completed in May 2023. The program included a large vendor fair and barbecue to support recognition of health and safety at McMaster and all joint health and safety committee member volunteers. The 2023 annual

Health and Safety Award of Excellence was also presented to Daryl Hartz as a member of the University community who went above and beyond their day-to-day work activities as a champion for workplace health and safety. This longstanding initiative is an important component of the health and safety culture at McMaster.

- The UHS team has updated the McMaster First Aid program. This includes standardizing first aid kit locations to building lobbies in all academic and administrative buildings. An initial pilot of ten building locations is underway with a larger rollout planned over the course of the 2023-2024 academic year. Additional certified first aiders are being actively recruited for campus buildings as the need has increased due to flexible/hybrid working arrangements.

- The Vice-President of Operations and Finance (VPOF) has initiated a review of injury/incident reporting and response at McMaster. The review is intended to examine current processes and seek opportunities to streamline injury/incident reporting for McMaster community members as well as strengthen internal processes for injury/incident response. The UHS team is working directly with the VPOF Office, internal stakeholders and an external review consultant to assist in facilitating this work.

Injuries/Incidents

The following summarizes injuries, incidents and hazardous situations reported to UHS & FHSSO over the reporting period. Prevention programming related to the 3 most frequent injury types includes focused education and awareness on Cuts & Lacerations/Abrasion/Contusion for staff using knives in Hospitality Services and needlestick incidents in the Faculty of Health Sciences, and both Ergonomics & Slips/Trips/Falls programming for Sprain/Strain prevention.

Type of Injury	January 1 – June 30, 2023		
	Employee	**Student**	**Visitor**
Cuts & Lacerations	30	23	2
Abrasion/Contusion	29	2	2
Sprain/Strain	26	1	1
Medical Symptoms (faint, fatigue, head, thoracic, abdominal, insect etc.)	22	0	1
Burn	6	5	0
Psychological	11	0	0
Irritation (epidermis, eyes, ears)	3	7	0
Puncture	2	8	0
Fracture	3	2	0
Fainting	4	1	0
Total	**136**	**49**	**6**
Hazard (no injury)	**58**	**13**	**2**

*Incident data is used by the HSWLR team to examine trends and identify opportunities for new programs, enhancements to existing programs, and where necessary, targeted prevention initiatives in specific subject areas or Faculties/Departments within the University.

Critical Injuries

The University reported 4 critical injuries during the reporting period (summarized above).

Regulatory Visits

There were 6 regulatory visits by the Ministry of Labour, Immigration, Training and Skills Development (MOLTSD) during the reporting period.

Note – Several of the MOLTSD visits listed below were prompted by Noise Induced Hearing Loss (NIHL) Claims to the WSIB. When notice of an occupational illness is received from the WSIB, employers have an obligation to report to the MOLTSD under section 52 of the Occupational Health and Safety Act. The NIHL claims noted below were submitted by former employees who began working at McMaster when noise control programming was not in place. The current Noise Control and Hearing Program (RMM 403) has been reviewed and deemed acceptable by the MOLTSD.

February 15, 2023

MOLTSD visited to investigate a Noise Induced Hearing Loss claim from a former worker who had worked in the Faculty of Engineering Machine Shop. **No orders issued.**

MOLTSD visited to investigate a Noise Induced Hearing Loss claim from a former worker who worked as a Fire Technician in Facility Services. **No orders issued**.

MOLTSD visited to investigate a report of a critical injury. A student twisted their ankle while walking down a flight of stairs in a classroom which resulted in a fracture. **No orders issued**.

MOLTSD visited to investigate a report of a critical injury. An employee stepped off a curb with slush due to weather conditions, and slipped and fell on the roadway, resulting in a fractured right ankle. **No orders issued**.

MOLTSD visited to conduct an inspection of the x-ray safety program to assess compliance with the Occupational Health and Safety Act and the X-ray Safety Regulation (O. Reg. 861/90). **5 orders issued related to one x-ray device. Orders were managed by McMaster University Health Physics and closed on April 21, 2023.**

February 24, 2023

MOLTSD visited to investigate an anonymous concern regarding safe work practices in the McMaster Biointerfaces Institute. **No orders issued.**

March 1, 2023

MOLTSD visited to investigate a report of a critical injury. A worker lost consciousness in a laboratory in the Arthur Bourns Building. Order issued to secure the scene for further investigation. Investigation revealed no workplace contributing factors. **No further orders issued.**

April 24, 2023

MOLTSD visited as a follow up to the Noise Induced Hearing Loss Claim in the Faculty of Engineering Machine Shop. Advice was provided on updates to the McMaster Hearing

Conservation Program and a general inspection was conducted. **No orders issued.**

May 10, 2023

MOLTSD visited to investigate a Noise Induced Hearing Loss claim from a former employee within Facility Services ET Clarke Boiler Room. **No orders issued.**

June 6, 2023

MOLTSD visited to investigate a report of a critical injury. An employee was in the washroom on the first floor of Gilmour Hall and rolled their ankle, resulting in a fracture. No workplace contributing factors identified. **No orders issued.**

WSIB Lost Time and Health Care Claims Update

The Employee Health & Well-being Team actively manages WSIB as well as salary continuance, sick leave, employee accommodation requests and long-term disability claims. This team 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 six years. As our population grows and we continue to develop new properties and work locations our number of incidents may increase and therefore increase claim costs.

	2018	2019	2020	2021	2022	2023 Jan to June 30
Total Claims Reported to WSIB	123	134	42	66	76	43
Approved No Lost Time Injuries	69	69	29	33	36	17
Approved Lost Time Injuries	20	33	2	18	18	11
Lost Time Days	127	363	44	113	303	84
Average Lost Time Duration	6.35	11	22	6.28	16.8	7.6

Early intervention and the focus of early and safe return to work has been important in reducing lost time days for lost time claims in 2023. Below is summary of the duration of lost time claims, noting that one claim is 50% of all the lost time for 2023 to date.

- 6 lost time claims were less than 5 days.
- 4 lost time claims were between 5 – 15 days.
- 1 claim was 41 days.

Workplace Well-being Initiatives

Organizational well-being is supported by addressing the 13 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 4 determinants of health and well-being: mental, physical, social, and financial. Activities during the reporting period include:

Mental Health & Well-being

- Certified 25 University employees as facilitators for *The Working Mind* program developed by the Mental Health Commission of Canada.
- Delivered 10 sessions of *The Working Mind* (8 for people leaders, and 2 for staff), training a total of 250 McMaster employees.
- Developed a pilot Well-being Ambassador program, including 12 employee ambassadors across the institution.
- Led and supported the launch of a new psychological health and safety website, including substantial resourcing surrounding workload management and balance.
- Delivered and facilitated virtual sessions regarding Psychological Health and Safety, as well as workload for people leaders and employees.
- Delivered custom coaching, teambuilding and workshop sessions on topics including Change Fatigue, Perfectionism, Boundary Setting for Well-being, and Collaborative Self-Care.

Physical Health & Well-being

- Mac Moves program, in collaboration with other campus wellness partners, to deliver physical wellness programs to over 150 employees.
- Delivered valued community engagement programming in partnership with the Hamilton Bulldogs, including family ice-skating for over 300 employees.

Social Health & Well-being

- Raised over $280,000 for the United Way of Hamilton and Halton through our community United Way Campaign.
- Recognized 23 employees with President's Awards for Outstanding Service.
- Recognized 400+ employees celebrating service milestones between 10 and 45 years.
- Delivered the Inspiring from Within Employee Conference for over 150 employees, focusing on psychological well-being and resilience.

Financial Health & Well-being

- Delivered quarterly retirement planning program.
- Delivered free employee well-being virtual sessions on topics relating to resilient parenting, staying organized, and financial literacy.

McMaster University

UNIVERSITY SECRETARIAT
- Board of Governors
- Senate

Gilmour Hall, Room 210
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4L8

Phone: 905.525.9140, Ext. 24337
Fax: 905.526.9884
E-mail: univsec@mcmaster.ca
http://www.mcmaster.ca/univsec

October 18, 2023

TO: Board of Governors

FROM: Jane Allen
Chair, Board of Governors

SUBJECT: Designating a Committee under the Tenure & Promotion Policy

---

Please find attached Section VI of the *McMaster University Revised Policy and Regulations with Respect to Academic Appointment, Tenure and Promotion,* the "Policy".

According to the terms of the McMaster University Act (1976), the Board of Governors has the power to remove a faculty member and as outlined in the Policy, that decision and process can be designated to a committee.

I recommend that the Board of Governors designate the Executive and Governance Committee to receive recommendations and to act in accordance with the relevant sections of the Policy, on behalf of the Board of Governors. Further, the Board agrees to be bound by the decision(s) of the Executive and Governance Committee in compliance with Section VI of the Policy.

Cc S. Tighe, Provost & Vice-President (Academic)

SECTION VI

Procedures for Removal

1. “Removal” means the termination by the University of the appointment of a faculty member on a tenured or permanent appointment without the consent of the appointee before his or her retirement, or the termination by the University of the appointment of a faculty member on a tenure-track or teaching-track appointment or contractually limited appointment before the end of its stated period without the consent of the appointee. It follows that the non-renewal of a contractually limited appointment or the decision not to grant tenure at the end of a tenure-track appointment, or permanence at the end of a teaching-track appointment, does not constitute removal. Further, the lapsing of an appointment by reason of the time limitations on contractually limited and tenure-track or teaching-track appointments, which are stipulated in Section II, clauses 7, 12(d) and 14, does not constitute removal.

2. Under the terms of *The McMaster University Act (1976)*, only the Board of Governors has the power to remove a faculty member, and the *Act* stipulates that the Board may exercise this power only after consulting the Senate. The Senate, through its Senate Committee on Appointments, shall exercise its authority under the *Act* to recommend the removal of a faculty member only when adequate cause has been established by the Hearing Committee according to the procedures described in this Section. The Senate and the Board of Governors and their committees shall be bound by the findings, in regard to the establishment of adequate cause, of the Hearing Committee referred to in clauses 9 and 10 below.

3. a. In general terms, “adequate cause” for removal exists if it has been established that a faculty member has unreasonably neglected his or her academic responsibilities, or has been guilty of such unethical academic behaviour as to impair his or her usefulness as a member of the University. However, it is understood that the words “adequate cause” must necessarily be interpreted in the context of each removal case. The subsequent paragraphs of this Section specify a sequence of procedures to be followed that will assure that the question of what constitutes “adequate cause” for removal will have careful consideration in the circumstances of each removal case.

   b. Physical or emotional inability to carry out reasonable duties shall not be a reason for removal.

   c. For purposes of this document, “adequate cause” for removal shall not be construed as including the University’s financial difficulties or lack of money to pay the faculty member’s salary.

4. If the President intends to initiate action leading to the removal of a faculty member, he or she shall first notify the member in writing of this intention together with the reasons for such action, and invite the faculty member to a meeting to discuss the reasons and the intended action. This notice shall be sent to the faculty member’s home address via courier.

5. Subject to the agreement of the faculty member against whom removal proceedings have been instituted, a Faculty Association observer shall be permitted to be present at any meetings between the two parties, including the meetings described in clauses 4 and 6 and at the hearing described in clauses 12 and 13, and to receive all the documentation available to the faculty member. Such an observer shall be non-participating and subject to the “Guidelines for Faculty Association Observers at Removal Proceedings” (Appendix B, SPS D3).

6. The meeting referred to in clause 4 above shall be held under the following conditions:

   a. By mutual agreement, it shall take place on a date which will not be fewer than seven and not more than 21 days from the date of mailing of the President’s letter (as indicated in clause 4); failing mutual agreement, on a date to be set by the President.

   b. Those present, besides the President and the faculty member concerned, shall be:

  - i. one member of the academic administration, to be chosen by the President;
  - ii. the Chair or Acting Chair of the faculty member's Department;
  - iii. an advisor, counsel or an agent, chosen by the faculty member concerned, if he or she wishes such a person to be present;
  - iv. a disinterested Professor or Associate Professor with tenure or permanence, acceptable to the President and the faculty member concerned, if one can be found by the date set for the meeting.

c. If the faculty member fails to or declines to attend the meeting, the meeting shall nevertheless take place, and the President, after the meeting, may proceed as set out in clause 7 below.

7. If, after this meeting, the President still intends to proceed with the action, the President shall, within 14 days of the date of the meeting, so inform the member in writing, to the home address via courier, communicating at that time a precise description of the charges against the member in sufficient detail to enable the faculty member to prepare a defence.

8. After the meeting described in clauses 4 and 6 above, or at any subsequent stage in the proceedings, the President may, at his or her discretion, temporarily suspend the faculty member until the matter has been decided. Unless a tribunal has recommended otherwise, the suspension shall be with pay.

9. The faculty member shall have 14 days from the date of mailing of the President's letter mentioned in clause 7 above to decide whether to contest the action and to so inform the President. If the faculty member informs the President that he or she intends to contest the action, or if the faculty member informs the President that he or she does not intend to contest the action, but does not submit at the same time his or her resignation from the University, or if the faculty member fails to communicate with the President by the deadline specified herein, the President shall so inform the Senate and the Senate shall proceed immediately to establish a Hearing Committee.

10. Recommendations concerning the membership of the Hearing Committee shall be made to Senate by the Tenure and Promotion Appeals Nominating Committee of Senate. The Hearing Committee shall be composed of three tenured, or permanent, full-time Professors of the University who are at "arm's length" from the faculty member concerned, from the President and from any other administrator who may be involved. The Hearing Committee shall normally consist of one Professor from the faculty member's Faculty and two from outside of it. Both the faculty member and the President shall be informed of the names under consideration by the Nominating Committee and shall express to it independently, in writing, any objections they may have concerning any of the proposed members of the Hearing Committee. The Nominating Committee shall consider carefully any such objections before forwarding its recommendations on the membership of the Hearing Committee to the Senate for approval.

11. In Senate's approval of the Hearing Committee membership and in all subsequent deliberations of the Senate Committee on Appointments and of the Board (or its designated committee) having to do with the case for removal that is under consideration, the President shall not participate in the discussion nor cast a vote.

12. The Hearing Committee, once chosen, shall begin its proceedings as soon as possible. The Hearing Committee may engage counsel but shall not engage the University's Solicitor for this purpose.

13. The proceedings of the Hearing Committee shall be conducted expeditiously and in strict fairness to the University and the faculty member concerned. As its first task, the Hearing Committee shall meet with the faculty member concerned and a representative of the President to decide whether or not the proceedings shall be held in camera, as permitted by the *Statutory Powers Procedure Act*. If both parties agree, the proceedings shall be held in camera throughout.

    The following procedures shall also be observed:

    a. The members of the Hearing Committee shall select one of their number to act as Chair. The Chair shall have primary responsibility for the orderly conduct of the proceedings.

b. The University shall be represented during the proceedings by the President or a faculty member chosen by the President as his or her representative.

c. The Secretary of the Senate shall serve as Secretary and shall be responsible for notifying all persons concerned of the time and place of the proceedings.

d. The charges against the faculty member shall be restricted in substance to those recorded in the President's letter mentioned in clause 7.

e. The onus shall be on the University to demonstrate that adequate cause exists for removal of the faculty member.

f. Although it is possible that at the meeting referred to at the beginning of this clause there was no agreement to conduct all of the review in camera, this shall not preclude the opportunity for the Hearing Committee to conduct a particular session or sessions in camera, if, in its opinion, the interests of any person indicate the desirability of such a procedure. The Committee shall not make such a decision, however, until it has consulted with the faculty member concerned and the representative of the President.

g. No formal transcript of the proceedings of the Hearing Committee shall be kept; however, the Committee shall have the authority to require that a logged audio recording of all or part of the proceedings be kept. All parties concerned shall have access to the audio recording.

The Hearing Committee has final authority on its own procedures within the limits of Section VI.

14. After the conclusion of the hearing(s), the Hearing Committee shall review and adjudicate the evidence and shall decide, either unanimously or by a majority of the Committee, whether or not adequate cause for removal has been established.

The Hearing Committee shall prepare a written report of its findings of fact, its judgement on the adequacy of the cause, its decision and the justification for that decision.

15. If the Committee decides that adequate cause for removal has been established, it shall so inform the faculty member, the President and the Senate Committee on Appointments. The Senate Committee shall forward the decision to the Board (or its designated committee) as a recommendation that the faculty member be removed. When such a recommendation has been received by the Board (or its designated committee), it shall immediately act upon it as follows:

a. The Board (or its designated committee) shall invite the faculty member and/or his or her advisor to appear before it to make representations having to do with process of the earlier hearing(s). The substantive findings of the Hearing Committee in regard to the establishment of adequate cause shall not be subject to review in any such meeting between the Board (or its designated committee) and the faculty member and/or advisor.

b. If, as a result of the meeting described in subsection (a) above, the Board (or its designated committee) decides that there have been procedural error(s) in the earlier stage(s) of the case, it shall refer the matter back to the Senate Committee on Appointments for advice and comment.

c. On the basis of the Hearing Committee's report, the representations, if any, made by the faculty member under subsection (a) above, and any advice received from the Senate Committee on Appointments under subsection (b) above, the Board (or its designated committee) shall decide:

i. to remove the faculty member from the teaching staff of the University, or

ii. to refer the recommendation back to the Senate Committee on Appointments on procedural grounds.

The decision of the Board (or its designated committee) shall be conveyed in writing to the faculty member concerned as soon as possible, via courier to the home address, by the Chair of the Board of Governors. The President and the Chair of the Senate Committee on Appointments also shall be informed immediately of the decision.

A short written summary of the case and the decision, including the findings of the Hearing Committee, shall be prepared by the Secretary of the Board and forwarded to the Senate and the Board of Governors. The summary shall be available for public release if necessary.

16. If the decision under clause 14 above is that adequate cause for removal has not been established, then the Hearing Committee shall decide, either unanimously or by a majority, whether or not the continuation of the faculty member's appointment shall be subject to any stated terms and conditions. If the Committee decides that the continuation of the appointment shall be so restricted, but is unable to reach a majority decision on the question of what should be the terms and conditions, then the following procedure shall be followed: Two members of the Hearing Committee, neither of whom is the Chair, shall each submit in writing to the Chair of the Committee the terms and conditions he or she believes are appropriate. The Chair shall select one of these two proposals as the Committee's decision. If the Hearing Committee decides that some such terms and conditions shall apply, then the following actions shall be taken:

a. If the terms and conditions include some form of suspension, the Hearing Committee shall so inform the faculty member, and shall forward the corresponding recommendation to the President for action.

b. If the terms and conditions are of some other form, then they shall be conveyed in writing to the President and to the faculty member concerned, via courier to the member's home address. The appropriate University officers also shall be so informed by the Hearing Committee, and shall ensure that the terms and conditions are met.

17. If the Hearing Committee's decision under clauses 14 and 16 above is that adequate cause for removal has not been established and that no sanctions need be imposed, then it shall so report to the President, the faculty member concerned, the relevant Faculty Appointments Committee, and to the Senate, through the Senate Committee on Appointments, and the Chair of the Board. The matter of removal then shall be dropped.

18. If the Hearing Committee has any other recommendations or comments to make (for example, with respect to changes in policy or procedures), it shall make such recommendations or comments to the appropriate University body in a separate document.

19. If the Hearing Committee decides that adequate cause for removal has not been established during the proceedings and that the continuation of the faculty member's appointment shall not be subject to any terms and conditions (see clause 17 above), the reasonable legal expenses incurred by the faculty member shall be borne by the University. If the Hearing Committee decides that some such terms and conditions shall apply to the continuation of the faculty member's appointment, the Hearing Committee shall decide whether the reasonable legal expenses incurred by the faculty member shall be borne by the faculty member, or whether some or all of such expenses shall be borne by the University.

20. A decision of the Hearing Committee shall not be grievable under the Faculty General Grievance Procedure.

McMaster University

UNIVERSITY SECRETARIAT
- Board of Governors
- Senate

Gilmour Hall, Room 210
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4L8

Phone: 905.525.9140Ext. 24337
Fax: 905.526.9884
E-mail: univsec@mcmaster.ca
http://www.mcmaster.ca/univsec

REPORT TO THE BOARD OF GOVERNORS
from the
EXECUTIVE & GOVERNANCE COMMITTEE

INFORMATION

a. Actions Taken on Behalf of the Board of Governors

i. Standing Committee, Judicial Panels List

At its meeting on September 25, 2023, the Executive & Governance Committee received and reviewed the updated Standing Committee, and Judicial Panels List. Further details are contained within the circulated materials.

ii. Report from Senate

1. Revised Terms of Reference – The Walter G. Booth Chair in Engineering Entrepreneurship and Innovation

At the same meeting, the Executive & Governance Committee approved the revised Terms of Reference for the Walter G. Booth Chair in Engineering Entrepreneurship.

2. Revised Terms of Reference – Class of 1962 Mechanical Engineering Chair in Eco-Entrepreneurship

At the same meeting, the Executive & Governance Committee approved the revised Terms of Reference for the Class of 1962 Mechanical Engineering Chair in Eco-Entrepreneurship.

Please note that all materials from Senate are available in the Secretariat's office for members who wish to review them.

Board of Governors
FOR INFORMATION: October 26, 2023

McMaster University
UNIVERSITY SECRETARIAT

Board of Governors | Senate
Gilmour Hall, Room 210
1280 Main Street West
Hamilton, ON L8S 4L8

(905) 525-9140 x 24337
boardofgovernors@mcmaster.ca
senate@mcmaster.ca
secretariat.mcmaster.ca

BOARD OF GOVERNORS 2023-2024

Board Officers	
Chair of the Board	Ms Jane Allen, B.A., M.A.
Vice-Chair of the Board	Ms Jennifer Rowe, B. Com.
Secretary of the Board	Ms Andrea Thyret-Kidd, B.A., Bus. Dip., M.Ed., GPC.D
Ex Officio	
Chancellor	Ms Santee Smith, B.P.E., B.A., M.A.
President and Vice-Chancellor	Dr. David Farrar, Ph.D.
Chair of the University Planning Committee, and Provost and Vice-President (Academic)	Dr. Susan Tighe, B.Sc., M.A.Sc., Ph.D., C.Dir
Elected by the Board of Governors	Ms Jane Allen, B.A., M.A.
	Ms Sandra Cruickshanks, B.A.
	Mr. Stephen Elop, B.Eng, D.Sc.
	VACANT
	Mr. Barry Hill, B.Eng, M.Eng, LL.D
	Ms Mary Lou Maher, B.Com, FCPA, FCA.
	Mr. Kevin Nye, B.A., M.B.A.
	Mr. Wayne Purboo, B.Eng, BBA, LL.D
	Ms Fareen Samji, B.Sc., B.Kin.
	Dr. Mamdouh Shoukri, Ph.D., P.Eng, D.Sc. (Hon), FCAE, C.M., O.Ont.
	Dr. Robert Walker, B.Sc., M. Eng., Ph.D., D.Sc. (Hon.), D.Eng. (Hon.), FCAE
Appointed by the Board of Trustees of McMaster Divinity College	Mr. David Huctwith, L.L.B., M.Div.
Appointed by the Alumni Association	Mr. Bradley Merkel, B.Eng., M.B.A.
	Mr. Justin Boye, B. Com., M.B.A.
	Ms Lisa Brown, B.Eng., Mgt., M.B.A.
	Mr. David Feather, B.A., M.B.A.
	Ms Jennifer Rowe, B.Com.
Appointed by the Senate	Dr. Saara Greene, B.A., MSW, Ph.D.
	Dr. Dina Brooks, B.Sc., M.Sc., Ph.D.
	Dr. Mehdi Narimani, Ph.D., P.Eng., SM-IEEE
Elected by the Teaching Staff	Dr. Emma Apatu, MPH, DrPH
	Dr. Brenda Vrkljan, M.Cl.Sc., Ph.D.

	Ms Sarrah Lal, B.A., M.B.A. Dr. Catherine Anderson, B.A., PH.D.
Elected by the Non-Teaching Staff	Ms Nicole Agyei-Odame, B.A., M.A. Ms Susan Galloway, B.A, CPA, CMA
Elected by the Graduate Students	Ms. Skylar (Xinyu) Wang, B.A., M.ES.
Elected by the Undergraduate Students	Ms Cierra Pittari
Appointed by the Lieutenant Governor in Council	Mr. Ben Menka, B.A, M.A Mr. Ryan Clarke, M.A., L.L.B Mr. Michael Ferencich, B.Com. Ms Silvia Gimpelj-Stankovic, B.A., CHRL, PMP Dr. Natalia Lishchyna, B.Sc.(Hon), D.C., FCCS(C), M.Sc., ICD.D Mr. Joseph S. Mancinelli, L.L.D(Hon.)

STANDING COMMITTEE MEMBERSHIP 2023-2024

Planning and Resources Committee

		2022-2023	2023-2024
Members (Not fewer than 6 members of the Board)		Jennifer Rowe (C)	Wayne Purboo
		Kevin Nye (VC)	Kevin Nye (VC)
		Silvia Stankovic	Silvia Stankovic
		Skylar (Xinyu) Wang	Skylar (Xinyu) Wang
		Melissa Pool	Cierra Pittari
		Jasmine Dhaliwal	VACANT
		Lisa Brown	Stephen Elop
		Susan Galloway	Susan Galloway
		Natalia Lishchyna	Natalia Lishchyna
Ex Officio	Chair of the Board	Jane Allen	Jane Allen
	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe (C)
	Chair, Audit and Risk Committee	Kevin Nye	Kevin Nye
	President	David Farrar	David Farrar
	Provost	Susan Tighe	Susan Tighe
	Acting Dean & VP (Health Sciences)	Susan Denburg	Dina Brooks
	VP (Research) (Acting)	Karen Mossman	Andy Knights
	VP (Operations and Finance)	Saher Fazilat	Saher Fazilat
	VP (University Advancement)	Debbie Martin	Lili Litwin
Consultants	AVP (Administration) and CFO	Deidre Henne	Lil Scime
	AVP (Facility Services)	Debbie Martin	TBD
Observers	Chief Internal Auditor	Anna Purina	Anna Purina
	AVP, Finance and Planning	Sean Van Koughnett	Melissa Pool

Investment Pool Committee

		2022-2023	2023-2024
Members	Board Member (at least 2 current Board members)	Michael Ferencich (C)	Michael Ferencich (C)
		David Horwood	Brad Merkel Justin Boye
	Appointed by Planning and Resources Committee	Barry Brownlow	Barry Brownlow
		Jonathan Wellum	David Feather
	AVP (Administration) and CFO	Deidre Henne	Lil Scime
	Treasurer	Steven Moore	Steven Moore
Ex Officio	President	David Farrar	David Farrar
	VP (Operations and Finance)	Saher Fazilat	Saher Fazilat

Audit and Risk Committee			
		2022-2023	2023-2024
Members (3 or more members of the Board)	Chair	Kevin Nye (C)	Kevin Nye (C)
	Vice-Chair	Robert Walker (VC)	Robert Walker (VC)
		Justin Boye	Brad Merkel
		Mary Lou Maher	Mary Lou Maher
		Stephen Elop	Stephen Elop
			Barry Hill
			Ryan Clarke
Ex Officio	Chair of the Board	Jane Allen	Jane Allen
	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe
Invited	President	David Farrar	David Farrar
	Provost	Susan Tighe	Susan Tighe
	VP (Operations and Finance)	Saher Fazilat	Saher Fazilat
	AVP (Administration) and CFO	Deidre Henne	Lil Scime
Consultant	Chief Internal Auditor	Anna Purina	Anna Purina
	Chief Risk Officer	N/A	Colin George
	External Auditor - KPMG	Ruth Todd	Ruth Todd
		Bobbi-Jean White	Bobbi-Jean White
		Heather Doerksen	Rajdeep Dhillon

Executive and Governance Committee			
		2022-2023	2023-2024
Members	Planning and Resources Chair	Jennifer Rowe	Stephen Elop (rep)
	Remunerations Chair	Emőke Szathmáry	Mamdouh Shoukri
	Audit and Risk Chair	Kevin Nye	Kevin Nye
	University Advancement Chair	Sandra Cruickshanks	Sandra Cruickshanks
	Member of Pension Trust Committee	David Feather	David Feather
	Investment Pool Chair	Michael Ferencich	Michael Ferencich
Ex Officio	Chair of the Board	Jane Allen (C)	Jane Allen (C)
	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe
	Chancellor	Santee Smith	Santee Smith
	President	David Farrar	David Farrar
	Provost	Susan Tighe	Susan Tighe
	VP (Operations & Finance)	Saher Fazilat	Saher Fazilat

Human Resources Committee			
		2022-2023	2023-2024
Members	Chair of the Board	Jane Allen (C)	Jane Allen (C)

	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe
	Chair of Remunerations Committee	Emőke Szathmáry	Mamdouh Shoukri
	Chair of Planning and Resources/Rep	Kevin Nye	Kevin Nye

Nominating Committee (3 or more members of the Board)

		2022-2023	2023-2024
Members (3 or more members of the Board)		David Feather	David Feather
		Lisa Brown	Lisa Brown
		Fareen Samji	Fareen Samji
		Emma Apatu	Emma Apatu
Ex Officio	Chair of the Board	Jane Allen (C)	Jane Allen (C)
	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe
	President	David Farrar	David Farrar
	Chancellor	Santee Smith	Santee Smith

Pension Trust Committee (Chair elected by and from the members)

		2022-2023	2023-2024
Members	Four appointed by Planning and Resources Committee	David Feather* (VC)	David Feather* (C)
		Joseph Mancinelli	Justin Boye
		Deidre Henne	Lil Scime
		Natalia Lishchyna	Natalia Lishchyna
	Three from the McMaster University Faculty Association	Tom Hurd	Rafi Kleiman
		Sherman Cheung	Herb Schellhorn
		Claude Eilers	Claude Eilers
	One from the McMaster University Clinical Faculty Association	Michael Mazurek	Michael Mazurek
	Two from UNIFOR	Emily Heikoop	Emily Heikoop
		Beth Couchman	Meghan Forbes
	One from the McMaster University Retiree's Association	Brian Beckberger	Brian Beckberger
	One appointed from TMG	Jeff Chuchman	Jeff Chuchman
Ex Officio	Chair of the Board	Jane Allen	Jane Allen
	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe
	President	David Farrar	David Farrar
	VP (Operations and Finance)	Saher Fazilat	Saher Fazilat
Consultants	AVP & Chief Human Resources Officer	Wanda McKenna	Wanda McKenna
	Treasurer	Steven Moore	Steven Moore
	Aon	Brian White	Brian White
	Consulting Actuary	Bill Watson	Bill Watson

	Chief Internal Auditor	Anna Purina	Anna Purina
	Representatives to the Hourly Pension Plan Committee	David Feather	David Feather
		Joseph Mancinelli	Justin Boye

Remunerations Committee (not fewer than 3 members of the Board)

		2022-2023	2023-2024
Members		Emőke Szathmáry (C)	Mamdouh Shoukri (C)
		Mamdouh Shoukri (VC)	Bob Walker
		Sandra Cruickshanks	Sandra Cruickshanks
		Joseph Mancinelli	Joseph Mancinelli
		Silvia Stankovic	Silvia Stankovic
Ex Officio	Chair of the Board	Jane Allen	Jane Allen
	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe
	President	David Farrar	David Farrar
	VP (Operations and Finance)	Saher Fazilat	Saher Fazilat
Consultants	Chief Financial Officer	Deidre Henne	Lil Scime
	AVP (HR)	Wanda McKenna	Wanda McKenna

Committee on University Advancement (up to 6 members, at least half of whom shall be members of the Board)

		2022-2023	2023-2024
Members		Sandra Cruickshanks (C)	Sandra Cruickshanks (C)
		Ryan Clarke	Nicole Agyei-Odame
		Jennifer Rowe	Wayne Purboo
		Fareen Samji	Fareen Samji
		Stephen Elop	Stephen Elop
		Jeff Coles	Lisa Brown
Ex Officio	Chair of the Board	Jane Allen	Jane Allen
	Vice-Chair of the Board	Brad Merkel	Jennifer Rowe
	President	David Farrar	David Farrar
	Chancellor	Santee Smith	Santee Smith
	VP (UA)	Debbie Martin	Lili Litwin
	Chief Executive, External and Internal Engagement	Andrea Farquhar	Andrea Farquhar

Representatives to the Senate (3-year terms)

		2022-2023	2023-2024
		Brenda Vrkljan (2025)	Brenda Vrkljan (2025)
		Deborah Sloboda (2024)	Skylar Wang (2026)
		Sarrah Lal (2024)	Sarrah Lal (2024)

University Planning Committee			
		2022-2023	2023-2024
Elected Members		Jake Nease	Jake Nease
		Sara Bannermann	VACANT
		Nicole Wagner	Nicole Wagner
		Mark Larch	Mark Larch
		Megumi Harada	Lauren Fink
		Stephen Jones	Karen Bird
		Dean of Science	Dean of Business
		Arlene Dosen	Arlene Dosen
		Abdul Razak Alozi	Abdul Razak Alozi
		Ori Epstein	Ori Epstein
		Susan Tighe (C)	Susan Tighe (C)
Ex Officio	Chair of the Board (or delegate)	Rebecca Jamieson	Ryan Clarke
	Vice-Chair of the Board (or delegate)	Brad Merkel	Brenda Vrkljan
	President	David Farrar	David Farrar
	Chancellor	Santee Smith	Santee Smith
	VP (Operations and Finance)	Saher Fazilat	Saher Fazilat
	VP (Research)(Acting)	Karen Mossman	Andy Knights
	Vice Provost and Dean of Graduate Studies	Steve Hranilovic	Steve Hranilovic
Consultants	AVP, Chief Facilities Officer	Debbie Martin	TBD
	AVP, Finance and Planning (Academic)	Sean Van Koughnett	Melissa Pool
Observers	Dean & VP (Health Sciences) or delegate	Susan Denburg	Dina Brooks
	AVP (Students & Learning) & Dean of Students	Sean Van Koughnett	Sean Van Koughnett
	VP (University Advancement)	Debbie Martin	Lili Litwin
	Chair of Undergraduate Council	Kim Dej	Kim Dej

JUDICIAL PANELS 2023-2024

Vacancies and renewals, as of May 23, 2023

Board-Senate Hearing Panel for Discrimination, Harassment, and Sexual Violence

Appointed by the Board

TMG	Sarah Bouma	2025		
TMG	Paula Brown-Hackett	2025		
TMG	***Vacancy***			
UNIFOR	***Vacancy***			
UNIFOR	Tanya Nesvit	2025		
UNIFOR	Paige Maylott	2026	appoint	3-year term, July 1, 2023 - June 30, 2026

Student members are appointed for 2-year terms, Faculty for 3-year terms.
No member shall serve for more than two consecutive terms, but on the expiration of two years after having served on the second of two consecutive terms, such person may again be eligible for membership.

Board-Senate Research Misconduct Hearings Panel

Appointed by the Board

TMG	Jennifer Boyko	2025		
TMG	***Vacancy***			
TMG	Lynn Giordano	2025		
TMG	George Hamilton	2025		
TMG	Jennifer McCleary	2025		
TMG	Maria White	2025		
UNIFOR	Chika Agbassi	2025		
UNIFOR	Meighan Colterjohn	2025		
UNIFOR	Julie Gross	2025		
UNIFOR	Kathleen O'Neill	2025		
UNIFOR	Lisa Rudd-Scott	2025		
UNIFOR	Paige Maylott	2026	appoint	3-year term, July 1, 2023 - June 30, 2026

Board of Governors: 12 full-time staff members who have been employees of the University for at least two years appointed by the Board of Governors after consultation with the appropriate staff associations. One Vice-Chair shall be from among the staff members.

McMaster University | UNIVERSITY SECRETARIAT

Board of Governors | Senate
Gilmour Hall, Room 210
1280 Main Street West
Hamilton, ON L8S 4L8

☎ (905) 525-9140 x 24337
boardofgovernors@mcmaster.ca
senate@mcmaster.ca
secretariat.mcmaster.ca

Report to the Board of Governors
from the
Planning and Resources Committee

APPROVAL

a. Appointment of Trustee to the McMaster University UK Trust

At its meeting on September 28, 2023, the Planning and Resources Committee approved the removal of Debbie Martin as trustee effective immediately and appointed Lili Litwin as a trustee of the McMaster University Trust in the United Kingdom, with immediate effect and for an unlimited period. Further details are contained within the circulated materials.

It is now recommended,

that the Board of Governors approve the removal of Debbie Martin as trustee effective immediately, and appoint Lili Litwin as a trustee of the McMaster University Trust in the United Kingdom with immediate effect, and for an unlimited period.

INFORMATION

b. Statement of Investment Policies and Procedures – Hourly Pension Plan

At the same meeting, the Planning and Resources Committee received and reviewed the Statement of Investment Policies and Procedures for the Contributory Pension Plan for Hourly Employees of McMaster University, including McMaster Divinity College. Further details are contained within the circulated materials.

c. Statement of Investment Policies & Guidelines – Cash and Short-Term Investments

At the same meeting, the Planning and Resources Committee received and reviewed the Statement of Investment Policies and Guidelines for Cash and Short-Term Investments. Further details are contained within the circulated materials.

d. Classroom Renovations 5-year Close-Out Report

At the same meeting, the Planning and Resources Committee received and reviewed the Classroom Renovations 5-year Close-Out Report. Further details are contained within the circulated material.

e. Capital Funding and Expenditure Report

At the same meeting, the Planning and Resources Committee received and reviewed the Capital Funding and Expenditure Report. Further details are contained within the circulated material.

McMaster University

UNIVERSITY SECRETARIAT
- Board of Governors
- Senate

Gilmour Hall, Room 210
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4L8

Phone: 905.525.9140, Ext. 24337
Fax: 905.526.9884
E-mail: univsec@mcmaster.ca
http://www.mcmaster.ca/univsec

September 28, 2023

TO: Members of the Planning and Resources Committee

FROM: Andrea Thyret-Kidd
University Secretary

SUBJECT: Appointment of Trustees to the McMaster University UK Trust

---

The McMaster University Trust in the United Kingdom was established by the Board of Governors on October 19, 1995 to facilitate the return by the United Kingdom Inland Revenue of tax paid on a bequest. The trustees are Ms Debbie Martin, Ms Saher Fazilat and Mr. Ian Watson (a McMaster alumnus, who is a chartered accountant resident in the United Kingdom).

In June 2023, Ms Lili Litwin was appointed as Vice-President, University Advancement and Ms Debbie Martin was relieved of her duties as Acting Vice-President, University Advancement.

It is recommended that Ms Martin be removed as trustee and Ms Litwin be appointed as trustee. Ms Litwin has confirmed her agreement to serve in this capacity. The approval of the Board of Governors is required to complete the nomination and appointment process.

It is recommended:

> **That the Planning and Resources Committee approve, for recommendation to the Board of Directors, the removal of Ms Debbie Martin as trustee effectively immediately, and appoint Ms Lili Litwin as a trustee of the McMaster University Trust in the United Kingdom with immediate effect and for an unlimited period.**

Planning and Resources Committee: FOR APPROVAL
September 28, 2023

GOVERNANCE BODY	Planning and Resources Committee (PRC)
ITEM/SUBJECT	**Statement of Investment Policies and Procedures – Hourly Pension Plan**
DATE	September 28, 2023
LEAD	Steven Moore, University Treasurer
GOVERNANCE PATH	Hourly Pension Plan Committee (HPPC), **PRC**
MOTION	For Information
JURISDICTION	n/a
SUPPLEMENTAL MATERIALS	Statement of Investment Policies and Procedures – Hourly Rated Employees

EXECUTIVE SUMMARY

The review period for the Statement of Investment Policy and Procedures (SIPP) for the Contributory Pension Plan for Hourly Employees of McMaster University Including McMaster Divinity College is annual, which is aligned with the Pension Benefits Act requirements. The Hourly Pension Plan SIPP has been reviewed by Mercer and Treasury. No changes are recommended at this time.

BACKGROUND

Refer to PRC Agenda item 11. for Background.

STRATEGIC ALIGNMENT

The SIPP is aligned with the University strategies supporting operational excellence, sustainability, and financial health. Investment activities are monitored to ensure alignment.

RISK AND MITIGATION STRATEGIES

Risk that the SIPP is not aligned with investment strategy it could result in investment performance not achieving target returns.	Mitigation strategies include undertaking an A/L study once every three to five years to ensure asset allocations and performance expectations reasonably match liability growth rates and duration. In addition, the investment strategy employs diversification by asset class and geography. This coupled with annual SIPP reviews and manager performance monitoring helps to mitigate the risk.

RECOMMENDATIONS AND NEXT STEPS

No further action.

McMaster
University

GOVERNANCE BODY	Planning and Resources Committee (PRC)
ITEM/SUBJECT	**Annual Investment Performance Report on Cash & Short-term Investments**
DATE	September 28, 2023
LEAD	Steven Moore, University Treasurer
GOVERNANCE PATH	Investment Pool Committee (IPC), **PRC**
MOTION	For Information
JURISDICTION	n/a
SUPPLEMENTAL MATERIALS	Statement of Investment Policies and Guidelines for Cash and Short-term Investment

EXECUTIVE SUMMARY

McMaster holds short-term investments that are managed to earn target returns as defined by a policy performance benchmark and to ensure sufficient funds are on hand to settle current year expenses. This report confirms that the total short-term investment portfolio performance exceeded policy benchmark performance in 2022/23 despite headwinds from rising interest rates.

BACKGROUND

Short-term investment performance is reported to IPC and PRC annually for information. The investments[1] support current University expenditures across all funds. In addition to operating requirements, the net proceeds from the 2021/2022 financing are invested in this portfolio which will support short to mid-term strategic priorities/projects. The April 30, 2023, market value of the portfolio increased year over year from $665 million to $708 million due primarily to delays in the implementation of capital projects. The table below summarizes the April 30, 2023, returns and balances:

	Short Term Investments (a)	Bonds (Short Duration) (b)	Total Short-Term Investments Portfolio
McMaster's Annual Rate of Return (Period ending April 30, 2023)	2.7%	2.8%	2.7%
Policy Benchmark	2.8%	2.1%	2.5%
Better or (Worse) than Benchmark Performance	-0.1%	0.7%	0.2%
Average Monthly Balance ($000)	356,685	320,665	677,350
April 30 Market Value ($000)	380,640	327,731	708,371

(a) Benchmark – FTSE TMX 30 Day Treasury Bill Index. (b) Benchmark – FTSE TMX Short Term Bond Index. Minor differences due to rounding.

A summary of investment performance compared to benchmarks over different periods ended April 30th is shown below:

Total Short-term Investments Performance Periods Ending April 30	**Annual Returns % (ending April 30)**					**Annualized %**	
	2023	**2022**	**2021**	**2020**	**2019**	**5 Years**	**10 Years**
Total Fund	2.7%	-2.1%	1.6%	3.3%	2.9%	1.7%	1.4%
Policy Performance Benchmark	2.5%	-2.3%	1.1%	3.1%	2.7%	1.4%	1.2%
Total Value Added or (Deducted)	**0.2%**	**0.2%**	**0.5%**	**0.2%**	**0.2%**	**0.3%**	**0.2%**

Note : Time weighted returns are presented

STRATEGIC ALIGNMENT

Investment strategies and performance monitoring supports McMaster's strategic plan and resource optimization.

RISK AND MITIGATION STRATEGIES

Risk that investments do not achieve policy target returns.	Mitigation: Portfolio is invested in high-quality and short duration fixed income instruments, such as bank deposits, investment grade bonds, commercial paper and bank deposits notes. Holdings are diversified by duration, by issuer and sector. In the event of weakening performance, the IPC would review and examine alternatives, including opportunities to adjust duration.

RECOMMENDATIONS AND NEXT STEPS

No further action currently. The IPC will continue to monitor performance and make recommendations if necessary.

---

[1] Includes short-term investments managed by Treasury. Does not include short-term investments within the Investment Pool

GOVERNANCE BODY	*PRC*
ITEM/SUBJECT	*Classroom Renovation Project – Close-out Report*
DATE	*September 28, 2023*
LEAD	*Debbie Martin, AVP, Facility Services*
GOVERNANCE PATH	*PRC*
MOTION (*If this is for information only, please note here)*	*Information*
JURISDICTION **(*If applicable)*** **include associated bylaw or policy*	*N/A.*
SUPPLEMENTAL MATERIALS	*1. Classroom Renovation Update – Closeout Report*

EXECUTIVE SUMMARY

This report provides a close-out summary of the Classroom renovation project update. A total of $10M was provided in 2018 for a 5-year renovation of critical classrooms on campus.

BACKGROUND

In the period from 2018-2023, $10M was provided from Strategic Capital Reserves for classroom renovations on campus. Renovations were guided by a survey conducted by the Provost's office whereby faculty and staff ranked the "best" and "worst" classrooms on campus. During the 5-year period, 9 large classrooms (over 100 seats) were completed renovated (new seating, lighting, AV, flooring, accessibility) and 15 smaller seminar rooms were also retrofitted. A summary of all spaces renovated is enclosed. Special thank-you to the Classroom Renovation Committee, comprised of staff in Facility Services, the Registrar's Office, the Library and the Provost's Office along with faculty volunteers with significant expertise in the spaces being renovated.

STRATEGIC ALIGNMENT

Alignment with Operation Excellence ensuring the best facilities for faculty and students.

RISK AND RISK MITIGATION STRATEGIES

N/A

RECOMMENDATIONS AND NEXT STEPS

Ongoing classroom renovations will return to the previous level of funding, and a request to Budget Committee will be made for an ongoing increased allocation.

KEY TERMS

N/A

QUESTIONS AND ANSWERS

McMaster University

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

MEMORANDUM

DATE: **September 28, 2023**

TO: Planning and Resources Committee

From: Debbie Martin, Assistant Vice-President and Chief Facilities Officer

RE: **Classroom Renovations Update – Closeout Report**

Summary

In 2015, the Classroom Renovation Committee was tasked with identifying classrooms to be renovated to “Active Learning” spaces. They identified and renovated a few classrooms in 2016 and 2017. In the fall of 2018, the Office of the Provost conducted a University wide survey to identify the best and worst classrooms on campus. The results ranked all the registrar-controlled classrooms from worst to best. Subsequently the Classroom Renovation Committee was tasked with renovating those rooms deemed the “worst” classrooms on campus.

At the March 7, 2019 meeting of the Board of Governors, the Board approved a $2M allocation per year, from the Strategic Capital Reserves, beginning in 2018/19 for a five-year period, or up to a total commitment of $10M, for classroom renovations that were in the worst conditions.

The funding is separate and distinct from the Deferred Maintenance budget that is funded through the operating budget supplemented by the provincial government support. It also was intended to supplement the $300,000 provided each year through an operating classroom for minor classroom improvements. These funds are used to repair/replace tables and chairs, whiteboards, and minor upgrades to rooms in need.

The classroom allocation funds were also used to convert the initial active learning classroom renovations that started in 2016 and 2017.

Classroom Renovation Update

The worst classroom on campus as per the survey was Togo Salmon Hall (TSH) Room 120. Lecture Hall B128 was directly underneath TSH 120, and this was the fourth worst classroom based on the survey. Facility Services undertook a complete renovation of these two lecture halls in the summer of 2019. In the subsequent year (2020), Chester New Hall (CNH) Room 104 (2nd worst), and CNH Room B107 (13th worst and directly underneath Room 104) was undertaken for renovation, followed by Burke Science Building (BSB) 147 (3rd worst) in the summer of 2021. The John Hodgins Engineering (JHE) 376 (5th on the list) and 264 (10th on the list) upgrades and MDCL lecture hall seat repairs were also undertaken in the same year. Post Covid, when there were uncertainties about the future of the larger lecture halls, the Classroom Renovation committee decided to shift their attention to smaller classrooms and renovated nine (9) smaller sized classrooms across campus (summer of 2022). A renovation to ABB 102 was undertaken in the summer of 2023, and KTH B135 is being tendered at present, scheduled for Dec-Apr 2024 construction. The initial allocation of $10M is expected to be exhausted or exceeded once KTH B135 renovation is completed.

Refer to the table below for the complete list of classrooms renovated in the last five years.

Building	Room Number	Room Capacity	Rank	Status
Pre-Survey				
A.N. Bourns Science Building	106, 119			Complete 2016
A.N. Bourns Science Building	B118	72		Complete 2016
T13/T27				Complete 2017
Chester New Hall	103	154		Complete 2017
Post-Survey				
Togo Salmon Hall	120	475	1	Complete 2019
Togo Salmon Hall	B128	271	4	Complete 2019
Chester New Hall	104	403	2	Complete 2020
Chester New Hall	B107	147	13	Complete 2020
Burke Science Building	147	386	3	Complete 2021
John Hodgins Engineering Building	376	307	5	Complete 2021
John Hodgins Engineering Building	264	218	10	Complete 2021
Michael G. DeGroote Centre for Learning and Discovery	1105	230	40	Complete 2021
Michael G. DeGroote Centre for Learning and Discovery	1102	230	48	Complete 2021
Michael G. DeGroote Centre for Learning and Discovery	1309	151	55	Complete 2021
Michael G. DeGroote Centre for Learning and Discovery	1110	144	61	Complete 2021
A.N. Bourns Science Building	102	194	6	Complete 2023
Kenneth Taylor Hall	B135	197	9	Scheduled Dec 23-

				April 24

Table 1: Large Lecture Hall Renovations

Togo Salmon Hall	B129	28	26	Complete 2021
University Hall	B126/G	30	41	Complete 2022
Chester New Hall	102	60	50	Complete 2022
Information Technology Building	139	56	59	Complete 2022
University Hall	B116	20	74	Complete 2022
Ivor Wynne Centre	223	50	77	Complete 2022
Chester New Hall	106	75	83	Complete 2022
Ivor Wynne Centre	224	40	102	Complete 2022
Chester New Hall	207	20	112	Complete 2022
Chester New Hall	223	24	113	Complete 2022

Table 2: Smaller Classroom Renovations

All 10 worst classrooms as per the survey were renovated except Lecture Halls ITB 137 (ranked 7th) and ITB AB102 (ranked 8th). These are next on the list to be renovated and provided budget availability, will be scheduled for 2024 summer. This represents an overall 17% of all Registrar-controlled classrooms (28% of large classrooms and 14% of small classrooms).

The renovations focused mainly on the following:

- Accessibility improvements
- Larger and more comfortable seating and upgrade from tablet arms to tables where possible
- New furniture
- New flooring, ceiling and painted walls to brighten up the rooms
- Improved acoustics
- Improved front display including new chalkboards, white boards, and projector screen
- Improved lighting and better controls to make sure the projector is visible
- New AV
- HVAC upgrades to improve occupant comfort

Project Costs

The following represents a list of classrooms with the corresponding budget to complete the renovations. Facility services also allocates $300,000 per year to classroom minor updates, some of these funds have also been allocated to be able to complete the first group of rooms noted in the survey.

McMaster University

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

Classroom Reconfiguration Plan

FY Spend	Project	Amount
FY16		
	ABB 106/109 (P20004065)	1,000,000
	ABB B118-B120 (P20003857)	420,000
FY17		
	T13/T27 Active Learning (P20005830)	65,594
	CNH 103 (P20006601)	576,000
FY19		
	TSH 120 (P20011511)	1,000,000
	TSH B128 (P20011881)	1,000,000
FY20		
	CNH 104/B107 (P20012508)	2,100,000
FY21		
	MDCL 1105/1102/1309/1110 (P20015405)	1,200,000
FY22		
	10 small classrooms (20019333)	300,000
FY23		
	ABB 102 (P20015427)	900,000
FY24		
	KTH B135 (tendered)*	1,600,000
	Total Projected	10,161,594
	Total Major Classroom Allocation	-10,000,000
	Total minor classroom Allocation funds**	-600,000
	*Extra funds available as a contingency for KTH B135	-438,406
	**2 years of yearly allocation of $300k	

McMaster University

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

Appendices:

Appendix A: Scope of Work and Reference Pictures

TSH 120:

- New furniture
- New painting
- New ceiling and flooring
- New finishes
- New AV
- New improved stage and front display
- Improvements to the accessibility of the room including more accessible seating
- New wider entrance/ exit doors
- Improved room acoustics
- New lighting

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

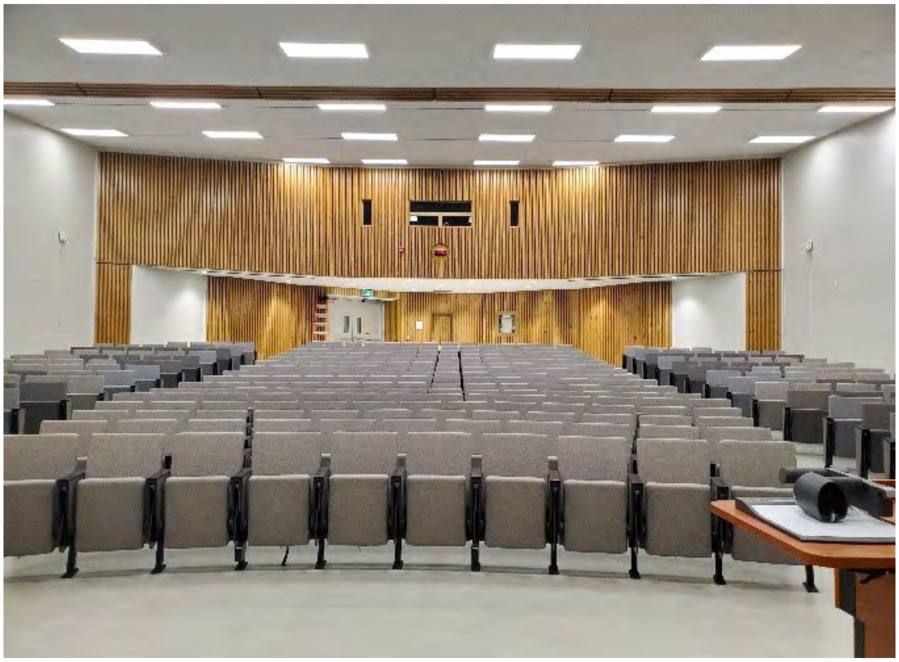
Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

CNH 104:

- New wider seats and tablet arms improving the leg space and user comfort
- New improved stage and front display
- Improvements to the accessibility of the room including a compliant ramp in the lobby
- New wider entrance/ exit doors
- Improved room acoustics
- New room finishes (floors, walls and ceiling)
- New lighting with better controls
- Accessible seating
- Reconfiguration of vestibule

Before

After



McMaster University

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

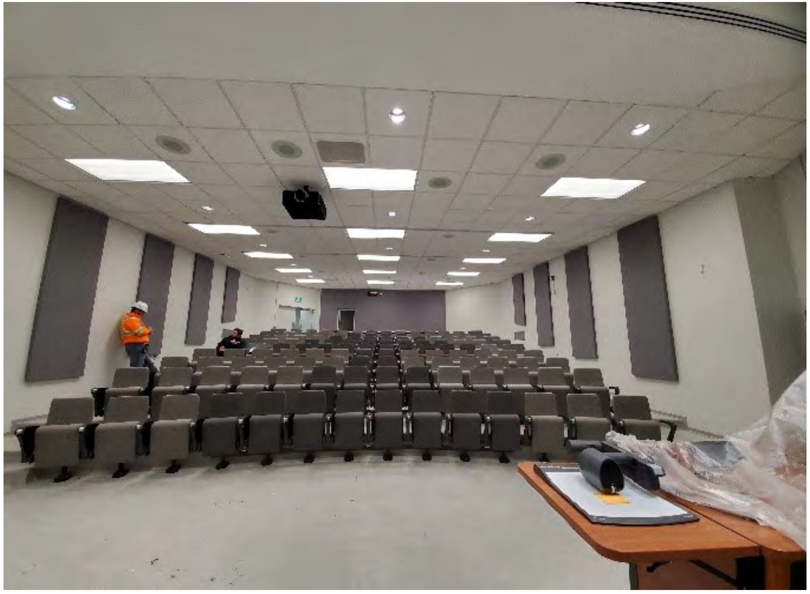
Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

CNH B107:

- New wider seats and tablet arms improving the leg space and user comfort
- New improved stage and front display
- Improved room acoustics
- New room finishes (floors, walls and ceiling)
- New lighting with better controls
- Accessible seating

Before

After



Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

BSB 147:

- New seats and tables - huge improvement from the tablet arm type setting, improving the leg space and user comfort
- New improved stage and front display
- Improvements to the accessibility of the room including more accessible seating
- New wider entrance/ exit doors
- Improved room acoustics
- New room finishes (floors, walls and ceiling)
- Lighting improvement with better controls
- Lot more charging stations for students
- New state of the art AV system for the room
- New accessible lab bench and podium
- New wayfinding and improved signage for the room

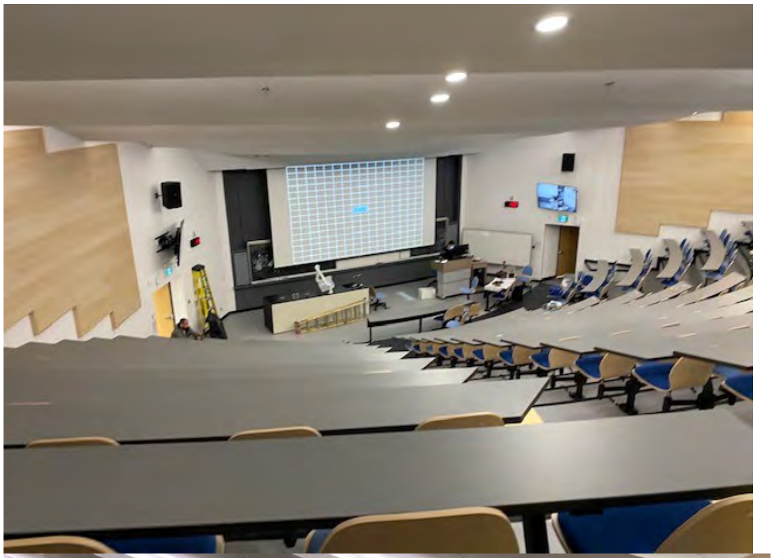
Before

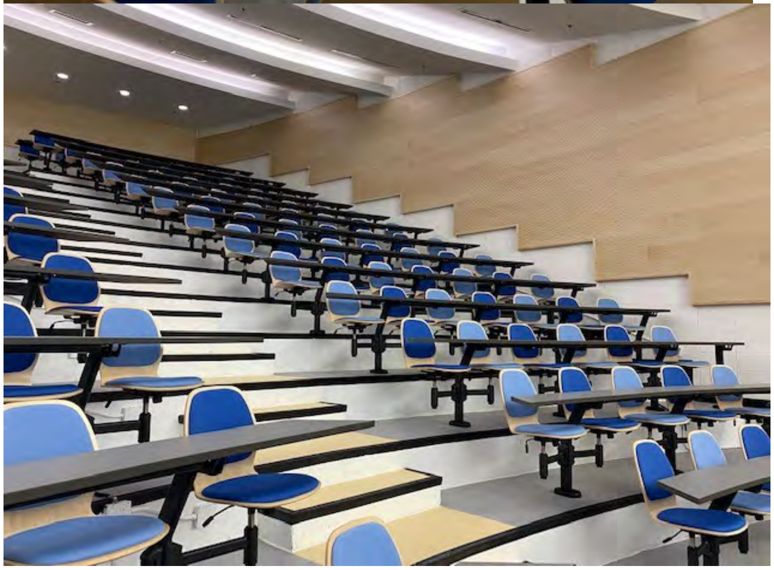
Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

After





JHE 376:

- New podium, SMART AND AV system for the lecture halls - ECHO 360 LECTURE CAPTURE, BYOD connections HDMI, VGA, Stereo Mini, Lightning and USB-C

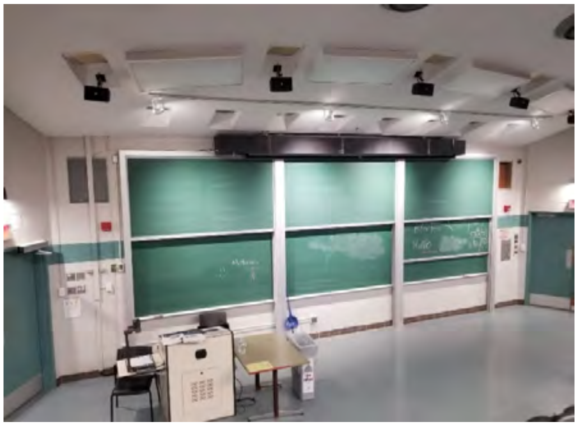
Before

After

JHE 264:

- New podium, SMART AND AV system for the lecture halls - ECHO 360 LECTURE CAPTURE, BYOD connections HDMI, VGA, Stereo Mini, Lightning and USB-C

Before



After

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

TSH LOBBY and TSH B129:

- Asbestos abatement and finishes replacement of the lobby
- Complete renovations to B129

UH B126/G:
- Asbestos abatement as required
- Clean or replace window screens
- Repaint ceiling
- Replace tablet arm chairs with tables and chairs
- New Paint to make room brighter
- New lighting and controls
- New AV

CNH 106 & 102:
- Replaced mis-matching furniture
- Resolved ceiling leak issues and replaced ceiling tiles

McMaster University

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

ITB 139:

- Replaced furniture
- Lighting upgrades
- Painted room
- Replaced floor tiles

UH B116:

- Asbestos abatement as required
- Clean or replace window screens
- Repaint ceiling
- New Paint to make room brighter
- Wall patch up
- New lighting and controls
- New AV

IWC 223:

- Remove door and side lite blocked off and in-fill with block wall and provide clear space for white board
- New blinds after windows get replaced
- New finishes such as Paint
- New AV
- New lighting and controls
- White boards all the way across the front of the room
- More outlets for student to plug into

McMaster University

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

IWC 224:

- Asbestos abatement as required
- New counter-top, and refinished cabinets
- New blinds after windows get replaced
- Replaced flooring and ceiling
- New Paint including accent wall
- New lighting and controls
- White boards all the way across the front of the room
- More outlets for student to plug into
- Windowsills, wall base – refinish
- New AV

CNH 223:

- Asbestos abatement as required (Type 3)
- Replace the chilled water lines and valves
- Remove middle door and block off, providing a surface to install additional white boards in the room
- Replace flooring and ceiling
- New Paint
- New lighting and controls
- New AV

CNH 207:

- Asbestos abatement as required (Type 3)
- Remove middle door and block off, providing a surface to install additional white boards in the room
- Replace flooring and ceiling
- New Paint
- New lighting and controls
- Green boards to remain
- New AV

McMaster University

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

ABB 102:

- New furniture
- New painting
- New ceiling and flooring
- New finishes
- New AV
- New improved stage and front display
- Improvements to the accessibility of the room including more accessible seating
- New wider entrance/ exit doors
- Improved room acoustics
- New lighting

Before

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

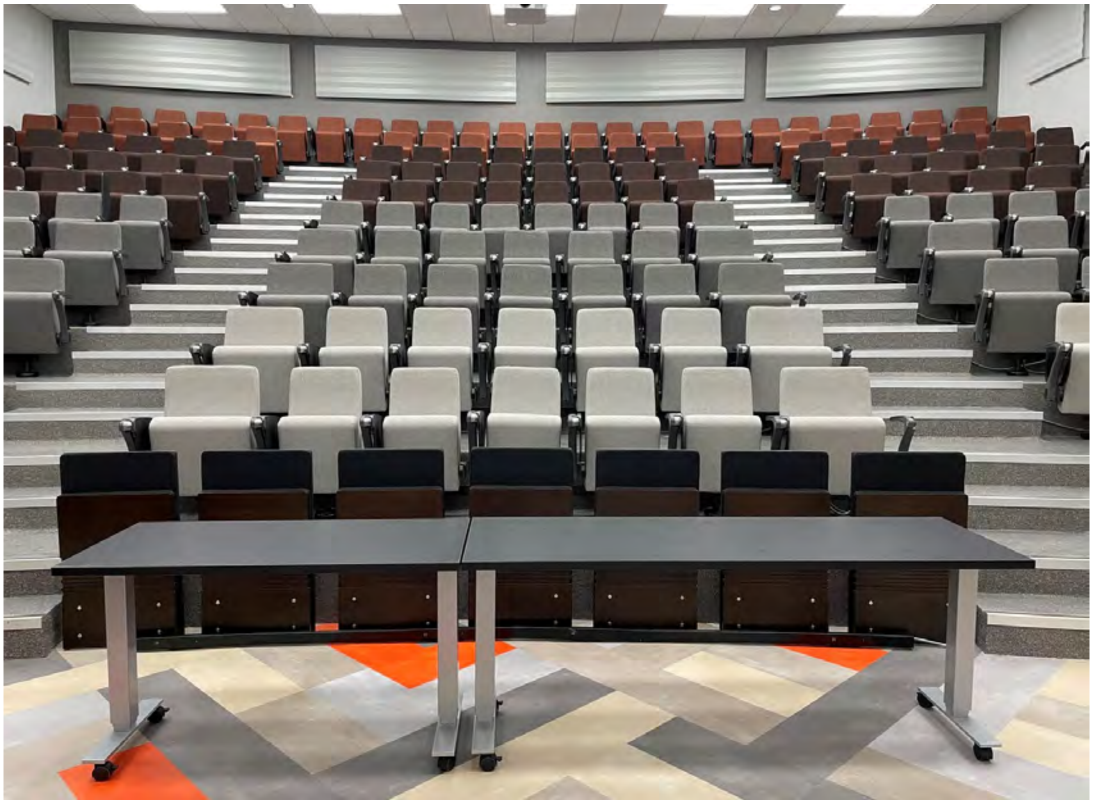
Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca

After

Debbie Martin
AVP (Facility Services)
& Chief Facilities Officer

FACILITY SERVICES
Campus Services Building
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4M3

Phone: 905.525.9140 Ext. 23054
Fax: 905.572-6990
E-mail: martind@mcmaster.ca



McMaster University

GOVERNANCE BODY	PRC
ITEM/SUBJECT	Major Capital Project Update
DATE	September 28, 2023
LEAD(S)	Debbie Martin, AVP, Facility Services
GOVERNANCE PATH	PRC
MOTION *(If this is for information only, please note here)*	Receive for Information
JURISDICTION (If applicable) **include associated bylaw or policy*	N/A
SUPPLEMENTAL MATERIALS	1. Capital Projects Update

EXECUTIVE SUMMARY

Major changes to Project Status as follow:

Cooling Towers Replacement and Addition –Phase 2 of project to replace four cooling towers tendered and awarded to General Contractor. Construction to start October 2023 and anticipated to be complete and operational by Summer 2024.

Graduate Student Residence – Occupancy achieved for Phase 1 of project, which includes floors Ground – 9 on September 1, 2023. Graduate student move-in complete for Phase 1. Balance of the construction in progress with completion anticipated by December 2023.

Lincoln Alexander Hall –The planning application for this project is under review by the City. The comments by the City on the submitted documentation incorporating previous comments is anticipated in the next few weeks. Application for partial building permit, for the underground scope including foundations has been accepted by the City of Hamilton and issuance is expected in the coming weeks. Construction is anticipated to start Q3 2023.

BACKGROUND

Intent to keep governing bodies up to date with major capital projects.

STRATEGIC ALIGNMENT

RISK AND RISK MITIGATION STRATEGIES

The attached Capital Projects Update identifies risks and mitigation strategies pertaining to each specific project.

RECOMMENDATIONS AND NEXT STEPS

N/A

KEY TERMS

Project Health Key:

Green	**Project on Track**. Project is currently on budget and on schedule.
Yellow	**Manageable Issues Exist**. Project has up to 20% variance from the forecasted budget or schedule. Mitigation measures may be able to bring the project back on track.
Red	**Project in Trouble**. The project is beyond 20% variance on budget or schedule.

QUESTIONS AND ANSWERS

Cooling Towers Replacement & Addition

Status Report -
October 2023

Project Manager	Kashif Ahmad
Prime Consultant	Atkinson Engineering
Contractor	GS Wark – Phase 1
Project Delivery Method	Stipulated Sum
CCDC 2 2020 with McMaster Supplemental Conditions	

Project Health: 🟩

Key:

On Track	🟩
Manageable Issues	🟨
Project in Trouble	🟥

Funding Summary	
Deferred Maintenance	$15,190,000
Budget Summary	
Approved Budget	$15,190,000
Projected Cost at Completion	$15,190,000
Budget Variance	$0
Expenditure Summary	**@ Aug 31/23**
Expenditures - total	$ 7,191,861
Expenditures - construction	$ 6,968,473

Project Schedule – Phase 1 & 2 (Further phase(s) schedule to be revisited)

Milestone	Planned / Revised Baseline	**Actual**
PRC Approval	4/2/2020	4/2/2020
BOG Approval	4/16/2020	
Design	10/4/2021	10/4/2021
Phase 1 Substantial	Summer 2023	June 2023
Phase 2 Construction Start	October 2023	
Substantial Completion	Summer 2024	TBC
BOG Final Report	TBD	

Current Status

Tower Supplier was determined through an RFPQ process. A roster of prequalified General Contractors was also established for all phases of the project. Project comprises of multiple phases, all to be implemented sequentially.

Phase 1 – Project was awarded to G.S Wark and construction was completed in June 2023. Final sound and load testing to be completed.

Phase 2 – Project awarded to Ira McDonald Construction; construction to commence early October 2023. Project scope includes replacement of four cooling towers.

Project Scope

Scope	• Replacement of 10 existing cooling towers that are at the end of their life cycle. • Construction of structural addition to support future new cooling towers for increased capacity • Upgrade system controls • Roof replacement for entire ET Clarke building • Installation of new sound barriers around the cooling towers to ensure compliance with campus noise requirements.	
Key Features	Cooling Tower replacement project will increase efficiency and campus cooling capacity for future growth. It will reduce and improve noise to maintain environmental compliance approval with MOE.	
Key Sustainability Features	Improve Cooling Tower Efficiency	
Total Area:	Existing Roof Area (Phase 1 - 4)	20,000 sq ft

Key Risks

Risk	**High Medium Low**	**Description**	**Mitigation Plan**	**Responsibility**	**Status**
Budget	Low	- Volatility of the market & project is phased over several years	- Obtaining projected and fixed escalation pricing for all phases for largest component of the entire project in phase 0. - Engaging cost consultant to further project remainder of project numerous times throughout progression of phases	Kashif Ahmad	Monitoring
Schedule	High	- Time constraints to complete each phase of the project due to seasonal campus cooling needs, along with market conditions and phased project. - Coordination with other projects in progress at ET Clarke	- Outlined mandatory requirements as part of RFP in phase 0 to ensure we find a tower that can meet or exceed our defined schedule and key milestones. - Coordinating and planning with other projects with overlapping schedules to avoid and limit any impacts. - Monitoring lead times with suppliers which have improved significantly due to supply chain progress. Will work closing with GC and Tower Supplier on schedule and logistics.	Kashif Ahmad	Monitoring
Scope	Medium	- Tower Design finalized now, but with contract handover to GC there is potential risk. Potential unforeseen issues may come up under tower/roof as demo work progresses.	- Clearly delineated extents of scope of supplier and GC to limit any grey areas. Furthermore, shared suppliers' full submission with GC as they are to ultimately assume the contract. Monitoring closely to ensure the schedule keeps moving and no waiting for clarification due to overlap. - Safety consultant to monitor various projects coordination	Kashif Ahmad	Monitoring

Major Activities

This Quarter	Commence construction on Phase 2. A majority of the work this quarter will be demo of the existing 4 towers and renewal of the roofing.
Planned for Next Quarter	Assembly of the 4 new towers.
Community Impacts	Some disruptions to parking, sidewalks, 1 bus shelter, and laneways around ET Clarke Centre due to contractor staging and crane operations. A communication plan is developed.

Peak Shavers
October 2023

Project Health:	🟩
Project Manager	Roderick Pangan / Georgios Panagiotaros
Prime Consultant	Phase 1: Algal Engineering Phase 2A: Atkinson Engineering Phase 2B: TBD
Contractor	Phase 1: Sutherland-Schultz Phase 2A: TBD Phase 2B: TBD
Project Delivery Method	Stipulated Sum
CCDC 2 2020 with McMaster Supplemental Conditions	

Key:	
On Track	🟩
Manageable Issues	🟨
Project in Trouble	🟥

Funding Summary

Energy Loan	$31,600,000

Project Schedule

Milestone	Planned / Revised Baseline	Actual
PRC Approval	-	-
BOG Approval	-	08/05/2021
Design	8/31/2020	10/27/2021
Construction Start	11/22/2021	11/01/2022
Occupancy	N/A	-
Substantial Completion (Phase 1)	10/31/2023	tbc
BOG Final Report	TBD	-

Budget Summary

Approved Budget	$31,600,000
Projected Cost at Completion	$31,600,000
Budget Variance	$0
Expenditure Summary	@ Aug 31/23
Expenditure-Total	$ 15,900,430
Expenditure-Construction	$ 15,527,047

Current Status

Phase 1(NF91 Peak Shavers) – Construction is ongoing. Generator commissioning activities have started and are expected to finish in October. The generators are to be in service by November 1st.
Phase 2A (ETC 2.6 MW Generator) - Currently in design stage of a new generator building for sound reduction and aesthetic purposes. The building is proposed to be an addition to the existing E.T. Clarke building.
Phase 2B (ETC Steam Boilers & Boiler #5 Refurbishment) Boiler 5 refurbishment will be taking place in May/June 2024. We are working with an Electrode boiler manufacturer to ensure that our infrastructure is compatible with equipment requirements and ESA code compliances.

Project Scope

	Phase 1 & Phase 2A: To install five (5) new peak shaving generators at NF-91 and ET Clarke to participate in the Industrial Conservation Initiative (ICI) Program of the Independent Electricity System Operator (IESO). To increase the emergency power generation capacity of the university to support future development. Phase 2B: To Install two (2) new electrode steam boilers and refurbish one existing gas fired boiler to maintain operational resiliency.
Key Features	Peak Shaver Generators will reduce the load on the utilities and provide yearly cost savings. Boilers and the emergency generator will increase the central plant capacity for future campus growth.
Key Sustainability Features	Reduction in Carbon Emissions for boiler system.

Total Area	NF91 Generators	13,000 sq.ft.
	ET Clarke Generator	1,400 sq.ft.

Key Risks

	High, Medium, Low	Description	Mitigation Plan	Responsibility	Status
Budget	Low	Construction costs have been noted to be increasing since the start of the pandemic. The initial construction budget was based on estimates from 2020	Value engineering to be completed to monitor construction budget.	Roderick Pangan / Georgios Panagiotaros	Monitoring
Schedule	High	Delays in Permits Sub-contractor performance and delay of delivery of critical equipment Leadtime Market impact - Generator supply has been delayed	All permits issued; delay impacts being tracked. Working with contractor and sub-contractor to expedite the delivery of critical equipment. Major equipment has been pre- purchased, and PO's will be assigned to the contractors. Continuing to see supply chain delays.	Roderick Pangan	Monitoring
Scope	low	Multiple projects are running simultaneously.	Coordination between consultants for each project during all phases. Raven Engineering is acting as the owner's representative to aid in the technical specific details for the overall project. Safety consultant to monitor various projects coordination.	Roderick Pangan / Georgios Panagiotaros	Monitoring

Major Activity

This Quarter	Phase 1 (NF91): Generator commissioning activities are ongoing. Phase 2A (ETC - Generator): A new structure is being designed to house the 2.6 MW generator for sound reduction and aesthetics purposes. Phase 2B (ETC –Electrode Boilers): Consultants continue to review solutions to the infrastructure compatibility issues with the electrode boiler code compliance. We are coordinating the proposed solutions with ESA. Boiler #5 refurbishment has been awarded to a contractor and work will be taking place in May/June 2024.
Planned for Next Quarter	Phase 1 (NF91): Remaining construction activities, occupancy and demobilization. Sound level testing will take place once all construction activities are complete. Phase 2A (ETC - Generator): The design for the 2.6 MW generator building will continue along with the preparation of permit applications and public tender documents. Phase 2B (ETC - Electrode Boilers): Re-design for the electrode boilers will commence for any infrastructure changes required to accommodate the electrode boilers.
Community Impacts	Phase 1: Previous concerns from the surrounding community were raised regarding sound generation. An acoustic consultant has been involved with the planning and design of the Generator project. Phase 2A (ETC - Generator): The contractor boiler room parking lot will be used for the new generator building placement. New parking has been designed along Building 32 (TAB). Some traffic disruptions along the East of ET Clarke during construction may impact the shuttle bus route. Phase 2B (ETC - Electrode Boilers): No community impacts

McMaster University

Athletics and Recreation Expansion - SAFE

Status Report -
October 2023

Project Manager	Laurie Nelson	Project Health 🟥
Design Consultant	MJMA Architects	
Major Sub-Consultants	Smith & Anderson	Key:
Contractor	Stuart Olson	On Track 🟩
Major Sub-Contractors	Clairmont, Kelson	Manageable Issues 🟨
Project Delivery Method	Construction Mgmt CCDC5B	Project in Trouble 🟥

Funding Summary	
Capital Reserve	$5,000,000
University Fund	$5,000,000
Central Bank Loan - Student Levy	$53,575,000
AODA	$425,000
Budget Summary	
Approved Budget	$64,000,000
Projected Cost at Completion	$64,000,000
Budget Variance	$0
Expenditure Summary	**@ Aug 31/23**
Expenditures - total	$ 64,506,392
Expenditures - construction	$ 59,304,900

Schedule		
Milestone	**Initial**	**Revised**
PRC Approval	11/24/2016	
BOG Approval	12/15/2016	
Design	Aug-17	Aug-17
Construction Start	Dec-18	Apr-19
Occupancy	Jun-20	Beginning Q4 2022
Substantial Completion	Jun-20	October 2023
BOG Final Report		

Current Status

East gym was completed in July 2021. West addition Pulse construction achieved occupancy in Dec. 2022. IWC corridor was completed in April 2023. West addition HUB construction proceeding with atrium feature stair, glazing, and bleachers. Interior finishing is ongoing and anticipating substantial completion in Q3 2023. On-going performance issues with construction manager; Legal engaged and escalation in place to resolve claims and disputes to complete project. Occupancy of HUB expected in early fall 2023.

Project Scope	
Key Features	East Gymnasium, High Performance Activity space, expansion of The Pulse, Rock Climbing, Student Activity Building including multi-faith room, multi-purpose room
Key Sustainability Features	Project will target LEED Silver certification
Total Area	110,000 SF

Key Risks					
	High Medium Low	**Description**	**Mitigation Plan**	**Responsibility**	**Status**
Budget	High	Risk of increase in project costs; claims received from sub-contractor	Budget review and forecasting with CM and consultant; Legal engaged	Laurie Nelson	Ongoing monitoring
Schedule	High	Schedule forecasted to Q4 2023 for Hub in West Addition. Continued schedule extension due to incorrect glazing panels delivered to site.	Schedule review with CM and consultants to account for time lost and mitigation plans being reviewed. Third party engaged to review schedule.	Laurie Nelson	Completion delayed to Q4 2023
Scope	Medium	Change Orders for closing scope gaps in progress	Review of changes to date and forecasted cost with project team. Change Orders decreasing in volume and size.	Laurie Nelson	Ongoing

Major Activities	
This Quarter	Project in final stages of construction – occupancy anticipated in coming weeks. .
Planned for Next Quarter .	Project closeout and deficiencies to be addressed. Legal claims progressing.
Community Impacts	With majority of site work completed, no additional impact anticipated.

McMaster University

McLean Center For Collaborative Discovery

Status Report - October 2023

Project Manager	Marc St-Jean
Design Consultant	Sweeny Architects
Major Sub-Consultants	TMP, Mulvey & Banani
Contractor	Buttcon
Major Sub-Contractors	
Project Delivery Method	Stipulated Sum

Project Health: 🟩

Key:	
On Track	🟩
Manageable Issues	🟨
Project in Trouble	🟥

Funding Summary	
School of Business loan	$32,667,632
School of Business	$41,000,000
Faculty of Health Sciences	$9,668,588
Donations	$20,000,000
Student Levy	$0
University Fund	$19,206,184
Capital Reserve	$5,537,596
Hospitality	$480,000
Loan term interest - DSB	minimal @5.75%

Schedule			
Milestone	**Planned**	**Revised**	**Actual**
PRC Approval	9/28/2018	7/22/2021	7/22/2021
BOG Approval	10/18/2018	8/5/2021	8/5/2021
Design	Complete Fall 2020		
Construction Start	Spring 2021	Aug-21	7-Sep-21
Occupancy	Fall 2023	Fall 2024	
Substantial Completion	Fall 2023	Winter 2024	
BOG Final Report	tbc		

Current Status

All major foundations, building services and below grades works are complete. Construction of the building core is ongoing and complete up to L4. CORE construction will continue into January 2024. Structural steel started 8/28/23 with the link portion of building between MCCD and DSB – S/S will continue into Q1 2024. Curtain Wall / exterior glazing and panels will commence in Q4. Interior mechanical and electrical improvements are being installed in the basement and will continue for the duration of the project.

Budget Summary	
Approved Budget	$128,560,000
Projected Cost at Completion	$128,560,000
Budget Variance	$0
* Loan interest is not a construction cost	
Expenditure Summary	**@ Aug 31,/23**
Expenditures - total	$ 41,514,786
Expenditures - construction	$ 39,816,956

Project Scope					
Intent	10 Story construction of space for DeGroote School of Business, Innis Library, and Media Production Services (MPS)				
Key Features	Collaborative spaces for learning for undergraduate and graduate students. Raised flooring, gender neutral washrooms				
Key Sustainability Features	Project is targeting LEED GOLD certification				
Area: 186,000 sq.ft.	Floors 4 and 5 (OSS and FHS)	32,600 sq.ft.	Media Production Services	7,000 sq.ft.	
	DeGroote School of Business flr 6 - 9	65,200 sq.ft.	Hospitality	7,000 sq.ft.	
	Innis Library	16,300 sq.ft.	common & service area	7,000 sq.ft.	

Key Risks					
	High Medium Low	**Description**	**Mitigation Plan**	**Responsibility**	**Status**
Budget	medium	All building design changes have now been capped and are no longer permitted. All approved changes to date and pending changes have been accounted for in the budget forecast.		Marc- SJ	Monitoring
Schedule	medium	The latest schedule from GC indicates a completion date of Winter 2025. GC is behind schedule and tracking of cash flow and actual vs planned milestones are not being met. CORE construction is taking longer than planned.	Working with GC on recovery strategy as to how they can capture back schedule.	Marc- SJ	Monitoring
Scope	low	Scope creep – changes to layouts are no longer permitted.	NA	Marc- SJ	Monitoring

Major Activities	
This Quarter	Continued CORE construction up to L7 and structural steel works. Mechanical and electrical installations in basement, Masonry walls in basement and exterior
Planned for Next Quarter	Complete CORE construction up to L10, structural steel erection and begin curtain wall installations
Community Impacts	Structural steel installations will be noisy and likely disruptive to some areas of campus around MCCD. Communications have been issued to this effect to known users who will be affected as well as onto Daily News.

Research Commercialization at MIP

Status Report -
October 2023

Project Manager	Wade Beitel	Project Health	🟩
Design Consultant	WalterFedy		
Major Sub-Consultants	WalterFedy	Key:	
Contractor	Stuart Olson	On Track	🟩
Major Sub-Contractors	Insight, Clairmont	Manageable Issues	🟨
Project Delivery Method	Construction Mgmt, CCDC 5B	Project in Trouble	🟥

Funding Summary	
Capital Reserve	$70,000,000
Budget Summary	
Approved Budget	$70,000,000
Projected Cost at Completion	$70,000,000
Budget Variance	$0
Expenditure Summary	**@ Aug 31/23**
Expenditures - total	$ 68,587,791
Expenditures - construction	$ 66,654,304

Schedule

Milestone	**Planned**	**Actual**
PRC Approval	5/24/2018	5/27/21
BOG Approval	6/7/2018	6/4/20
Design		
Construction Start		03/15/19
Occupancy	1st tenant 08/01/2020	
Substantial Completion	Phase 1 - 2020-09-16	
BOG Final Report		

Phase 1: Triumvira / Fusion / Atrium – complete, working with users and MIP to address as issues arise
Phase 2: Fusion Manufacturing (formally NuGeneris) – Substantial completion of both facility and cleanroom achieved. Working through deficiency, commissioning, and training.
Phase 3.2: Enedym/Eccomobility/Engineering - Substantial completion of phase completed and user move-in and operational start up in progress.
Contractor demobilized, with minor deficiencies being addressed.

Project Scope

Intent	Fusion laboratory and administration space, Triumvira laboratory and administration space, atrium for common gathering area, Fusion Manufacturing (formally NuGeneris) small scale production of radioactive medical product Flex Labs will be a wet lab under the supervision of VP Research				
Key Features	Atrium, health sciences labs, production facility for radiopharma products				
Key Sustainability Features	n/a - project is not a LEED project				
Area: 56,000 sq.ft.	Area Atrium & common area	10,000	Area NuGeneris	24,733	
	Area -Fusion	11,285	Area Flex Labs	6,000	
	Area- Triumvira	6,048			

Key Risks

	High Medium Low	**Description**	**Mitigation Plan**	**Responsibility**	**Status**
Budget	Low	Project budget reconciliation being completed	n/a	Wade B	in progress
Schedule	NA	Project construction complete	n/a	Wade B	complete
Scope	NA	Project construction complete	n/a	Wade B	complete

Major Activities

This Quarter	Phase 1: Fusion/Triumvira/Atrium – N/A work complete Phase 2 Fusion Manufacturing (formally NuGeneris) / Flex Labs – complete deficiency cleanup, commissioning, and training. Assist users with move in and grand opening Phase 3.0 & 3.1: AMC – Deficiency clean up, close out of project Phase 3.2: Enedym/Eccomobility/Engineering – Deficiency clean up, close out of project Century Therapeutics – no activities planned.
Planned for Next Quarter	NA, Project construction complete
Community Impacts	None. Contractor demobilized.

McMaster University

Greenhouse and Phase One LSB Renovation

Status Report -
October 2023

Project Manager	Sam Sargeos	🟨	
Prime Consultant	Moriyama & Teshima		
Contractor	Chandos Construction	Key:	
Project Delivery Method	Stipulated Sum	On Track	🟩
	CCDC 2 2020 with McMaster	Manageable Issues	🟨
		Project in Trouble	🟥

Funding Summary	
Faculty of Science	$9,135,333
University Fund	$8,200,000
DM - Greenhouse/LSB	$3,200,000
Donations	$600,000
Capital Reserve	$800,000
Budget Summary	
Approved Budget	$21,935,333
Projected Cost at Completion	$21,935,333
Budget Variance	$0
Expenditure Summary	**@ Aug 31/23**
Expenditures - total	$ 17,392,398
Expenditures - construction	$ 16,977,208

Project Schedule

Milestone	**Planned**	**Actual**
PRC Approval	4/2/2020	4/2/2020
BOG Approval	4/16/2020	12/8/2021
Design	3/31/2021	Mar-21
Construction Start	5/31/2021	Feb-22
Occupancy	12/23/2022	
Substantial	12/23/2022	10/31/2023
BOG Final Report	tbd	

Current Status

Construction ongoing with overall construction progress at about 82%, North WR renovations occupancy early Sept.; greenhouse envelop completed M&E interior ongoing. There have been some scope changes related to requirements. Project schedule impact and potential project budget impact due to changes related to requirements by authorities having jurisdiction (additional sprinkler requirements) as well as unknown site conditions (revised emergency power requirements). Estimated completion Nov. 2023.

Project Scope

Intent	To construct a new Greenhouse that will integrate with LSB, and begin phase one of renovating LSB, along with Deferred Maintenance of selective services to serve the addition and renovation of phase1.	
Key Features	New Greenhouse, Deferred Maintenance including Mechanical Upgrades, Washroom upgrades, switchgear upgrade	
Key Sustainability Features	Geothermal, LEED silver	
Total Area:	LSB phase 1	renovation
	New Greenhouse	11,400 sq.ft
	Existing Greenhouse	demolition

Key Risks

	High Medium Low	**Description**	**Mitigation Plan**	**Responsibility**	**Status**
Budget	High	High value of Change Orders due to existing unknown building conditions or lack of coordination	Scope changes due to requirements by authorities having jurisdiction and unknown site conditions increased the risk of cost overrun. Mitigation measures including value engineering process with consultants and contractor to minimize the cost impact.	Sam Sargeos	Monitoring
Schedule	High	Schedule delays due to various factors including change orders	Schedule review with contractor and consultants to account for time lost and mitigation plans being reviewed. Third party engaged to review schedule.	Sam Sargeos	Monitoring
Scope	Low	Scope creep resulting in additional cost and delayed schedule	Scope impact due to requirements by authorities having jurisdiction as well as unknown site conditions. Employing change management process to manage scope.	Sam Sargeos	Monitoring

Major Activities

This Quarter	Continue with green house and envelop construction, monitor cash flow, construction schedule and project budget.
Planned for Next Quarter	Commissioning and closeout activities. Planning of user and greenhouse move in.
Community Impacts	Future impacts to be determined upon construction advancement. Users move to be planned and started.

McMaster University

Lincoln Alexander Hall (P3)

Status Report - October 2023

University Sponsors:	VP Administration	Project Health 🟩
	Facility Services	
	Financial Affairs	Key:
		On Track 🟩
Developer	KCAP	Manageable Issues 🟨 Project in
Project Delivery Method	P3	Trouble 🟥

Funding Summary		Schedule		
Capital Reserve	up to $12.9M	**Milestone**	**Initial**	**Actual**
		PRC Approval	09/26/2019	
		BOG Approval	10/24/2019	
		Design		
Budget Summary		Construction Start	Spring 2023	
Approved Budget*	up to $12.9M	Occupancy	Fall 2026	
Projected Cost at Completion		Substantial Completion	tbc	
Budget Variance		BOG Final Report	tbc	

* Initial investment of $16M in land acquisition; will net between $11.4M and $12.9M depending on property tax assessment

Current Status

Demolition of all existing 14 houses complete. The comments by the City on the resubmitted documents for the Planning application awaited. As part of the SPA, land dedication is a requirement and is being finalized along with encroachment agreement and shoring agreement. Permit application for underground work and servicing scope has been completed. Foundation permit expected in coming weeks.
McMaster has put together a communication strategy for neighborhood and others on what to expect moving forward.
Excavation expected to begin end of September 2023.

Project Scope	
Intent	McMaster will have a 16% equity position in the P3 Entity and will manage, maintain, and operate the building as well as run the student programming - kitchen and servery space with mandatory meal plans for the students: 1366 beds. Academic/research space (~7,800 square feet) for University needs. 325 long-term bicycle storage spaces, 43 underground car parking spaces. Communal spaces on every floor. Intergenerational space hosted by McMaster Institute for Research on Aging (MIRA). Targeting LEED Gold Certification
Key Features	Overall Cost of the project ranges between $198.6M up to $211.6M with McMaster component of $19M (land value).
Area:	613,790 sq.ft.

Key Risks					
	High Medium Low	**Description**	**Mitigation Plan**	**Responsibility**	**Status**
Budget	High	Construction cost escalation	Project estimate being revised; tendering early works to lock in prices and planning tendering to mitigate escalation.	AVP Facilities	Monitoring
Schedule	High	Site Plan Approval delays will impact start of construction	Comments being addressed in a timely manner	AVP Facilities	Monitoring
Scope	Low	Changes to scope based on comments from AHJ or user groups	Scope creep control and change management process implemented.	AVP Facilities	Monitoring

Major Activities	
This Quarter	Results of demand study will be received and discussed among larger group. Site Plan Application approval is hopefully forthcoming. Partial Building permit is anticipated for underground work. Construction start anticipated with underground work and foundations Fall 2023
Planned for Next Quarter	Construction to continue

McMaster University

Graduate Student Residence (P3)

Status Report - October 2023

University Sponsors:	VP Administration	Project Health 🟩
	Facility Services	
	Financial Affairs	Key:
		On Track 🟩
Developer	KCAP	Manageable Issues 🟨
Project Delivery Method	P3	Project in Trouble 🟥

Funding Summary	
Capital Reserve *	up to $14.5M
Parking Loan	$20.1M
Budget Summary	
Approved Budget	up to $34.6M
Projected Cost at Completion	
Budget Variance	

* Investment will net between $14.5M and $14.2M depending on development charges by the city (this does not include 22 Bay St. - there is a separate approval for that site) and $20.4M for the parking structure

Expenditure Summary - McMaster Contribution	**@ July /23**
Expenditures - Residence	$ 12,611,601
Expenditures - 22 Bay	$ 3,900,000
Expenditures - Parking Garage	$ 20,114,323

Schedule

Milestone	**Planne**	**Actual**
PRC Approval	09/26/2019	
BOG Approval	10/24/2019	
Design		
Construction Start	Spring 2021	Fall 2021
Occupancy	Sept. 2023	
Substantial Completion		
BOG Final Report		

Current Status

Occupancy has been achieved for the first phase of the project on Sept 1 as planned. Students moved into the first 9 floors (podium level). Work on amenity spaces ongoing.
Balance of building to be handed over from October 2023 to December 2023.

Project Scope	
Intent	McMaster and Knightstone will be 50/50 entity owners and McMaster will manage, maintain, and operate the building as well as run the student life programming: 644 bed Facility. Land is secured with a long-term lease of 99 years with 4, 25-year renewals.
Key Features	Overall Cost of the project expected to be $124.1M; this does not include 22 Bay Street, which will have seen total costs of approximately $8M (purchase price $7.6M). The parking garage component of the project is expected to be $20.4M
Area: 330,405 sq.ft.	

Key Risks					
	High Medium Low	**Description**	**Mitigation Plan**	**Responsibility**	**Status**
Budget	low	Development charges - cost escalation	Appealing the by-law change	VP-Admin	complete
Schedule	med	Windows delivery	Closely monitoring, phased occupancy implemented	LG	in progress
Scope	low				

Major Activities	
This Quarter	Construction continues, KCAP providing monthly parking garage invoices that are reviewed and approved for payment by Facility Services. More details can be found above in the 'Current Status' section. Student move-in starting with Phase 1 on September 1, 2023. Balance building completion to be by December 2023
Planned for Next Quarter	Construction completion; deficiencies and closeout

Capital Expenditure and Project Status Report - September 2023

Agenda Item _

											McMaster			
Project Name	**Original Estimated Completion Date**	**Revised Completion Date**	**Approved or Anticipated Budget**	**Funding Source(s)**	**Over / Under Budget**	**Scope Changes**	**Status**	**Architect/ Contractor**	**Funding sources committed and / or received to date**	**Outstanding**	**Funded by Strategic Reserve**	**Loan from Central Bank**	**Actual G/L Project cost to date Aug 31, 2023**	**Comments**
PROJECT AND BUDGET APPROVED														
Classroom Renovations	5 years		$ 10,000,000	• Capital Reserve - $10M (over 5 years)	On Budget	None to date.	All prioritized classrooms from previous survey being completed under this budget Final Project closeout report to be submitted.	Kongats/ GS Wark			$ 10,000,000		$8,263,036	
MRI at IAHS		Aug 2023	$ 9,200,000	• Mohawk College- $4.6M • President Strategic Support Fund -$2.8M • Internal Loan- $1.8M	On Budget	CT Machine and associated renovation added	CT and MRI Machine installed and operational. Grand opening held in August 2023.	HealthCare Solutions/ ROA Studio Inc	$ 7,400,000	TBA		$ 1,800,000	$2,000,000	

McMaster University
UNIVERSITY SECRETARIAT

Board of Governors | Senate
Gilmour Hall, Room 210
1280 Main Street West
Hamilton, ON L8S 4L8

☎ (905) 525-9140 x 24337
✉ boardofgovernors@mcmaster.ca
✉ senate@mcmaster.ca
secretariat.mcmaster.ca

REPORT TO THE BOARD OF GOVERNORS
from the
REMUNERATIONS COMMITTEE

APPROVAL

a. **Ratification of Tentative Agreement - Unifor Local 5555, Unit 4 (Special Constables)**

At its meeting on October 17, 2023, the Remunerations Committee approved the tentative agreement between Unifor Local 5555, Unit 4 (Special Constables) and the University. Further details are contained within the circulated materials.

It is now recommended,

that the Board of Governors approve the tentative agreement between McMaster University and Unifor Local 5555, Unit 4 (Special Constables) for a 3-year renewal agreement, effective October 1, 2023 and expiring September 30, 2026, with terms outlined in the circulated report.

Board of Governors
FOR APPROVAL: October 26, 2023

GOVERNANCE BODY	*Board of Governors*
ITEM/SUBJECT	*Ratification Request: Unifor Local 5555 Unit 4 (Special Constables)*
DATE	*October 26, 2023*
LEAD(S)	*Wanda McKenna, AVP & CHRO* *Maggie Pooran, Executive Director, Health, Safety, Well-being & Labour Relations*
GOVERNANCE PATH	*PVP (September 19, 2023) > Remunerations Committee (October 17, 2023) > Board of Governors (October 26, 2023)*
MOTION	*For Approval*
JURISDICTION	*N/A*
SUPPLEMENTAL MATERIALS	*1. Summary Terms of the Collective Agreement*

EXECUTIVE SUMMARY

The University has reached a tentative agreement for a 3-year renewal Collective Agreement with Unifor Local 5555, Unit 4, representing Special Constables. The agreement is within mandate.

The University and the Union agreed to recommend the ratification of the tentative agreement to their respective principals. Unifor members ratified the Agreement on August 3, 2023.

BACKGROUND

The Remunerations Committee approved the mandate for this round of collective bargaining in May of 2023. As of March 7, 2023, the bargaining unit was comprised of a total of 21 Special Constables: 13 Full-time, 5 Part-Time, and 3 Investigators.

The Collective Agreement expires on September 30, 2023. Acknowledging the busy fall term, the parties agreed to meet to bargain for 3 days from July 31, 2023, to August 2, 2023, at which time they reached a tentative agreement.

The Remunerations Committee approved the recommendation for ratification on October 17, 2023.

STRATEGIC ALIGNMENT

The tentative agreement achieved outcomes in alignment with the University's Collective Bargaining Strategy, 2023-2026, including:

- *Fiscal Responsibility*:
  - Settlement is within mandate as approved by the Remunerations Committee.
- *Labour Relations Stability*
  - Achieved the labour stability of a 3-year term, expiring September 30, 2026.

  - Continued to foster a positive and proactive labour relationship with Unifor through proactive bargaining discussions, reaching a tentative agreement prior to the expiry of the collective agreement.

- *Inclusive Excellence*

  - Benefits are updated in Year 2 of the new Agreement as part of efforts to align, simplify and streamline provisions – including expanding access to certain providers for additional mental health supports.

  - Pregnancy and Parental Leave – enhanced provisions to ensure compliance with human rights legislation and to align with other bargaining units.

  - Illness & Injury - agreed to application of 2 days/shifts (24 hours) for part-time employees for illness.

  - Introduction of Racial Justice Advocate as per other three Unifor units on campus to support employees experiencing racism or race-related concerns in collaboration with University resources and supports.

  - Employment Equity affirmation as part of recruitment – aligned with other bargaining units.

  - Updates to Bereavement Leave to acknowledge all family relationships with same leave duration and enable employees to make alternate arrangements reflecting relevant family, religious and cultural practices.

RISK AND RISK MITIGATION STRATEGIES

University contingency planning would have commenced quickly as required, though was not needed given the tentative agreement reached with the Union.

RECOMMENDATIONS AND NEXT STEPS

The University's Bargaining Team seeks the approval of the Board of Governors to ratify the tentative agreement.

KEY TERMS

Unifor Local 5555:	Union that represents over 3000 members who work as non-academic administrative, professional, and technical employees (Unit 1), and facility services employees (Unit 5), parking and transit employees (Unit 3) and special constables (Unit 4) at McMaster University. This local chapter (5555) also includes two non-McMaster bargaining units, Regional Medical Associates Staff (Unit 2) and the Royal Canadian Legion 163 Support Staff (Unit 6).

Request for Ratification of Tentative Agreement

between

McMaster University

and

UNIFOR Local 5555, Unit 4

Representing Special Constables

Prepared for: The Board of Governors

October 26, 2023

The University's Bargaining Team seeks the approval of the Board of Governors to ratify the tentative agreement.

SUMMARY OF TERMS OF TENTATIVE AGREEMENT

Key Details

Term:

- 3-year renewal agreement, effective October 1, 2023 – September 30, 2026.

Compensation Items

- **Wages -** consolidation of the wage grid and below adjustments anticipated to support improved recruitment and retention and more reflective of market comparators:
  - Consolidation of the Wage Grid to 4 Steps (current: 5 steps) – takes less time now to reach maximum wage rate.
  - Year 1: Application of Market Adjustment to final step (9.5%) with 0% increases to all other steps. Lump sum adjustments for 3 employees to address equitable treatment in wage progress on consolidation of Wage Grid ($1000 for Full-Time Employees, $500 for Part-Time Employees).
  - Year 2: Application of Market Adjustments across all steps as follows (2%, 0%, 1%, 5.5%).
  - Year 3: Across the Board Increase for all steps (3%)
- **Premium for "In Charge" Officer** to increase from $2.50 / hour to $3.50 / hour in Year 3.
- **Personal Days** – beginning in Year 2, removal waiting period to allow use of personal days immediately for Full-Time employees.
- **Benefits** - introduction of Healthcare Spending Account of $500 in Year 2 and increased eligible providers within the $3000 mental health benefits allowance.
- Replacement of prescription glasses or sunglasses damaged in the line of duty, to maximum of current benefits allotment.
- Amended **Pregnancy and Parental Leave** provisions to ensure compliance with human rights legislation and to enhance provisions in Year 1 aligned with other employee groups.

- To address illness, agreed to **application of 2 Days / Shifts (24 hours) to Part-Time employees**, without loss of pay, effective Year 2.

Non-Monetary & Operational Highlights

- **Introduction of Racial Justice Advocate** – an additional support / resource from Unifor to who will support employees experiencing racism or race-related concerns and who may wish to discuss these experiences or concerns with someone who has lived experience, knowledge and skills related to racial justice – same language as included in Unit 1, 3 and 5 and which was reviewed with EIO (and acknowledging this will be one role for all of Unifor).

- **Employment Equity affirmation** as part of recruitment – aligned with other employee groups.

- **Updates to Bereavement Leave** effective Date of Ratification to remove two-tiered approach, and to add language to enable parties to make alternate arrangements to respect various family, religious and culture practices.

- **NEW "Drop Day" Pilot Program / Bi-Weekly Pay Update** to support movement to more consistent pay (80 hours) and address employee requests for scheduling of 'drop days' (week with fewer shifts scheduled). Anticipated to address longstanding request from staff and support employee engagement and improved retention.

- **Increased Hourly Limit for Part-Time staff** (36 hours) – changes are anticipated to support increased flexibility and recognizes assignment of shifts to part-time staff in a way that addresses coverage for full-time staff more effectively (12-hour shift coverage).

President's Report to
McMaster University's Board of Governors
October 26, 2023

Spotlight on Inclusive Excellence

As a university, we have continued to make excellent progress on our strategic goals related to inclusive excellence. In this important priority area, McMaster has, "aspired to embed an inclusive approach that intentionally engages and respects a diversity of peoples, perspectives and ways of knowing in everything we do." This commitment has been reflected in the many programs and initiatives that continue to emerge across campus.

Some of the progress made in the area of inclusive excellence over the past year includes:

- The successful recruitment of the Vice-Provost, Equity and Inclusion. Dr. Barrington Walker joined McMaster in April, 2023.
- The achievement and completion of all strategic actions and goals outlined in McMaster's Equity, Diversity and Inclusion (EDI) Strategy, launched in 2019.
- Hiring of 18 scholars as a result of the Black Faculty Hiring Initiative.
- Achievement of 43% female enrolment among first-year engineering students.
- More than 300 Employment Equity Facilitators trained to support faculty and staff search committees with employment equity and inclusive excellence focus.
- The Indigenous Health Learning Lodge hosted its first gathering, and further developed core Indigenous Health curriculum to assist Health Sciences program developers to fill gaps in curriculum

We are making significant advances in our work to embed an inclusive approach throughout our operations and to engage diverse communities. I would like to provide updates on some of these important developments.

Supporting Truth and Reconciliation

September 30 marked National Day for Reconciliation, a time to reflect on the terrible and ongoing legacy of Canada's residential school system, and honour the survivors who continue to experience the impacts of that legacy. As I wrote in my message to the McMaster community, September 30 provides an opportunity to listen to survivors, and educate ourselves about Indigenous cultures, histories and experiences. I also called on the University community to consider the ways in which each of us can support and advance Truth and Reconciliation, and how we can continue to work toward fostering a sense of belonging and inclusion for all Indigenous students, staff and faculty on our campus.

In the months and weeks leading up to September 30, both and Indigenous and non-Indigenous staff, students and faculty came together to co-develop programming, events and content to support Truth and Reconciliation across our campus, including:

- National Day for Truth and Reconciliation: Events and Resources
- 8 ways to engage in Truth and Reconciliation
- Indigenous Studies campus book club: Supporting Truth and Reconciliation, one story at time

- Video project empowers communities to make decisions about using DNA analysis at residential schools
- Honouring leaders in Indigenous care and education
- ‘Our intrinsic bond:’ Indigenous mural unveiled
- In Photos: National Day for Truth and Reconciliation

McMaster is committed to advancing Truth and Reconciliation on our campus, not just on September 30 but throughout the year. To help advance this goal, a communications steering committee that includes members of Indigenous communities on campus, along with staff from Communications, Marketing and Public Affairs and other communications staff from across the University, is being formed to ensure that stories featuring the voices of Indigenous staff, faculty and students, events and other programming that promotes Truth and Reconciliation, are regularly highlighted.

Priorities and activities of McMaster’s Equity and Inclusion Office

McMaster’s Equity and Inclusion Office (EIO) has continued to take a leading role in providing supports, and establishing and enhancing policies, initiatives and structural frameworks to embed the principles of inclusive excellence in everything we do.

The EIO’s mandate is to:

- Provide leadership to advance institutional equity, diversity, and inclusion (EDI) priorities and inclusive excellence goals.
- Provide education, training, and resources related to accessibility, inclusion & anti-racism, human rights, and sexual violence.
- Provide harassment, discrimination, and sexual violence response services.

I would like to acknowledge the leadership of McMaster’s new Vice-Provost, Equity and Inclusion, Dr. Barrington Walker, and his team for the outstanding work they are doing to advance inclusive excellence across our campus. The following are some of the activities and initiatives that are currently underway to support this critical work.

Development of a new strategic plan to advance equity, diversity and inclusion

In 2019, McMaster launched its Equity, Diversity and Inclusion Strategy, which included several action plans to implement key strategic priorities including:

- The communication and coordination of the EDI imperative
- Data-informed and evidence-based EDI planning and decision-making
- Inclusivity and interdisciplinarity in curricula and scholarship
- Baseline EDI leadership training and development
- Equity-seeking group consultation, engagement and support
- Recruitment and retention of equity-seeking groups (students and employees)

I am pleased to report that all the strategic actions plans outlined in the EDI strategy, have now been successfully completed.

In the coming year, Dr. Walker will be engaging in consultations with many groups across campus to develop a new strategic plan to guide the continued strengthening and implementation of initiatives, supports, strategies and policies to enhance inclusive excellence at McMaster. I look forward to keeping Board updated as this important new strategy develops.

Creating a culture of consent

This fall, McMaster's Equity and Inclusion Office launched the *It Takes All of Us* online learning module developed to increase awareness of gender-based and sexual violence.

All incoming undergraduate and graduate students at McMaster will be automatically enrolled on McMaster's online student platform, Avenue to Learn, and all other students are encouraged to take the module, although completion is optional. Staff and faculty who wish to view the module can also self-enroll. Information for staff and faculty is also available on the webpage.

McMaster's Sexual Violence Prevention and Response Office (SVPRO) is leading the delivery of the module, which was first delivered at Concordia University in 2019 and is now delivered at many other institutions across Canada. The module addresses the topics of consent, bystander intervention, supporting survivors and accessing resources.

The module is one part of a growing list of initiatives from the Sexual Violence Prevention and Response Office (SVPRO) as it expands and finds new ways to connect with students during the start of the semester and through the school year. Other initiatives include high-visibility signs across campus explaining what consent is and why it matters, drop-in chats with support professionals, a robust peer educator program, bystander intervention initiatives and a slate of year-round programming.

This a very positive step toward reducing sexual violence on our campus. I commend the SVPRO for its leadership on this very important issue.

Strengthening policies to advance inclusive excellence

As we work toward our collective goal of creating a more equitable and accessible campus for all, EIO, in collaboration with campus partners, is currently undertaking continued and extensive reviews of three key policies, including:

- The Accessibility Policy
- The Discrimination & Harassment Policy
- The Sexual Violence Policy

The Discrimination & Harassment and Sexual Violence policies are being reviewed to ensure compliance with the leading practices outlined in the *Ontario Human Rights Code*, *Occupational Health & Safety Act*, and Bill 26, *Strengthening Post-secondary Institutions and Students Act, 2022*. The final round of consultations will be held in early 2024.

The review of the Accessibility Policy is being undertaken by EIO in collaboration with AccessMac and the McMaster Accessibility Advisory Council. The final round of consultations will take place by the end of 2023.

The reviews for all three policies include extensive consultation activities with key groups across campus, including focus group consultations with students, staff and faculty, relevant office consultations and feedback, as well as surveys, which have resulted in thousands of responses. Feedback from all relevant groups will then be incorporated into the final draft of the policies in coordination with the University Secretariat. Once approved, the Equity and Inclusion Office will create and roll-out training resources and activities to raise awareness of the policies.

Knowledge and best-practices in the areas of accessibility, discrimination and harassment, and sexual violence are constantly evolving, and the work being done to update these policies will make an important contribution to ensuring McMaster is supporting its goals related to EDI.

Protecting and supporting our campus against hate-motivated activity

The Equity and Inclusion Office has begun work to establish a Hate Crime Protocol to guide the University's response to incidents targeting under-represented or marginalized members of our campus community.

The EIO will lead a Hate Crime Protocol committee consisting of key McMaster groups, including Security Services, Human Resources, McMaster University Faculty Union, Faculty of Health Sciences, Ombuds, Office of Legal Services, Secretariat, Student Affairs and others.

The protocol will:

- Affirm McMaster's commitment to respond to hate speech and actions in the physical and virtual environment that conflict with the institutional mission and values; support those impacted by such misconduct; hold accountable those responsible under existing policies; and provide educational opportunities to deter and eliminate future incidents of hate crimes.
- Describe the responsibilities of intake offices and individuals for the coordination of prompt and effective responses to hate crimes.
- Recognize that a hate crime is a Criminal Code offence and an assault on humanity and dignity.
- Recognize that hate crimes do not victimize all individuals and groups equally.

The work of the committee will be guided by the *Ontario Human Rights Code,* the *Occupational Health and Safety Act*, Freedom of Expression, the Criminal Code of Canada, and other legislation, policies and collective agreements. Once the draft of the protocol is completed, it will be shared with the McMaster community for consultation, along with the Hamilton Community Legal Clinic, Hamilton Police Service Hate Crime Unit and Halton Regional Police Service. The EIO anticipates that consultation will begin in 2024.

The development of this protocol is an important step forward in addressing hate-motivated incidents enhancing our ability to create safe, secure learning and research environments, and promoting an equitable and inclusive campus.

Accessibility in Teaching and Learning Roadmap project

In 2022, the Ministry for Seniors and Accessibility released the Final Accessibility for Ontarians with Disabilities Act (AODA) Postsecondary Education Standard Recommendations Report.

The report provides a roadmap for how institutions should work collaboratively with government, key groups and persons with disabilities to create more accessible campuses. It contains 185 recommendations that address barriers including attitudes, perceptions, awareness and training, assessments, digital learning, organizational barriers, social realms, campus life, financial, and physical and architectural barriers.

In response to these recommendations, McMaster has developed the Accessibility in Teaching and Learning Roadmap project, a two-year project funded through a Strategic Excellence and Equity in Recruitment and Retention (STEER/R) Program grant. The project goal is to develop a five-year

Teaching and Learning Accessibility Roadmap underpinned by the early adoption of the recommendations to better serve students with disabilities and foster a more accessible teaching and learning experience. The project is a partnership between EIO, the Office of the Deputy Provost, and the Office of the Vice-Provost, Teaching and Learning. It will provide an opportunity to explore McMaster's readiness to adopt the recommendations and better understand McMaster's current ability to support various components of accessibility across campus.

The first phase of the project focuses on analyzing the recommendations, literature reviews, engaging in key informant interviews, and working with campus partners and students to develop student and faculty journey maps of their experiences of institutional accommodations processes. An inaugural Accessibility Fellows Program was also launched this summer, which will engage McMaster's academic communities in research that supports the implementation of the new recommendations.

Programs and training to foster the principles of inclusive excellence on campus

EIO continues to deliver and support public education and training for students, staff, faculty and community audiences across McMaster. Through a combination of workshops, discussion groups, formal presentations and events, EIO has continued to build knowledge and understanding of the principles of inclusive excellence across our campus.

EIO also educates on inclusive excellence through EDI consultation and strategic planning within departments and Faculties, providing equitable recruitment and retention strategy support, anti-oppressive teaching and learning, and pedagogical advising. In addition, EIO continues to support important events on campus such as Black History Month, the Department of Family Medicine Menstrual Equity Initiative, and the inaugural Black Graduation, and also partners with key stakeholders on campus to support and sponsor equity-focused events.

Through EIO's response to department, student and faculty specific training requests, and through community partnerships with the President's Action Committee on Building and Inclusive Community (PACBIC), the MacPherson Institute of Teaching and Learning, the Human Resource Equity Facilitators Program and more, inclusive excellence continues to be woven into educational and community building opportunities, professional development, and regulatory and mandatory training offerings for critical sectors within the University.

The supports and training offered by the EIO have played a critical role in expanding knowledge and understanding of EDI across our campus. This expertise is essential as we continue to build a culture of respect, inclusion and belonging across our academic and research environments.

CAMPUS UPDATES

INCLUSIVE EXCELLENCE

Forbes ranks McMaster as one of Canada's top employers for diversity

McMaster placed third in a nationwide ranking of the top 150 diversity employers by *Forbes*, moving up 22 spots from last year. The rankings are based on surveys of about 12,000 employees at large organizations and companies across the country. Earlier this year, McMaster was recognized for the fifth consecutive year as one of Canada's top diversity employers in a Canadian ranking, and was named a top employer in the Hamilton-Niagara region for the seventh year in a row.

Summer program inspires Black high school students to pursue a future in STEM

A group of Black high school students from Hamilton and Halton area took part in a hands-on STEM enrichment and leadership program held at McMaster. The student participants in Mac-ISTEP: McMaster Black Youth IMHOTEP **ST**EM **E**nrichment **P**rogram (STEP) say the experience has left them better able to envision themselves as university students, and as career professionals in STEM-related fields.

McMaster Library launches year-long events and displays focused on gender and injustice

McMaster University Library is inviting the community to take part in a year of programming centred around gender and justice. In collaboration with campus and community partners, *Transformative Stories: Year of Gender and Justice* will help bring attention to the library's gender and justice-focused collections, resources, and expertise, as well as the related work and stories throughout McMaster and Hamilton. *Transformative Stories: Year of Gender and Justice* begins in September 2023 and continues through April 2024.

Professor Hippo-on-Campus mental health education program

The Professor Hippo-on-Campus Mental Health Education Program is giving staff and faculty the tools to support the mental health of students. It is designed to respond to the ever-growing demand for mental health resources to benefit post-secondary students and for training specific to the post-secondary environment. The program — which is free and open to all McMaster staff and faculty, including student staff — teaches participants to identify, communicate with and support distressed students. It also helps spread awareness about the mental health services available on campus, and how participants can help students navigate them.

TEACHING AND LEARNING

Wilson College marks one year of milestones with appointment of inaugural academic director

A year after the announcement of its creation, Wilson College of Leadership and Civic Engagement has achieved several significant milestones, including the hiring of its inaugural academic director, Donald Abelson.

Indigenous Studies course takes students on a 10-day paddling journey down the Grand River

McMaster's Indigenous Studies Department is introducing a land-based course that will take students in canoes or kayaks over 100 kilometres down the Grand River as they learn about the Indigenous histories and communities along the way. This is the first time that McMaster will be offering the Two Row Paddle as a credit-bearing course. The Two Row Paddle has taken groups down the Grand River every summer for eight years. It incorporates the principles of the Two Row Wampum treaty, the oldest treaty still in existence between the Haudenosaunee and non-Indigenous peoples in North America.

How McMaster's ecosystem of innovation is empowering student entrepreneurs

From the student learning how to pitch an idea, to the researcher being coached on a commercialization plan, to the faculty member launching a company with seed funding, there are supports for all McMaster community members wherever they may be on their entrepreneurial journey.

Start-up founder inspiring students in new entrepreneur course

Forty-six students are learning the principles of entrepreneurship in a new course offered by the department of Kinesiology. Darren Burke, who is the department's first industry professor, is teaching the course while launching his third company. Burke is taking students through the process of launching a company, including his work-in-progress pitch to investors. Students are learning from Burke's experiences and are turning their own interests and ideas into mock companies.

Hamilton Collaboration transforms future of medical imaging

Mohawk College and McMaster have announced the opening of a new facility for educational training, imaging research and magnetic resonance imaging (MRI) that promises to cut wait times and improve patient experience. The Centre for Integrated and Advanced Medical Imaging (CIAMI), provides a space where education, clinical care, and research intersect through collaborative and unique models of care and approaches to training that have not been previously done in Ontario. Partners include affiliated academic hospital systems, Hamilton Health Sciences and St. Joseph's Healthcare Hamilton.

Undergraduate students spend an eye-opening summer doing nuclear research

A new program from the Canadian Nuclear Laboratories (CNL) offered 12 undergraduates from McMaster the opportunity to conduct nuclear research in cutting-edge facilities and to work with leading academic and industry experts. The eight-week Nuclear Undergraduate Research Experience Program began in Chalk River, Ont., where the students — seven from McMaster's Faculty of Science and five from the Faculty of Engineering — gained hands-on experience working with researchers and staff from CNL, the country's premier nuclear science and technology organization.

RESEARCH AND SCHOLARSHIP

Global centre for climate change being co-led by McMaster engineering professor awarded $3.75-million grant

Gail Krantzberg, a professor and program lead from McMaster's Masters of Engineering and Public Policy program in the W Booth School of Engineering Practice and Drew Gronewold from the University of Michigan (U-M) will lead a new global centre, focused on climate change. The Global Centre for Understanding Climate Change Impacts on Transboundary Waters will have a special focus on collaborating with Indigenous populations. The centre received $3.75 million in funding from the National Science Foundation Global Centres.

Inspiring the next generation of Indigenous Scholars

Ten early scholars from across Canada got the chance to experience hands-on graduate-level research at McMaster as part of an intensive research training program hosted by the McMaster Indigenous Research Institute (MIRI). IndigiNerds, an eight-week program, helps guide Indigenous undergraduates as they prepare for graduate studies by offering mentorship, support and inspiration. In addition to conducting research, scholars take part in workshops and Indigenous Knowledge programming — all part of the program's wider goal to contribute to the success of Indigenous researchers. The program, formerly known as the Indigenous Undergraduate Summer Research Scholars (IUSRS) program, is now in its ninth year.

McMaster awarded over $1M for research on small modular reactors

Four McMaster researchers have received more than $1 million to advance research on small modular reactors (SMRs), which can provide communities with abundant, reliable clean power. The investment is part of the NSERC-CNSC Small Modular Reactors Research Grant Initiative — established by the Canadian Nuclear Safety Commission (CNSC), Canada's nuclear regulator, and the Natural Sciences and Engineering Research Council (NSERC) to fund research that will support effective and efficient regulation and regulatory oversight of SMRs in Canada. The initiative supports research that will increase Canada's capacity to regulate SMRs, enhancing the capabilities of Canadian universities to undertake research related to SMRs and increasing training for a new generation of nuclear scientists, engineers and policymakers.

A lab under every chicken: Researchers create packaging tray that warns of food contamination

McMaster researchers have created a new packaging tray that can signal when salmonella or other dangerous pathogens are present in packages of raw or cooked food such as chicken. The new technology will enable producers, retailers and consumers to tell in real time whether the contents of a sealed food package are contaminated without having to open it, preventing exposure to contamination while simplifying cumbersome and expensive lab-based detection processes.

Federal government invest $22.4M in McMaster research

The federal government has awarded $22.4 million to McMaster researchers for their research excellence and the impact of their work. The funding comes from the Canada Research Chairs (CRC) program, the Social Sciences and Humanities Research Council (SSHRC), the Canada Foundation for Innovation (CFI) and the Natural Sciences and Engineering Research Council of Canada (NSERC).

ENGAGING LOCAL, NATIONAL, INDIGENOUS AND GLOBAL COMMUNITIES

Welcoming students to the neighbourhood

In August, McMaster launched its Be a Good Neighbour campaign designed to encouraging students who live in the Westdale and Ainsley Woods neighbourhoods to take actions that positively contribute to the neighbourhood. Suggested actions include students introducing themselves to their neighbours and getting to know the families, businesses and other students nearby. This is the second year McMaster has run the Be a Good Neighbour campaign. McMaster was recognized with a national award for this campaign last year.

Ignite program helps first-year international students feel at home

Offered by McMaster's Student Success Centre (SSC), Ignite is a pre-orientation designed to support first-year international students living in residence. It offers students from all over the world an opportunity to connect with peers, gain insights on university life before classes start, explore Hamilton and learn more about the services and supports available to them at McMaster. Created in partnership with McMaster Housing and Conference Services and Faculty offices, Ignite ensures new international students have what they need before the school year begins.

Meet this year's artists and curator-in-residence

McMaster's School of the Arts (SOTA) is introducing art students to the world of working artists and curators through two residency programs that provide a close-up into a diverse range of creative and curatorial practices. For the second year in a row, the Artists in Residence Program will be hosting a curated group of mini residencies during the Fall and Winter terms. The program brings established artists to campus, where they engage with students and the wider community on issues related to social justice and equity through their artistic work.

Factory-in-a-box by McMaster Engineering improves access to wheelchairs in Uganda

McMaster Engineering has partnered with a Burlington organization to design a wheelchair built with materials that are readily available in Ugandan communities. The project has been years in the making, and is a partnership with the Rotary Club of Burlington – an organization focused on uniting people and taking action to create lasting change, and McMaster's W Booth School of Engineering Practice and Technology.

Department of Medical Imaging develops curriculum for physicians in rural Afghanistan

A joint initiative between McMaster University and the Aga Khan Foundation aims to improve diagnostics and clinical outcomes in Afghanistan by delivering world-class radiology training to physicians from rural centres. McMaster's Department of Medical Imaging at McMaster University, led by Julian Dobranowski and Ali Sabri, working in collaboration with Karim Samji of the Aga Khan Foundation, has devised a practical curriculum intended to rapidly improve the diagnostic skills of these physicians in a short period of time.

OPERATIONAL EXCELLENCE

New electric boilers will reduce campus carbon emissions by 23%

Two electric boilers being installed at McMaster will reduce campus carbon emissions 23 per cent from 2020 levels, a major step toward the University's net zero decarbonization goal that aligns with McMaster's 2022-26 Sustainability Strategy. The boilers are the latest of McMaster's ongoing sustainability efforts, campus initiatives and multidisciplinary research. These efforts include developing new low-carbon energy technology, composting across campus, planting a carbon-sink forest, and welcoming a new leader with a track record of driving sustainable change.

McMaster's newest residence welcomes its first residents

McMaster's newest residence building at 10 Bay Street welcomed its first student residents in September. McMaster's 10 Bay Residence is the University's first residence in downtown Hamilton and is part of McMaster's ongoing commitment to provide more housing for its students. Initially designed as a graduate residence, the 30-storey tower will also be home to a diverse community of upper-year undergraduate students, graduate students, postdoctoral fellows and their families.

McMaster announces new AVP academic planning and finance and new acting registrar

Melissa Pool, a senior leader with extensive experience at McMaster University, has been selected as the new associate-vice president, Academic Planning and Finance. Pool, who has been the University's Registrar for nearly 13 years, will be tasked with ensuring that University programs are aligned with the necessary resources to advance McMaster's academic, teaching, and research mission. Sarah Robinson will serve as McMaster's acting Registrar. She has been the assistant dean, Academic, at the Faculty of Science since October 2020.

McMaster Launches new digital student experience platform, MacHub

McMaster University has launched MacHub, a new online platform that will improve the student experience at McMaster. MacHub is a personalized online platform that students can use to contact academic advisors, navigate quick links to key University websites and find answers to frequently asked questions about academic life, such as how to enroll in courses. MacHub was developed after an extensive stakeholder engagement process identified the need for a Campus Relationship Management (CRM) tool at McMaster to support the student academic experience.

AWARDS AND ACCOLADES

McMaster tops international rankings for industry impact

With a research output rivalling universities more than twice its size, McMaster ranked 1st in the world in Times Higher Education's (THE) Industry metric, a significant increase over last year. This key performance metric underscores McMaster's ranking as one of the world's top universities in the 2024 Times Higher Education World University Rankings. Placing fourth in Canada, McMaster also ranked among the top 85 public institutions worldwide. Overall, McMaster ranked 103rd globally in the broader institutional rankings amidst growing international competition.

McMaster ranks among the best universities in the world in latest ranking

For the 20th year in a row, McMaster University has ranked among the top 100 universities in the world in the Shanghai Rankings. This year, McMaster ranked 98th in the world and 5th in Canada in the Academic Ranking of World Universities (ARWU). As in previous years, McMaster's strong performance is driven by the outstanding accomplishments of its faculty, including Nobel Prize winners, Clarivate highly-cited researchers and the wide array of publications and citations in the fields of science and social sciences.

McMaster continues to rank among Canada's top universities in latest Maclean's rankings

For the sixth consecutive year, McMaster has ranked fourth in Canada in Maclean's annual University rankings. This ranking is driven by a nation-leading performance in student services, as well as strong showings in total research dollars (2nd in Canada), library acquisitions (2nd in Canada) and institutional reputation (4th in Canada). The University also showed improvement in Medical and Science grants, as well as Social Sciences and Humanities grants, which indicates a research strength in the liberal arts.

McMaster Chancellor Santee Smith, professors and community members appointed to Order of Canada

McMaster Chancellor Santee Smith, faculty members Jeffrey Weitz and Savage Bear, a professor emeritus and several others with strong links to the University have been appointed to the Order of Canada, one of the country's highest civilian honours.

Four McMaster Scholars elected fellows of the Royal Society of Canada

Four McMaster professors have been named fellows of the Royal Society of Canada. The new fellows, all appointed to the Society's Academy of Science, are Eric Brown, professor of biochemistry and biomedical sciences; Hertzel Gerstein, professor of medicine; Lehana Thabane, professor of health research methods, evidence and impact; and Graeme Luke, professor of physics and astronomy. Fellows of the Royal Society of Canada are distinguished Canadian scholars who have made remarkable contributions to the arts, the humanities and the sciences, and to Canadian public life.

McMaster celebrate seven new Vanier Scholars

Seven McMaster doctoral students have been named recipients of the 2023 Vanier Canada Graduate Scholarship. The Vanier Scholarship is one of Canada's most prestigious graduate awards and is aimed at attracting and retaining world-class doctoral students. As Vanier Scholars, each will receive $50,000 annually in support of their research, for up to three years.

McMaster welcomes three new Banting postdocs

Three McMaster postdoctoral researchers have received the 2023 Banting Postdoctoral Fellowship, among Canada's most prestigious postdoctoral awards. The University's newest Banting recipients will be conducting research in the Faculties of Health Sciences and Social Sciences. A Fellowship is worth $70,000 annually for two years.

Four McMaster Professors named to Canadian Academy of Health Sciences

Four professors with McMaster University's Faculty of Health Sciences are joining the Canadian Academy of Health Sciences (CAHS) as fellows. The four new fellows are Mark Crowther, Sharon Kaasalainen, Greg Steinberg and Elena Verdu. The induction, announced on September 20, is among the highest recognition of excellence in Canadian academic health sciences. CAHS is a distinguished and esteemed institution dedicated to advancing health research, knowledge and policy in Canada.

McMaster University

UNIVERSITY SECRETARIAT
- Board of Governors
- Senate

Gilmour Hall, Room 210
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4L8

Phone: 905.525.9140Ext. 24337
Fax: 905.526.9884
E-mail: univsec@mcmaster.ca
http://www.mcmaster.ca/univsec

REPORT TO THE BOARD OF GOVERNORS
from the
EXECUTIVE & GOVERNANCE COMMITTEE

APPROVAL

a. Tobacco and Smoke-Free Policy

At its meeting on September 25, 2023, the Executive & Governance Committee reviewed the proposed revisions to the Tobacco and Smoke-Free Policy. Further details are contained within the circulated materials.

It is now recommended,

that the Board of Governors approve the revised Tobacco and Smoke-Free Policy, effective October 26, 2023.

INFORMATION

b. President's Update on Strategic Plan

At the same meeting, the Executive & Governance Committee received an update from the President on the Strategic Plan. Further details are contained within the circulated materials.

Board of Governors
FOR APPROVAL/INFORMATION: October 26, 2023

Policies, Procedures and Guidelines

LEGACY VERSION OF POLICY
(JAN-2018)

Complete Policy Title:

Tobacco & Smoke Free University Policy

Approved by:

Board of Governors

Responsible Executives:

Provost and Vice-President (Academic);
Vice-President (Administration)

Date(s) of Original Approval:

December 7, 2017; eff. January 1, 2018

Date of Most Recent Approval:

December 7, 2017; eff. January 1, 2018

Supersedes/Amends Policy Dated:

- December 7, 2017; eff. January 1, 2018

Policy-Specific Enquiries:

(University Secretariat)

Accessible Format Requests and General Policy Enquiries: policy@mcmaster.ca

MCMASTER'S COMMITMENT

1. McMaster University is committed to advancing health and societal well-being through research, teaching and community service. Promoting a healthy and safe environment is integral to the personal, professional and academic growth of students, faculty, staff and visitors. McMaster's commitment extends to the health and wellbeing of its students, staff and faculty, and the communities we serve.
2. As a smoke-free environment, the University is an environment that promotes health and wellness and ensures students, faculty, staff and visitors are not exposed to second-hand smoke.
3. Accordingly, effective January 1, 2018, McMaster University does not permit smoking, or the use of tobacco products in any University owned or leased building, on University property, in any university owned vehicle or in any vehicle while on University property, as outlined in the "Definitions" section.

PURPOSE

4. The primary purpose of this Policy is to enable the overall health and well-being of all members of the University Community. This Policy also serves to:
   a) confirm McMaster's commitment to a healthy and safe environment;
   b) diminish exposure to smoke and tobacco and promote health and safety by prohibiting smoking and tobacco use on University property, including in vehicles;
   c) support reduction and cessation of smoking and tobacco products through education, culture change and increased access to resources and support such as counselling and medication;
   d) acknowledge that some traditional spiritual or cultural ceremonies involve the use of ceremonial tobacco;
   e) increase awareness about the detrimental impact smoking has on health and well-being; and
   f) establish the responsibility of roles, as outlined in this Policy, who are in a position to make or influence decisions at McMaster University to comply with and enforce the policy.

SCOPE

5. This Policy applies to all Members of the University Community ("Community Members"). Community Members include, but are not limited to: students (graduate, undergraduate, and continuing education), staff, faculty, postdoctoral fellows, adjunct professors, visiting professors, sessional faculty, teaching assistants, clinical faculty, librarians, medical residents, volunteers, visitors, observers, contractors, and institutional administrators and officials representing McMaster University.

DEFINITIONS

6. Definitions:

Smoking: Inhaling, exhaling, burning, or carrying any lighted or heated cigar, cigarette, pipe, or any other lighted or heated tobacco or plant product intended for inhalation, including hookahs (waterpipe) and cannabis, whether natural or synthetic, in any manner or in any form. Smoking also includes the use of an

LEGACY VERSION OF POLICY
(JAN-2018)

electronic smoking device which creates an aerosol or vapor, in any manner or in any form, or the use of any oral smoking device. This definition does not include emissions from University approved-for-use equipment, e.g. smoke machines, approved pyrotechnics.

Tobacco Product(s): Any substance containing tobacco leaf, including but not limited to, cigarettes, cigars, pipes, hookah (waterpipe), shisha, snuff, chew, dip, bidis, blunts, clove cigarettes, or any other preparation of tobacco.

Electronic Smoking Device(s): Any product containing or delivering nicotine or any other substance intended for human consumption that can be used by a person in any manner for the purpose of inhaling vapor or aerosol from the product. The term includes any such device, whether manufactured, distributed, marketed, or sold as an e-cigarette, e-cigar, e-pipe, e-hookah, or vape pen, or under any other product name or descriptor.

Hookah: Waterpipe and any associated products and devices which are used to produce fumes, smoke, and/or vapor from the burning of material including, but not limited to, tobacco, shisha, or other plant matter

University Property: Any land boundary owned and controlled, or leased, by McMaster University, inclusive of buildings, learning places, public places, and workplaces.

Vehicle: Any and all modes used for transporting people or goods, such as a car, golf cart, truck, bus.

APPLICATION

7. This Policy will be interpreted in accordance with the *Ontario Human Rights Code*, as amended from time to time. Community Members may seek accommodation under the applicable University policies which include the Policy on Workplace Accommodation, McMaster University Guide and Procedures on Workplace Accommodation, and Academic Accommodation of Students with Disabilities.

8. Smoking and the use of tobacco products is prohibited in any vehicle, whether a personal vehicle or University owned vehicle, while on University property. Smoking and using tobacco products in University owned vehicles is prohibited at all times on or off University Property, in accordance with the *Smoke-Free Ontario Act*.

9. The use of nicotine replacement therapy products, e.g. patches, for use in treating nicotine or tobacco dependence are permitted by the Policy.

10. Requests to use tobacco products for traditional or spiritual ceremonies can be made in writing to Environmental and Occupational Health Support Services (EOHSS), as set out under the “Procedures for Burning of Sacred Medicines” section of this Policy.

11. Those smoking or using tobacco products in areas surrounding the University are expected to avoid littering, and to respect municipal by-laws and provincial legislation. They are asked to be considerate of neighbouring residents, businesses, and institutions.

LEGACY VERSION OF POLICY
(JAN-2018)

PROCEDURES FOR BURNING OF SACRED MEDICINES

12. McMaster University recognizes the unique relationship that many Indigenous cultures have with traditional and sacred medicines such as tobacco, sweet grass, sage, and cedar, among others as provided under the *Smoke-Free Ontario Act*.

13. The Burning of Sacred Medicines is permitted within both the L.R. Wilson Hall Indigenous Studies Ceremonial Room and the McMaster Indigenous Circle. Exemptions for other areas of the University will be granted by Environmental and Occupational Health Support Services (EOHSS) 'Procedures for Burning Sacred Medicines', which is available on the EOHSS website. The purpose of this procedure is to support an environment that is inclusive and welcoming while ensuring that the burning of these medicines is conducted safely and in compliance with all applicable legislation and standards.

ACCOUNTABILITY & ENFORCEMENT

14. Reasonable care and diligence shall be exercised to prevent contravention of the laws of Ontario and this Policy. The University has identified roles and responsibilities as follows:

    a) the Provost and Vice-President (Academic) and the Vice-President (Administration) are responsible:

        (i) for ensuring that the parties or party responsible for the day-to-day implementation and enforcement of this Policy fulfill those responsibilities accordingly; and

        (ii) for monitoring this Policy and for ensuring compliance.

    b) **Managers** will ensure their employees are notified of the Policy, provide the resources and support necessary to ensure compliance with this Policy, and take appropriate administrative action for non-compliance with the Policy. They will also provide direction to cessation support services when requested by employees.

    c) **all departments** that engage in drafting and executing contracts are responsible for ensuring that their contracts for third-party work (contractors) on University property clearly state that the University is a tobacco and smoke-free. The Office of Legal Services can assist with drafting and negotiating the proper contract language.

    d) **Environmental & Occupational Health Support Services** (EOHSS) and FHS Safety Office will administer requests for exceptions for traditional and spiritual ceremonies as identified above.

    e) **Community Members** are responsible to be in compliance with this Policy and are encouraged to communicate this Policy to other Community Members. The success of this policy is dependent upon the courtesy, respect, and cooperation of Community Members, not only to comply but to continue to encourage the compliance of others.

    f) Facility Services will:

        (i) post and maintain appropriate signs throughout the University. The type and location of signs shall comply with legislative mandates and the goals of the Policy. Requests for additional signage will be considered and addressed as appropriate;

        (ii) provide adequate waste receptacles for areas on the perimeter of University Property;

(iii) monitor and remove smoking-related refuse found on University Property; and

(iv) through the Security Services unit of Facility Services monitor and ensure compliance in accordance with the protocol approved by the Provost and Vice-Provost (Academic) and Vice-President (Administration) from time-to-time and in compliance with regulatory provisions. Such protocols may ultimately include education, warnings, fines and disciplinary proceedings in accordance with existing student, staff and/or faculty disciplinary procedures, as applicable.

g) **Student Affairs** will ensure health promotion efforts are undertaken with respect to cessation and supports for students. They will also provide direction to cessation support services when requested by students. Student Affairs will also enforce the Policy where appropriate through application of the *Code of Student Rights and Responsibilities*.

h) **Human Resources Services** will ensure health promotion efforts are undertaken with respect to cessation and supports for employee groups. They will also provide direction to cessation support services when requested by staff and faculty. They will also enforce the Policy where appropriate in accordance with established disciplinary policies and procedures and by the terms of existing contracts of employment or collective agreements, where applicable.

SUPPORTS

15. The University will undertake education efforts related to smoking cessation in partnership with Hamilton Public Health, as appropriate. To assist faculty, staff and students who wish to reduce or stop use of tobacco products, the University will offer nicotine replacement therapy and other cessation support. This information and available supports are outlined on the Tobacco and Smoke-Free Campus website.

16. Any concern or question about the interpretation or application of this Policy can be directed to:

a) Student Wellness Centre for cessation support for students;

b) Human Resources Services for cessation support for faculty and staff;

c) Facility Services for signage, cleaning, and/or related physical property related matters; and

d) Security Services for enforcement matters.

RELATED PROCEDURES AND DOCUMENTS

17. This Policy is to be read in conjunction with the following statutes, University policies and practices or collective agreement provisions. Any question of the application of this Policy or related policies shall be determined by the Vice-President Administration, and in conjunction with the administrator of the other policy or policies. The University reserves the right to amend or add to the University's policies and statements from time to time. The below is not a comprehensive list.

- Ontario Human Rights Code
- Smoke Free Ontario Act
- Academic Accommodation of Students with Disabilities
- Okanagan Charter: An International Charter for Health Promoting Universities and Colleges
- Tobacco & Smoke Free University Policy

LEGACY VERSION OF POLICY
(JAN-2018)

- Code of Student Rights and Responsibilities
- McMaster's Workplace and Environmental Health and Safety Policy
- Smoke Free University Toolkit for Managers & Leaders
- Workplace Accommodation, Policy on

LEGACY VERSION OF POLICY
(JAN-2018)

Policies, Procedures and Guidelines

REVISED POLICY
Tracked Changes Version
(SEPT-2023)

Complete Policy Title:

Tobacco & Smoke-Free University Policy

Approved by:

Board of Governors

Responsible Executives:

Provost and Vice-President (Academic); Vice-President (~~Administration~~Operations & Finance)

Date(s) of Original Approval:

December 7, 2017; eff. January 1, 2018

Date of Most Recent Approval:

TBD

Supersedes/Amends Policy Dated:

- December 7, 2017; eff. January 1, 2018

Policy-Specific Enquiries:

~~(University Secretariat)~~Human Resources Services

Accessible Format Requests and General Policy Enquiries: policy@mcmaster.ca

MCMASTER’S COMMITMENT

1. McMaster University is committed to advancing health and societal well-being through research, teaching and community service. Promoting a healthy and safe environment is integral to the personal, professional and academic growth of students, faculty, staff and visitors. ~~McMaster’s~~ The University’s commitment extends to the health and well-being of its students, staff, ~~and~~ faculty, and the communities we serve.

2. As a smoke-free environment, the University is an environment that promotes health and wellness and ensures students, faculty, staff and visitors are not exposed to second-hand smoke.

3. Accordingly, ~~effective January 1, 2018,~~ ~~McMaster~~ the University does not permit smoking~~,~~ or the use of tobacco products in any University~~-~~ owned or leased building, on University property, in any ~~u~~University-owned vehicle or in any vehicle while on University property, as outlined in the ~~“~~*Definitions*~~”~~ section.

PURPOSE

4. The primary purpose of this Policy is to enable the overall health and well-being of all members of the University Community. This Policy also serves to:

   a) confirm ~~McMaster’s~~ the University’s commitment to a healthy and safe environment;

   b) diminish exposure to smoke, vapour, and tobacco and promote health and safety by prohibiting smoking and tobacco use on University property, including in vehicles;

   c) support reduction and cessation of smoking, vaping, and the use of commercial tobacco products through education, culture change and increased access to leading practice resources and support such as counselling and medication;

   d) acknowledge that some traditional spiritual or cultural ceremonies involve the use of ceremonial tobacco;

   e) increase awareness about the detrimental impact smoking, vaping, and tobacco use has on health and well-being; and

   f) establish the responsibility of roles, as outlined in this Policy, who are ~~in a position~~able to make or influence decisions at ~~McMaster~~ the University to comply with and enforce the policy.

SCOPE

5. This Policy applies to all Members of the University Community (“Community Members”). Community Members include~~,~~ but are not limited to~~:~~ students (graduate, undergraduate, and continuing education), staff, faculty, postdoctoral fellows, adjunct professors, visiting professors, sessional faculty, teaching assistants, clinical faculty, librarians, medical residents, volunteers, visitors, observers, contractors, and institutional administrators and officials representing ~~McMaster~~ the University.

TERMS AND DEFINITIONS

6. ~~Definitions~~For the purpose of interpreting this Policy:

   a) words in the singular may include the plural, and words in the plural may include the singular;

b) members of the Administration may, where necessary and appropriate, delegate their authority;

~~a)~~c) commonly-used terms in this Policy are defined as follows:

(i) **Smoking:** Inhaling, exhaling, burning, or carrying any lighted or heated cigar, cigarette, pipe, or any other lighted or heated tobacco or plant product intended for inhalation, including hookahs (waterpipe) and cannabis, whether natural or synthetic, in any manner or in any form. ~~Smoking also includes the use of an electronic smoking device which creates an aerosol or vapor, in any manner or in any form, or the use of any oral smoking device.~~ This definition does not include emissions from University approved-for-use equipment~~,~~ (e.g., smoke machines, approved pyrotechnics).

Commented [CB1]: Removed by the City of Hamilton based on updated language. (DG)

(ii) **Tobacco Product(s):** Any substance containing tobacco leaf, including but not limited to, cigarettes, cigars, pipes, hookah (waterpipe), shisha, snuff, chew, dip, bidis, blunts, clove cigarettes, or any other preparation of tobacco.

(iii) ~~Electronic Smoking Device(s)~~Vaping Products: Any product that may contain~~ing~~ and/or deliver~~ing~~ nicotine or any other substance (e.g., cannabis) intended for human consumption that can be used by a person in any manner for the purpose of inhaling vapour or aerosol from the product. The term includes any such device, whether manufactured, distributed, marketed, or sold as an e-cigarette, e-cigar, e-pipe, e-hookah, ~~or~~ vape pen, or under any other product name or descriptor.

Commented [CB2]: Updated language by the City of Hamilton. (DG)

(iv) **Hookah:** Waterpipe and any associated products and devices which are used to produce fumes, smoke, and/or vapour from the burning of material including, but not limited to, tobacco, shisha, or other plant matter

(v) **University Property:** Any land boundary owned and controlled, or leased, by McMaster University, inclusive of buildings, learning places, public places, and workplaces.

~~(v)~~(vi) Vaping: The action or practice of inhaling aerosol or vapour, which may or may not contain nicotine and flavouring produced by a device designed for this purpose.

Commented [CB3]: New definition added by the City of Hamilton. (DG)

~~(vi)~~(vii) **Vehicle:** Any and all modes used for transporting people or goods, such as a car, golf cart, truck, or bus.

POLICY REVIEW

7. As per the *McMaster University Policy Framework*, the executive responsible will typically review this Policy every five years. Smaller and more frequent reviews may occur to ensure that this Policy is current and compliant with legislative requirements, current professional standards, and leading practices.

APPLICATION

~~6.~~8. This Policy will be interpreted in accordance with the *Ontario Human Rights Code*, as amended from time to time. Community Members may seek accommodation under the applicable University policies, which include the *Policy on Workplace Accommodation*, *McMaster University Guide and Procedures on Workplace Accommodation*, and *Academic Accommodation of Students with Disabilities*.

~~7.~~9. Smoking, vaping, and the use of tobacco products is prohibited in any vehicle, whether a personal vehicle or University owned vehicle, while on University property. Smoking, vaping, and using tobacco products in

University~~-~~ owned vehicles is prohibited at all times on or off University Property, in accordance with the *Smoke-Free Ontario Act*.

~~8.~~10. The use of nicotine replacement therapy products, e.g. patches, for use in treating nicotine or tobacco dependence are permitted by the Policy.

~~9.~~11. Requests to use tobacco products for traditional or spiritual ceremonies can be made in writing to ~~Environmental and Occupational Health Support Services (EOHSS)~~ University Health & Safety (“UHS”), as set out under the “Procedures for Burning of Sacred Medicines” section of this Policy.

12. Those smoking, vaping, or using tobacco products in areas surrounding the University are expected to avoid littering~~,~~ and to respect municipal by-laws and provincial legislation. They are asked to be considerate of neighbouring residents, businesses, and institutions.

~~10.~~13. In the event that this Policy conflicts with another policy or legislation, the policy, provision, or law which is more restrictive of smoking/vaping will prevail.

Commented [CB4]: Added by the City of Hamilton. (DG)

PROCEDURES FOR BURNING OF SACRED MEDICINES

~~11.~~14. ~~McMaster~~ The University recognizes the unique relationship that many Indigenous cultures have with the use of tobacco as ~~traditional and~~ sacred medicine~~s~~ for traditional and spiritual purposes, and in accordance with ~~such as tobacco, sweet grass, sage, and cedar, among others as provided under the~~ *Smoke-Free Ontario Act*.

Commented [CB5]: Updates from the City of Hamilton. (DG)

~~12.~~15. The Burning of Sacred Medicines is permitted i~~withi~~n ~~both~~ the ~~L.R. Wilson Hall~~ Indigenous Studies Ceremonial Room (L.R. Wilson Hall) and the outdoor McMaster Indigenous Circle, the McMaster Indigenous Research Institute (Arthur N. Bourns Building), and the Indigenous Health Learning Lodge (Michael G. DeGroote Centre for Learning and Discovery (MDCL)). Exemptions for other areas of the University will be granted by ~~Environmental and Occupational Health Support Services (EOHSS)~~ UHS’s ‘ “Procedures for Burning Sacred Medicines~~”~~”, which is available on the ~~EOHSS~~ UHS website. The purpose of this procedure is to support an environment that is inclusive and welcoming while ensuring that the burning of these medicines is conducted safely and in compliance with all applicable legislation and standards.

ACCOUNTABILITY & ENFORCEMENT

~~13.~~16. Reasonable care and diligence shall be exercised to prevent contravention of the laws of Ontario and this Policy. The University has identified roles and responsibilities as follows:

a) the **Provost and Vice-President** (Academic) and the **Vice-President** (~~Administration~~Operations & Finance) are responsible for:

   (i) ~~for~~ ensuring that the parties or party responsible for the day-to-day implementation and enforcement of this Policy fulfill those responsibilities accordingly; and

   (ii) ~~for~~ monitoring this Policy and for ensuring compliance.

b) **Managers** will ensure their employees are notified of the Policy, provide the resources and support necessary to ensure compliance with this Policy, and take appropriate administrative action for non-compliance with the Policy. They will also provide direction to cessation support services when requested by employees.

c) **all departments** that engage in drafting and executing contracts are responsible for ensuring that their contracts for third-party work (contractors) on University property clearly state that the University is a tobacco, ~~and~~ smoke, and vapour-free environment. The Office of Legal Services can assist with drafting and negotiating the proper contract language.

d) ~~Environmental & Occupational Health Support Services (EOHSS)~~ University Health & Safety (UHS) and FHS Safety ~~O~~office will administer requests for exceptions for traditional and spiritual ceremonies as identified above.

e) **Community Members** are responsible to ~~be in~~ comply~~iance~~ with this Policy and are encouraged to communicate this Policy to other Community Members. The success of this policy is dependent upon the courtesy, respect, and cooperation of Community Members, not only to comply but to continue to encourage the compliance of others.

f) **Facility Services** will:

   (i) post and maintain appropriate signs throughout the University. The type and location of signs shall comply with legislative mandates and the goals of the Policy. Requests for additional signage will be considered and addressed as appropriate;

   (ii) provide adequate waste receptacles for areas on the perimeter of University Property;

   (iii) monitor and remove smoking-related refuse found on University Property; and

   (iv) ~~through the~~ Security Services ~~unit of Facility Services~~ will monitor and refer matters to the appropriate office to ensure compliance with this Policy, in accordance with the protocol approved by the Provost and Vice-Provost (Academic) and Vice-President (~~Administration~~Operations & Finance) from time ~~-~~to ~~-~~time, and in compliance with regulatory provisions. Such a protocol~~s~~ may ultimately include education, warnings, fines and disciplinary proceedings in accordance with existing student, staff and/or faculty disciplinary procedures, as applicable.

g) **Student Affairs** will ensure health promotion efforts are undertaken with respect to cessation and supports for students. They will also provide direction to cessation support services when requested by students. Student Affairs will also enforce the Policy where appropriate through application of the *Code of Student Rights and Responsibilities*.

h) **Human Resources Services** will ensure health promotion efforts are undertaken with respect to cessation and supports for employee groups. They will also provide direction to cessation support services when requested by staff and faculty. They will also enforce the Policy where appropriate in accordance with established disciplinary policies and procedures and by the terms of existing contracts of employment or collective agreements, where applicable.

SUPPORTS

~~14.~~17. The University will undertake education efforts related to smoking and vaping cessation in partnership with Hamilton Public Health, as appropriate. To assist faculty, staff and students who wish to reduce or

~~stop~~ quit usinge ~~of tobacco products~~, the University will offer ~~nicotine replacement therapy and other~~ cessation support. ~~This information and available supports are outlined on the Tobacco and Smoke-Free Campus website.~~

~~15.~~18. Any concern or question about the interpretation or application of this Policy can be directed to:

a) Student Wellness Centre for cessation support for students;

b) Human Resources Services for cessation support for faculty and staff;

c) Facility Services for signage, cleaning, and/or related physical property related matters; and

d) Security Services for enforcement matters.

RELATED PROCEDURES AND DOCUMENTS

~~16.~~19. This Policy is to be read in conjunction with the following statutes, University policies and practices or collective agreement provisions. Any question of the application of this Policy or related policies shall be determined by the Vice-President ~~Administration~~(Operations & Finance), and/or the Provost and Vice-President (Academic), or their delegates, and in conjunction with the administrator of the other policy or policies. The University reserves the right to amend or add to the University's policies and statements from time to time. The below is not a comprehensive list.

- Ontario Human Rights Code
- Smoke~~-~~Free Ontario Act
- Academic Accommodation of Students with Disabilities
- Okanagan Charter: An International Charter for Health Promoting Universities and Colleges
- ~~Tobacco & Smoke Free University Policy~~
- Code of Student Rights and Responsibilities
- McMaster's Workplace and Environmental Health and Safety Policy
- ~~Smoke Free University Toolkit for Managers & Leaders~~
- Workplace Accommodation, Policy on

Commented [CB6]: No longer applicable/outdated. (DG)

Policies, Procedures and Guidelines

REVISED POLICY
Clean Version
(SEPT-2023)

Complete Policy Title:

Tobacco & Smoke-Free University Policy

Approved by:

Board of Governors

Responsible Executives:

Provost and Vice-President (Academic);
Vice-President (Operations & Finance)

Date(s) of Original Approval:

December 7, 2017; eff. January 1, 2018

Date of Most Recent Approval:

TBD

Supersedes/Amends Policy Dated:

- December 7, 2017; eff. January 1, 2018

Policy-Specific Enquiries:

Human Resources Services

Accessible Format Requests and General Policy Enquiries: policy@mcmaster.ca

MCMASTER'S COMMITMENT

1. McMaster University is committed to advancing health and societal well-being through research, teaching and community service. Promoting a healthy and safe environment is integral to the personal, professional and academic growth of students, faculty, staff and visitors. The University's commitment extends to the health and well-being of its students, staff, faculty, and the communities we serve.

2. As a smoke-free environment, the University is an environment that promotes health and wellness and ensures students, faculty, staff and visitors are not exposed to second-hand smoke.

3. Accordingly, the University does not permit smoking or the use of tobacco products in any University-owned or leased building, on University property, in any University-owned vehicle or in any vehicle while on University property, as outlined in the *Definitions* section.

PURPOSE

4. The primary purpose of this Policy is to enable the overall health and well-being of all members of the University Community. This Policy also serves to:

   a) confirm the University's commitment to a healthy and safe environment;

   b) diminish exposure to smoke, vapour, and tobacco and promote health and safety by prohibiting smoking and tobacco use on University property, including in vehicles;

   c) support reduction and cessation of smoking, vaping, and the use of commercial tobacco products through education, culture change and increased access to leading practice resources and support such as counselling and medication;

   d) acknowledge that some traditional spiritual or cultural ceremonies involve the use of ceremonial tobacco;

   e) increase awareness about the detrimental impact smoking, vaping, and tobacco use has on health and well-being; and

   f) establish the responsibility of roles, as outlined in this Policy, who are able to make or influence decisions at the University to comply with and enforce the policy.

SCOPE

5. This Policy applies to all Members of the University Community ("Community Members"). Community Members include but are not limited to students (graduate, undergraduate, and continuing education), staff, faculty, postdoctoral fellows, adjunct professors, visiting professors, sessional faculty, teaching assistants, clinical faculty, librarians, medical residents, volunteers, visitors, observers, contractors, and institutional administrators and officials representing the University.

TERMS AND DEFINITIONS

6. For the purpose of interpreting this Policy:

   a) words in the singular may include the plural, and words in the plural may include the singular;

REVISED POLICY
Clean Version
(SEPT-2023)

b) members of the Administration may, where necessary and appropriate, delegate their authority;

c) commonly-used terms in this Policy are defined as follows:

   (i) **Smoking:** Inhaling, exhaling, burning, or carrying any lighted or heated cigar, cigarette, pipe, or any other lighted or heated tobacco or plant product intended for inhalation, including hookahs (waterpipe) and cannabis, whether natural or synthetic, in any manner or in any form. This definition does not include emissions from University approved-for-use equipment (e.g., smoke machines, approved pyrotechnics).

   (ii) **Tobacco Product(s):** Any substance containing tobacco leaf, including but not limited to, cigarettes, cigars, pipes, hookah (waterpipe), shisha, snuff, chew, dip, bidis, blunts, clove cigarettes, or any other preparation of tobacco.

   (iii) **Vaping Products:** Any product that may contain and/or deliver nicotine or any other substance (e.g., cannabis) intended for human consumption that can be used by a person in any manner for the purpose of inhaling vapour or aerosol from the product. The term includes any such device, whether manufactured, distributed, marketed, or sold as an e-cigarette, e-cigar, e-pipe, e-hookah, vape pen, or under any other product name or descriptor.

   (iv) **Hookah:** Waterpipe and any associated products and devices which are used to produce fumes, smoke, and/or vapour from the burning of material including, but not limited to, tobacco, shisha, or other plant matter

   (v) **University Property:** Any land boundary owned and controlled, or leased, by McMaster University, inclusive of buildings, learning places, public places, and workplaces.

   (vi) **Vaping:** The action or practice of inhaling aerosol or vapour, which may or may not contain nicotine and flavouring produced by a device designed for this purpose.

   (vii) **Vehicle:** Any and all modes used for transporting people or goods, such as a car, golf cart, truck, or bus.

POLICY REVIEW

7. As per the *McMaster University Policy Framework*, the executive responsible will typically review this Policy every five years. Smaller and more frequent reviews may occur to ensure that this Policy is current and compliant with legislative requirements, current professional standards, and leading practices.

APPLICATION

8. This Policy will be interpreted in accordance with the *Ontario Human Rights Code*, as amended from time to time. Community Members may seek accommodation under the applicable University policies, which include the *Policy on Workplace Accommodation*, *McMaster University Guide and Procedures on Workplace Accommodation*, and *Academic Accommodation of Students with Disabilities*.

9. Smoking, vaping, and the use of tobacco products is prohibited in any vehicle, whether a personal vehicle or University owned vehicle, while on University property. Smoking, vaping, and using tobacco products in University-owned vehicles is prohibited at all times on or off University Property, in accordance with the *Smoke-Free Ontario Act*.

10. The use of nicotine replacement therapy products, e.g. patches, for use in treating nicotine or tobacco dependence are permitted by the Policy.

11. Requests to use tobacco products for traditional or spiritual ceremonies can be made in writing to University Health & Safety (“UHS”), as set out under the “Procedures for Burning of Sacred Medicines” section of this Policy.

12. Those smoking, vaping, or using tobacco products in areas surrounding the University are expected to avoid littering and to respect municipal by-laws and provincial legislation. They are asked to be considerate of neighbouring residents, businesses, and institutions.

13. In the event that this Policy conflicts with another policy or legislation, the policy, provision, or law which is more restrictive of smoking/vaping will prevail.

PROCEDURES FOR BURNING OF SACRED MEDICINES

14. The University recognizes the unique relationship that many Indigenous cultures have with the use of tobacco as sacred medicine for traditional and spiritual purposes, and in accordance with *Smoke-Free Ontario Act*.

15. The Burning of Sacred Medicines is permitted in the Indigenous Studies Ceremonial Room (L.R. Wilson Hall) and the outdoor McMaster Indigenous Circle, the McMaster Indigenous Research Institute (Arthur N. Bourns Building), and the Indigenous Health Learning Lodge (Michael G. DeGroote Centre for Learning and Discovery (MDCL)). Exemptions for other areas of the University will be granted by UHS’s “Procedures for Burning Sacred Medicines”, which is available on the UHS website. The purpose of this procedure is to support an environment that is inclusive and welcoming while ensuring that the burning of these medicines is conducted safely and in compliance with all applicable legislation and standards.

ACCOUNTABILITY & ENFORCEMENT

16. Reasonable care and diligence shall be exercised to prevent contravention of the laws of Ontario and this Policy. The University has identified roles and responsibilities as follows:

    a) the **Provost and Vice-President (Academic)** and the **Vice-President (Operations & Finance)** are responsible for:

        (i) ensuring that the parties or party responsible for the day-to-day implementation and enforcement of this Policy fulfill those responsibilities accordingly; and

        (ii) monitoring this Policy and for ensuring compliance.

    b) **Managers** will ensure their employees are notified of the Policy, provide the resources and support necessary to ensure compliance with this Policy, and take appropriate administrative action for non-compliance with the Policy. They will also provide direction to cessation support services when requested by employees.

    c) **all departments** that engage in drafting and executing contracts are responsible for ensuring that their contracts for third-party work (contractors) on University property clearly state that the University is a tobacco, smoke, and vapour-free environment. The Office of Legal Services can assist with drafting and negotiating the proper contract language.

d) **University Health & Safety** (UHS) and FHS Safety office will administer requests for exceptions for traditional and spiritual ceremonies as identified above.

e) **Community Members** are responsible to comply with this Policy and are encouraged to communicate this Policy to other Community Members. The success of this policy is dependent upon the courtesy, respect, and cooperation of Community Members, not only to comply but to continue to encourage the compliance of others.

f) **Facility Services** will:

    (i) post and maintain appropriate signs throughout the University. The type and location of signs shall comply with legislative mandates and the goals of the Policy. Requests for additional signage will be considered and addressed as appropriate;

    (ii) provide adequate waste receptacles for areas on the perimeter of University Property;

    (iii) monitor and remove smoking-related refuse found on University Property; and

    (iv) Security Services will monitor and refer matters to the appropriate office to ensure compliance with this Policy, in accordance with the protocol approved by the Provost and Vice-Provost (Academic) and Vice-President (Operations & Finance) from time to time, and in compliance with regulatory provisions. Such a protocol may ultimately include education, warnings, fines and disciplinary proceedings in accordance with existing student, staff and/or faculty disciplinary procedures, as applicable.

g) **Student Affairs** will ensure health promotion efforts are undertaken with respect to cessation and supports for students. They will also provide direction to cessation support services when requested by students. Student Affairs will also enforce the Policy where appropriate through application of the *Code of Student Rights and Responsibilities*.

h) **Human Resources Services** will ensure health promotion efforts are undertaken with respect to cessation and supports for employee groups. They will also provide direction to cessation support services when requested by staff and faculty. They will also enforce the Policy where appropriate in accordance with established disciplinary policies and procedures and by the terms of existing contracts of employment or collective agreements, where applicable.

SUPPORTS

17. The University will undertake education efforts related to smoking and vaping cessation in partnership with Hamilton Public Health, as appropriate. To assist faculty, staff and students who wish to reduce or quit using, the University will offer cessation support.

18. Any concern or question about the interpretation or application of this Policy can be directed to:

    a) Student Wellness Centre for cessation support for students;

    b) Human Resources Services for cessation support for faculty and staff;

c) Facility Services for signage, cleaning, and/or related physical property related matters; and

d) Security Services for enforcement matters.

RELATED PROCEDURES AND DOCUMENTS

19. This Policy is to be read in conjunction with the following statutes, University policies and practices or collective agreement provisions. Any question of the application of this Policy or related policies shall be determined by the Vice-President (Operations & Finance), and/or the Provost and Vice-President (Academic), or their delegates, and in conjunction with the administrator of the other policy or policies. The University reserves the right to amend or add to the University's policies and statements from time to time. The below is not a comprehensive list.

- Ontario Human Rights Code
- Smoke-Free Ontario Act
- Academic Accommodation of Students with Disabilities
- Okanagan Charter: An International Charter for Health Promoting Universities and Colleges
-
- Code of Student Rights and Responsibilities
- McMaster's Workplace and Environmental Health and Safety Policy
- Workplace Accommodation, Policy on

The Boat Project/EVERYTHINGWILLBEFINE by artist Ernest Daetwyler

Institutional Priorities and Strategic Framework 2021-2024

Office of the President

BRIGHTER WORLD

McMaster University

Vision: Impact, Ambition and Transformation through Excellence, Inclusion and Community: Advancing Human and Societal Health and Well-being

Mission: At McMaster our purpose is the discovery, communication and preservation of knowledge. In our teaching, research, and scholarship, we are committed to creativity, innovation and excellence. We value integrity, quality, inclusiveness and teamwork in everything we do. We inspire critical thinking, personal growth, and a passion for lifelong learning. We serve the social, cultural, and economic needs of our community and our society.

Institutional Priorities – McMaster's Strategic Plan is based around five key priorities:

1

Inclusive Excellence

2

Teaching and Learning

3

Research and Scholarship

4

Engaging Local, National, Indigenous and Global Communitites

5

Operational Excellence

Key accomplishments since 2021

- Implementation of EDI Strategy
- Implementation of Partnered in Teaching and Learning strategy
- Completion of IT Strategic Plan
- Implementation of HR Review
- Development and launch of university-wide Sustainability Strategy
- Development and launch of Indigenous Strategic Directions

Priority 1: Inclusive Excellence

- **Goal:** Aspire to embed an inclusive approach that intentionally engages and respects a diversity of peoples, perspectives, and ways of knowing, in everything we do.

Priority 1: Inclusive Excellence

SOME 2022/23 RESULTS INCLUDE:

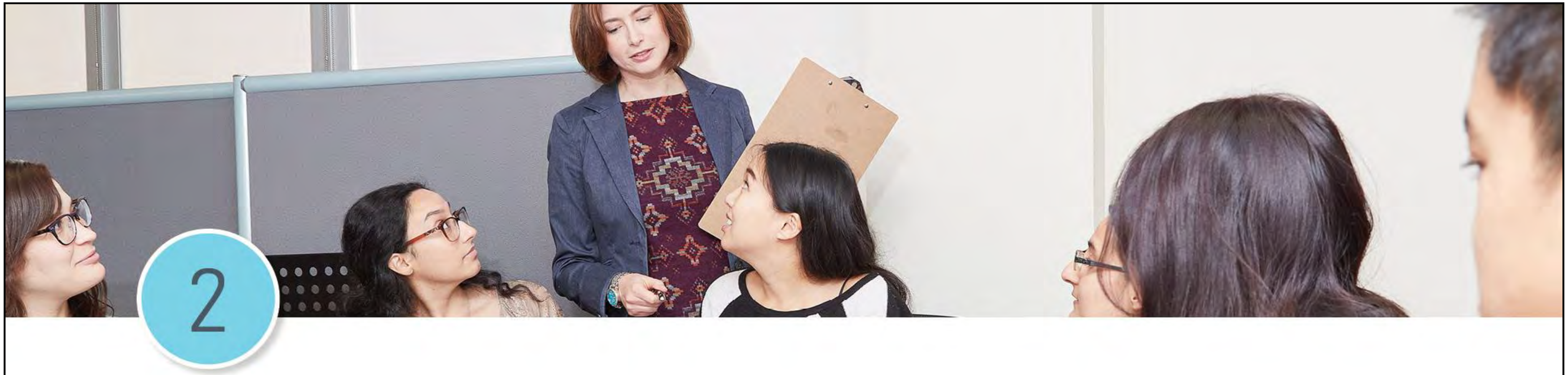
- Successful recruitment of McMaster's new Vice-Provost, Equity and Inclusion
- Hiring of 18 scholars as a result of the Black Faculty Hiring Initiative
- Achieved 43% female enrolment among first year students in the Faculty of Engineering

1

Priority 1: Inclusive Excellence

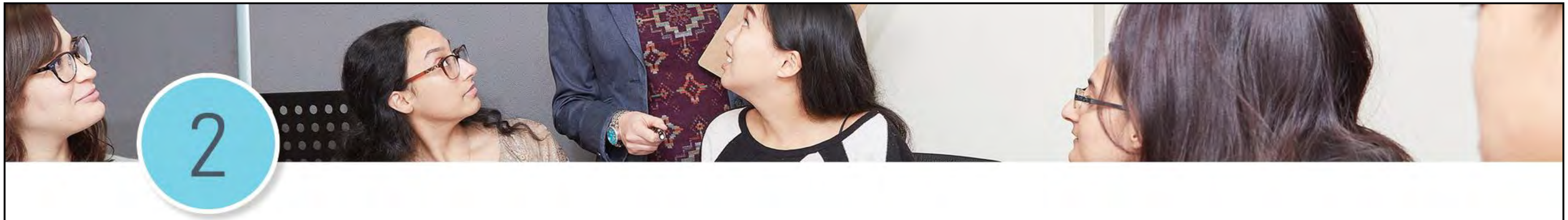
MOVING FORWARD

- Renewed strategic planning to align with decentralized nature of our university
- Addressing new PSE Standard on Accessibility to improve accessibility in our physical spaces
- Develop a hate crime protocol
- Public education to foster a culture of consent to end sexual and gender-based violence (It Takes All of Us Modules)



Priority 2: Teaching and Learning

- **Goal:** Further advance and support innovation in teaching and learning, within and beyond the classroom, and across disciplines and Faculties, to elevate teaching as a professional discipline and equip our students with the knowledge and skills needed to make a transformative impact on our world.

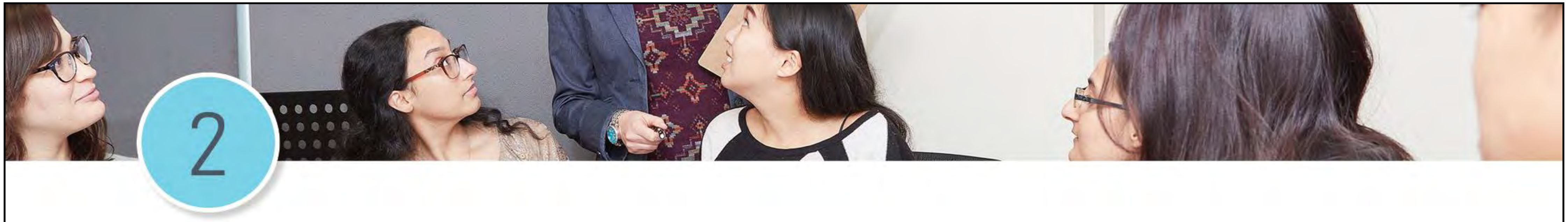


2

Priority 2: Teaching and Learning

SOME 2022/23 RESULTS INCLUDE:

- Development and launch of Digital Learning Strategy
- Launch of Indigenous Studies Department
- Creation of the Global Nexus School for Pandemic Prevention and Response



2

Priority 2: Teaching and Learning

MOVING FORWARD

- Development of the Wilson College of Leadership and Civic Engagement to welcome its first cohort in 2025/26
- Recommendations from the Generative AI Task Force
- Review to guide the development of a comprehensive International Student Recruitment Strategy

Priority 3: Research and Scholarship

- **Goal:** be the go-to place for world-class researchers and collaborators who share our values and commitment to working together across disciplines, sectors, and borders to develop knowledge, tackle global issues, and advance human understanding.

Priority 3: Research and Scholarship

SOME 2022/23 RESULTS INCLUDE:

- $13.6M federal and provincial combined investment in the McMaster Nuclear Reactor to increase medical isotope production
- $8M in funding from CIHR to proceed to phase 2 clinical trials of McMaster's aerosol COVID-19 vaccine
- Created two key roles: AVP, Research (Commercialization and Entrepreneurship) and AVP, Research (Society and Impact)

3

Priority 3: Research and Scholarship

MOVING FORWARD

- Expansion of McMaster’s innovation ecosystem to support student and faculty entrepreneurs
- Establishment of the McMaster Institute of Advanced Medical Isotopes
- Development of Strategic Research Plan

4

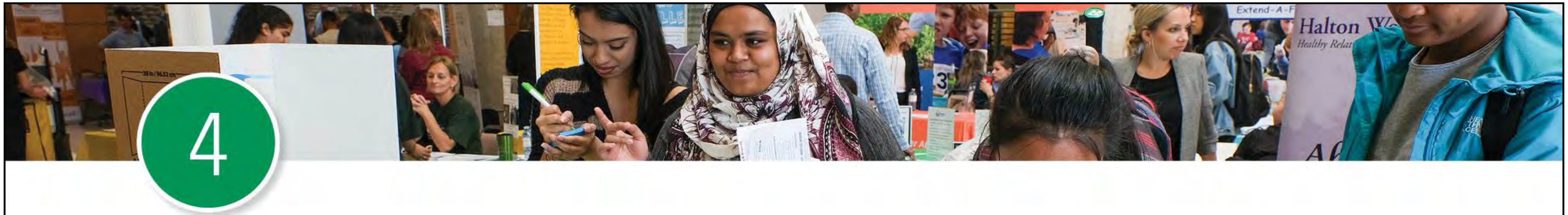
Priority 4: Engaging Local, National, Indigenous and Global Communities

- **Goal:** Further develop and expand our network of longstanding and respectful partnerships with communities, partners, research collaborators, and supporters for the benefit of all.

Priority 4: Engaging Local, National, Indigenous and Global Communities

SOME 2022/23 RESULTS INCLUDE

- The Ohneganos water project (led by Dawn Martin-Hill) hosted a side table at the 2023 UN Water Conference
- McMaster hosted U21 Education Symposium for research-intensive universities
- Office of Community Engagement moved into its permanent home at Mayfair House
- McMaster became the Canadian lead institution for the Canada-Caribbean Institute.



Priority 4: Engaging Local, National, Indigenous and Global Communities

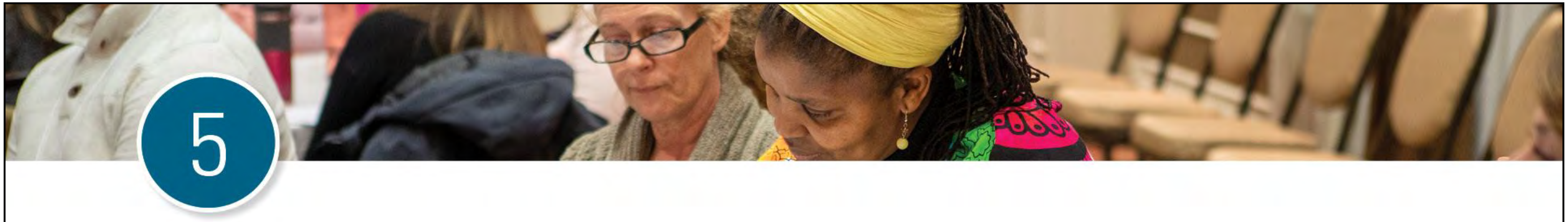
MOVING FORWARD

- Development of a new International Strategy
- Strengthen partnerships in key regions including Europe, the Caribbean, Latin America, Africa and the Middle East
- Launch of Indigenous Graduate Studies Program
- Create regional desks in the OIA to develop expertise/enhance communication with international partners
- Establish a global ambassadors program, which leverages current/retired faculty members to help enhance connections with global communities

5

Priority 5: Operational Excellence

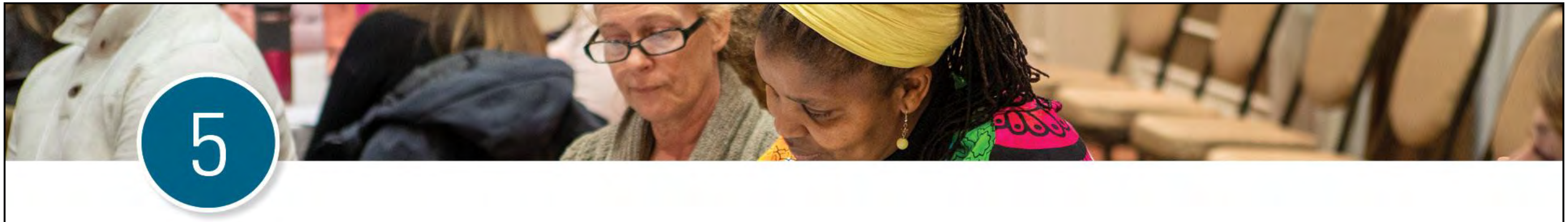
- **Goal:** Enable the administrative operations of the University to most effectively support the institutional vision and aspirations of our community of researchers, scholars, teachers, and learners.



Priority 5: Operational Excellence

SOME 2022/23 RESULTS INCLUDE

- McMaster reduced the carbon exposure of its investments by 49% over 2018 levels
- Completed work on the Campus Plan
- Created new AVP Real Estate, Partnerships and Ancillary Operations to accelerate revenue generation opportunities



Priority 5: Operational Excellence

MOVING FORWARD

- Expansion of the McMaster Innovation Park
- Installation of electric boilers to reduce McMaster’s carbon footprint by 23%
- Construction to begin on Lincoln Alexander Hall
- Implementation of Parks Canada projects to restore and preserve the natural lands on and surrounding McMaster

Questions?

Land acknowledgement: McMaster University recognizes and acknowledges that it is located on the traditional territories of the Mississauga and Haudenosaunee nations, and within the lands protected by the Dish With One Spoon wampum agreement.

BRIGHTER
WORLD

McMaster
University

McMaster University | UNIVERSITY SECRETARIAT

Board of Governors | Senate
Gilmour Hall, Room 210
1280 Main Street West
Hamilton, ON L8S 4L8

☎ (905) 525-9140 x 24337
✉ boardofgovernors@mcmaster.ca
✉ senate@mcmaster.ca
secretariat.mcmaster.ca

Report to the Board of Governors
from the
Planning and Resources Committee

RECEIVE

a. **December 31, 2022 FLIT Financial Statements (McMaster Innovation Park)**

On October 3, 2023, the Planning and Resources Committee, approved by electronic vote, to receive the December 31, 2022 FLIT Financial Statements.

It is now recommended,

the Board of Governors receive the December 31, 2022 FLIT Financial Statements.

FOR APPROVAL

b. **Statement of Investment Policies & Procedures (SIPP) - Salaried Pension Plan including Asset Mix Update**

On October 3, 2023, the Planning and Resources Committee approved, by electronic vote, the proposed Statement of Investment Policy and Procedures (SIPP) for the Salaried Pension Plan including the Asset Mix update.

It is now recommended,

that the Board of Governors approve the proposed Statement of Investment Policy and Procedures (SIPP) for the Salaried Pension Plan including the Asset Mix update, as circulated.

Board of Governors
RECEIVE/FOR APPROVAL: October 26, 2023

Consolidated Financial Statements of

THE FIRST LONGWOOD INNOVATION TRUST

And Independent Auditor's Report thereon

Year ended December 31, 2022

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Tel (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The First Longwood Innovation Trust

Opinion

We have audited the consolidated financial statements of The First Longwood Innovation Trust (the "Entity"), which comprise:

- the consolidated balance sheet as at December 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in trust's equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2022 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

July 17, 2023

THE FIRST LONGWOOD INNOVATION TRUST

Consolidated Balance Sheet

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and short-term investments	$ 3,306,872	$ 3,523,241
Restricted cash and short-term investments (note 2)	1,395,381	1,403,557
Accounts receivable (note 3)	3,323,212	2,227,336
Prepaid expenses and deposits	2,033,559	1,862,463
Current portion of net investment in lease (note 5)	1,222,636	1,153,434
	11,281,660	10,170,031
Restricted investments (note 2)	1,275,913	1,047,000
Interest in joint arrangement (note 4)	328,243	290,366
Financing receivable	-	136,863
Long-term prepaid expense	1,242,375	672,352
Net investment in lease (note 5)	46,720,084	47,953,640
Property, plant and equipment (note 6)	31,475,686	56,354,330
Assets held for sale (note 7)	22,679,656	-
Investment in corporate trustee (note 8)	1	1
	$ 115,003,618	$ 116,624,583

See accompanying notes to consolidated financial statements.

THE FIRST LONGWOOD INNOVATION TRUST

Consolidated Balance Sheet

December 31, 2022, with comparative information for 2021

	2022	2021
Liabilities and Trust's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 7,984,126	$ 7,229,324
Deferred revenue	15,648	139,777
Tenant deposits	1,535,685	165,815
Note payable	5,930	-
Scheduled cash repayments for loans payable (note 10)	3,943,012	3,792,039
Current portion of obligations under capital leases (note 12)	155,880	144,070
Current portion and demand loan payable to McMaster University (note 15)	26,875	1,444,764
	13,667,156	12,915,789
Callable debt (note 10)	1,649,471	1,649,471
	15,316,627	14,565,260
Long-term loans payable (note 10)	81,100,551	83,784,836
Obligations under capital leases (note 12)	7,800,258	7,956,775
Payable to McMaster University (note 15)	1,983,520	1,925,783
Long-term loan payable to McMaster University (note 15)	1,722,776	413,370
Due to The Gore District Land Trust (note 15)	3,879,762	913,549
	111,803,494	109,559,573
Trust's equity:		
Beneficiary's interest:		
Advances from McMaster University (note 13)	3,600,000	3,600,000
Retained earnings (deficit)	(399,876)	3,465,010
	3,200,124	7,065,010
Guarantees (note 10)		
Commitments and contingencies (note 14)		
	$ 115,003,618	$ 116,624,583

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

THE FIRST LONGWOOD INNOVATION TRUST

Consolidated Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenues:		
Rental and other	$ 13,295,426	$ 10,943,818
Direct financing lease income	3,007,524	3,074,278
Amortization of deferred capital grants	-	579,605
Interest revenue	61,346	36,556
	16,364,296	14,634,257
Expenses:		
Interest and bank charges	3,893,403	3,445,002
Interest - capital lease obligations	654,395	664,669
Utilities	3,732,983	3,302,854
Building maintenance	3,201,988	2,098,678
Payroll costs	3,112,238	2,714,148
General administration	443,957	408,073
Rent (note 15)	877,725	783,112
Marketing and business development	309,926	290,847
Professional services	692,881	604,107
Communication and networking	163,979	175,889
Bad debts	542,821	72,250
Conference centre	23,625	913
Board expenses	225,834	15,229
Loss (gain) on disposal of property, plant and equipment	1,938	(201,153)
Depreciation	1,998,520	1,906,762
Depreciation - equipment under capital leases	331,370	338,954
Amortization of financing costs	21,599	21,599
	20,229,182	16,641,933
Net loss	$ (3,864,886)	$ (2,007,676)

See accompanying notes to consolidated financial statements.

THE FIRST LONGWOOD INNOVATION TRUST

Consolidated Statement of Changes in Trust's Equity

Year ended December 31, 2022, with comparative information for 2021

	Beneficiary's interest	Retained earnings (deficit)	Total 2022	Total 2021
Trust's equity, beginning of year	$ 3,600,000	$ 3,465,010	$ 7,065,010	$ 9,072,686
Net loss	-	(3,864,886)	(3,864,886)	(2,007,676)
Trust's equity, end of year	$ 3,600,000	$ (399,876)	$ 3,200,124	$ 7,065,010

See accompanying notes to consolidated financial statements.

THE FIRST LONGWOOD INNOVATION TRUST

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Net loss	$ (3,864,886)	$ (2,007,676)
Items not involving cash:		
Depreciation	1,998,520	1,906,762
Depreciation - equipment under capital leases	331,370	338,954
Amortization of financing costs	21,599	21,599
Amortization of deferred capital grants	-	(579,605)
Amortization of unearned financing lease income	(3,007,524)	(3,074,278)
Loss (gain) on disposal of property, plant and equipment	1,938	(201,153)
Equity earnings on interest in joint arrangement	(37,877)	(42,610)
Changes in non-cash operating working capital:		
Increase in restricted cash and short-term investments	(220,737)	(225,232)
(Increase) decrease in accounts receivable	(618,033)	634,087
Increase in prepaid expenses and deposits	(171,096)	(101,887)
Increase in accounts payable and accrued liabilities	754,802	2,181,222
Decrease in deferred revenue	(124,129)	(758,503)
Increase in tenant deposits	1,369,870	98,910
	(3,566,183)	(1,809,410)
Financing:		
Loan proceeds	1,185,550	2,848,365
Loan repayments	(3,740,461)	(3,719,725)
Direct financing lease proceeds	4,171,878	4,171,879
Decrease in loans payable to McMaster University	(108,483)	(104,681)
Decrease in obligations under capital leases	(144,707)	(134,435)
Increase in financing costs	(570,023)	(672,352)
Increase in note payable	5,930	-
Increase in due to The Gore District Land Trust	2,966,213	7,247,059
Increase in payable to McMaster University	57,737	1,207,035
	3,823,634	10,843,145
Investing:		
Purchase of property, plant and equipment	(610,683)	(8,163,785)
Decrease in financing receivable	136,863	35,393
	(473,820)	(8,128,392)
(Decrease) increase in cash and short-term investments	(216,369)	905,343
Cash and short-term investments, beginning of year	3,523,241	2,617,898
Cash and short-term investments, end of year	$ 3,306,872	$ 3,523,241

THE FIRST LONGWOOD INNOVATION TRUST

Consolidated Statement of Cash Flows (continued)
Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Supplemental cash flow information:		
Property, plant and equipment transferred to project recoverable	$ 477,843	$ -
Proceeds on disposal of property, plant and equipment included in due to The Gore District Land Trust	-	3,000,000

See accompanying notes to consolidated financial statements.

Pursuant to Trust Indentures, The First Longwood Innovation Trust (the "Trust") and The Gore District Land Trust ("Land Trust") were created effective January 1, 2006. In connection with their respective corporate Trustees, The First Longwood Innovation Trustee Corporation ("Trustee Corporation") and The Gore District Land Trustee Corporation (“Trustees”), its mission is to develop, promote and manage an entity for research, education, training, innovation and commercialization, namely, the McMaster Innovation Park (the “Park”).

Pursuant to agreements, including head leases between the Trust and Land Trust, as development of the Park occurs, Land Trust will lease portions of the lands to the Trust which is responsible for the Park’s development, promotion and management.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Trust's significant accounting policies are as follows:

(a) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on those Park components which are complete and in productive use at the earlier of 75% occupancy or six months after construction is substantially complete.

Asset	Basis	Rate
Buildings and building improvements	Declining balance	3%
Tenant improvements	Declining balance	3%
Conference centre	Declining balance	3%
Computer equipment	Declining balance	30-100%
Security system	Declining balance	20%
Office furniture and equipment	Declining balance	20%
Signs	Declining balance	20%
Service equipment	Declining balance	20%

(b) Equipment under capital leases:

Equipment leases that effectively transfer substantially all of the risks and rewards of ownership to the Trust as lessee are capitalized at the present value of the minimum payments under the lease with a corresponding liability for the related lease obligation. Charges to expenses are made for depreciation on the equipment and interest on the lease obligation. Depreciation on equipment under capital leases is provided on a straight-line basis over the term of the lease.

1. Significant accounting policies (continued):

(c) Assets held for sale:

Long-lived assets are classified by the Trust as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

(d) Net investment in direct financing lease:

Under the direct financing lease method, the net investment in a lease is recorded as the sum of the minimum lease payments and the unguaranteed residual value, less unearned finance income. The difference between the gross investment and the cost of the leased asset is recorded as unearned finance income at the inception of the lease.

(e) Interest in joint arrangement:

Interests in joint arrangements which are jointly controlled are accounted for using the equity method whereby the investment is carried at cost, net of any related transaction costs, and adjusted for any contributions or withdrawals and its share of the net earnings or losses of the investment.

(f) Revenue recognition:

- Rental income from tenant leases is recorded rateably, over the term of the lease.
- Financing income from the direct financing lease is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease.
- Externally restricted grants are recognized as revenue in the period in which the related expenses are recognized. Grants externally restricted for the purchase of depreciable property, plant and equipment are deferred and amortized into revenue on the basis and rates corresponding to those of the related property, plant and equipment. Grants for land are credited directly to Trust's equity as contributed surplus.

1. Significant accounting policies (continued):

(f) Revenue recognition (continued):

- Expenses related to project development are capitalized during the start up phases as part of the development costs of each project, portions of which will be amortized and recognized to income at such time as projects within the Park commence active operations.

(g) Income taxes:

In view of the Trust's structure and reporting relationships with McMaster University (“beneficiary”), the effects of income taxes including future income taxes, are not recognized. Any taxable income generated is distributed to the beneficiary.

(h) 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 measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Trust has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured 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 Trust 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 Trust 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):

(i) Derivatives:

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes to notional contract amounts. The Trust uses interest rate swaps as an interest rate risk management solution. In effect, interest rate swaps are used to hedge interest rate exposure inherent in floating rate loan facilities. These instruments are used for hedging an on-balance sheet liability and have been designated as a hedge.

Hedges are documented at inception detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the liability being hedged, the type of derivative used and how effectiveness is measured. The derivative must be highly effective in accomplishing the objective of offsetting changes in cashflows attributable to the risk being hedged both at inception and over the life of the hedge. If it is determined that the derivative is not highly effective as a hedge, hedge accounting is discontinued.

The critical terms of the interest rate swaps and related loans match permitting the use of hedge accounting. As a result, the derivatives in the qualifying hedge relationship are not accounted for at fair value.

(j) Use of estimates:

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the measurement of accrued liabilities, the carrying amounts of property, plant and equipment, assets held for sale and net investment in direct financing lease. Actual results could differ from those estimates.

2. Restricted cash and investments:

Section 5.2 of the lease agreement (see note 5) between Natural Resources Canada (“NRCan”) and the Trust outlines the creation of a Life Cycle Renewal Fund ("LCRF"). The LCRF stipulates that the Trust shall establish and administer a fund for the purpose of funding ongoing capital repairs and replacements, structural repairs and other capital investments for the facility agreed to by both parties. Restricted cash and investments include high interest savings accounts and guaranteed investment certificates. Restricted cash and investments with remaining maturities of less than one year are classified as restricted cash and short-term investments and all other investments are classified as long-term. These investments earn interest at an average rate of 2.6% (2021 - 0.90%) and have maturity dates ranging from February 2023 to October 2024. At December 31, 2022, there is $2,671,294 (2021 - $2,450,557) in restricted cash and investments and $2,671,294 (2021 - $2,450,557) included in accounts payable and accrued liabilities with respect to the LCRF.

3. Accounts receivable:

	2022	2021
Tenant accounts receivable	$ 1,138,754	$ 1,588,519
Project costs recoverable	1,562,748	342,659
Other receivables	1,011,870	358,408
	3,713,372	2,289,586
Less allowance for doubtful accounts	390,160	62,250
	$ 3,323,212	$ 2,227,336

Included in other receivables are government remittances receivable of $992,119 (2021 - $355,607), which includes amounts receivable for HST.

4. Interest in joint arrangement:

The Trust has a 50% interest in a joint arrangement with HIPCO-MIP Projects Corporation for the provision of utilities and related services that will be required for the Trust's development of certain lands, and accounts for this investment using the equity method. The Trust's original contribution in fiscal 2018 was $225,000. The Trust's 50% share of the income generated in Longwood Energy Inc. for 2022 is $37,877 (2021 - $42,610).

5. Net investment in direct financing lease:

Natural Resources Canada entered into a 25 year lease with the Trust commencing on November 12, 2010 for use of the CANMET building. The agreement meets the definition of a direct financing capital lease for accounting purposes. In 2016, NRCan and the Trust entered into an amending lease agreement to revise the lease payment term due to refinancing of the associated loan for construction costs. The net investment in direct financing lease is the sum of the minimum lease payments and the unguaranteed residual value, less unearned finance income.

	2022	2021
Total minimum lease payments receivable	$ 78,526,906	$ 82,698,784
Less unearned finance income	30,584,186	33,591,710
	47,942,720	49,107,074
Less current portion of net investment in lease	1,222,636	1,153,434
	$ 46,720,084	$ 47,953,640

Future minimum lease payments to be received over the next five years are as follows:

2023	$ 4,171,878
2024	4,171,878
2025	4,171,878
2026	4,171,878
2027	4,171,878
	$ 20,859,390

6. Property, plant and equipment:

			2022
	Cost	Accumulated depreciation	Net book value
Land improvements	$ 705,111	$ -	$ 705,111
Buildings and building improvements	22,815,290	1,925,510	20,889,780
Tenant improvements	3,597,709	153,380	3,444,329
Computer equipment	553,058	436,745	116,313
Security system	2,018	429	1,589
Office furniture and equipment	391,695	313,557	78,138
Signs	11,439	7,988	3,451
Service equipment	265,262	154,131	111,131
Equipment under capital leases	9,250,049	3,124,205	6,125,844
	$ 37,591,631	$ 6,115,945	$ 31,475,686

			2021
	Cost	Accumulated depreciation	Net book value
Land improvements	$ 549,231	$ -	$ 549,231
Buildings and building improvements	50,913,842	9,548,413	41,365,429
Tenant improvements	8,371,035	1,338,986	7,032,049
Conference centre	514,293	153,948	360,345
Computer equipment	564,609	334,611	229,998
Security system	105,789	73,440	32,349
Office furniture and equipment	505,315	368,481	136,834
Signs	96,938	39,137	57,801
Service equipment	216,301	132,641	83,660
Equipment under capital leases	9,400,094	2,893,460	6,506,634
	$ 71,237,447	$ 14,883,117	$ 56,354,330

7. Assets held for sale:

The following assets are being presented as held for sale as at December 31, 2022 following the decision of the Trust’s management to sell the assets which are available for immediate sale. The Trust is actively marketing the assets for sale.

a) 175 Longwood Road South
b) 183 Longwood Road South
c) Parking Lots associated with the above properties

The completion date for the transaction is expected around September 2023.

In addition, the following assets are being presented as held for sale as at December 31, 2022 following the decision of the Trust's management to sell the assets to a related party which are available for immediate sale. The Trust will be selling the assets of:

a) 200 Longwood Road South
b) 270 Longwood Road South

The completion date for the transaction is expected around December 2024.

The assets held for sale are presented at their carrying amount. The Trust did not recognize any impairment loss for a write-down of the held for sale assets to fair value less costs to sell.

	2022	2021
Buildings and building improvements	$ 18,749,463	$ -
Tenant improvements	3,463,970	-
Conference centre	349,536	-
Computer equipment	2,811	-
Security system	16,199	-
Office furniture and equipment	55,725	-
Signs	19,252	-
Service equipment	5,967	-
Equipment under capital leases	16,733	-
	$ 22,679,656	$ -

8. Investment in corporate trustee:

The Trust holds one common share of The First Longwood Innovation Trustee Corporation.

THE FIRST LONGWOOD INNOVATION TRUST

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Accounts payable and accrued liabilities:

	2022	2021
Trade and other	$ 3,282,582	$ 1,692,459
Accrued expenses	2,030,250	3,086,308
Life Cycle Renewal Fund reserve (note 2)	2,671,294	2,450,557
	$ 7,984,126	$ 7,229,324

10. Loans payable:

	2022	2021
Loan payable (i)	$ 16,753,181	$ 17,719,945
Loan payable (ii)	42,422,124	45,023,285
Loan payable (iii)	4,278,519	4,451,055
Loan payable (iv)	16,500,000	16,500,000
Loan payable (v)	5,369,995	4,184,445
Loan payable (vi)	1,649,471	1,649,471
	86,973,290	89,528,201
Financing costs (ii) and (iii)	(280,256)	(301,855)
	86,693,034	89,226,346
Less:		
Cash repayments required within next 12 months	3,943,012	3,792,039
Callable debt (vi)	1,649,471	1,649,471
Long-term loans payable	$ 81,100,551	$ 83,784,836

10. Loans payable (continued):

(i) The Trust entered into a $23,000,000 credit agreement with the Bank of Montreal ("BMO") on April 26, 2010 to refinance the costs of the redevelopment and renovation of the Atrium@MIP and for additional costs associated with redevelopment of the project lands. The demand loan bears interest at prime. Repayments on $22,000,000 of the loan commenced on January 1, 2011 for the first two segments of the overall loan. The third segment of the loan totaling $1,000,000 was received in April and June 2012, at which time repayment began based on a floating interest rate. The fourth segment of the loan totaling $1,500,000 was received in November 2014, at which time repayment began based on a floating interest rate. On January 4, 2016, the Trust entered into a new credit facility in the amount of $7,932,026, to restructure $6,651,797 of the second, third and fourth segments of the existing demand facility. The facility is a non-revolving demand instalment loan, bearing interest at CDOR plus 0.85%, maturing March 31, 2035. On December 1, 2017, the Trust entered into a new credit facility in the amount of $14,040,000, to restructure $13,998,030 of the first segment of the existing demand facility. The facility is a non-revolving demand instalment loan, bearing interest at CDOR plus 1%, maturing December 1, 2037. McMaster University has guaranteed the scheduled principal and interest payments of the overall loan through the Debt Service Deficiency Agreement. As at December 31, 2022, outstanding draws on the demand facilities amounted to $16,753,181 (2021 - $17,719,945). Effective January 1, 2023, the demand facility was converted to a committed facility with a term of one year. As a result, only scheduled payments in 2023 have been classified as current.

The Trust has in place an interest rate swap agreement. The agreement, effective December 1, 2017 is for 10 years and expires on December 1, 2027. Under the terms of the agreement, the Trust agrees to receive a floating interest rate on the loan while paying a fixed rate of 3.49%. The use of the agreement effectively enables the Trust to convert the floating rate interest obligations of the loans into fixed rate obligations and thus manage its exposure to interest rate risk. The facility re-financing the first segment of the loan is repayable in monthly instalments of $81,354, principal and interest, under the terms of the 10-year interest rate swap agreement. The facility refinancing the second, third and fourth segments of the loan is repayable in monthly instalments of $36,251 plus interest at prime.

The notional and fair value of the interest rate swap at December 31, 2022 is as follows:

	Notional value	Fair value
10-year interest rate swap	$ 11,388,000	$ 574,797

10. Loans payable (continued):

(ii) The Trust entered into a $57,200,000 credit agreement on October 13, 2016 with the London Life Insurance Company. The loan bears interest at 3.27% per annum, compounded semi-annually. Repayments of $335,464 per month commenced on November 13, 2016 and will continue for a period of 19 years.

The loan is secured by a general security agreement providing a first security interest in all present and after acquired personal property, and a specific assignment of the property agreements. This agreement was secured by an unlimited guarantee from The First Longwood Innovation Trust, and by its trustee The First Longwood Innovation Trustee Corporation.

The Trust incurred transaction and financing costs in the amount of $375,265 on the acquisition of the loan. These costs are amortized over the term of the loan on a straight line basis.

(iii) In December 2016, the Trust entered into a credit facility agreement with BMO in the amount of $5,000,000 to refinance the warehouse property. The proceeds were used to prepare the property for future tenants and for other development at the Park and to pay down the advance from McMaster University. The facility is a non-revolving demand loan that matures December 1, 2036. The first tranche of the loan totaling $2,000,000 was received in December 2016. The loan is repayable in monthly instalments of $12,067, principal and interest, bearing interest at a rate of 3.95%. The first draw of the second tranche of the loan totaling $300,000 was received in December 2017. The second draw of the second tranche of the loan totaling $300,000 was received in February 2018. The third draw of the second tranche of the loan totaling $1,000,000 was received in January 2019. The final draw of the second tranche of the loan totaling $1,400,000 was received in February 2020. The loan is repayable in monthly instalments of $18,417, principal and interest, bearing interest at a rate of 4.15%. As at December 31, 2022, outstanding draws on the credit facility agreement amounted to $4,278,519 (2021 - $4,451,055). Effective January 1, 2023, the demand facility was converted to a committed facility with a term of one year. As a result, only scheduled payments in 2023 have been classified as current.

The Trust incurred transaction and financing costs in the amount of $38,682 on the acquisition of the loan. These costs are amortized over the term of the loan on a straight line basis.

(iv) In February 2020, the Trust entered into a credit facility agreement with Meridian Credit Union Limited in the amount of $16,500,000 to partially finance the acquisition of the 44 Frid Street property. The facility is a non-revolving, interest only demand loan, bearing interest at prime rate plus 1.7%, and matures February 2023. The demand facility was converted to a committed facility in 2022. Subsequent to year-end, the maturity date of the loan was extended to February 2024. As a result, the loan has been classified as long-term.

10. Loans payable (continued):

(v) In February 2020, the Trust entered into a credit facility agreement with Meridian Credit Union Limited for an operating line of credit up to a maximum of $3,100,000 to fund ongoing capital expenditures, property taxes, debt servicing and expansion investments. The facility is a revolving, interest only demand loan, bearing interest at prime rate plus 1.7%, and matures February 2023. In 2021, the credit facility agreement was amended to increase the operating line of credit to a maximum of $5,385,000. The demand facility was converted to a committed facility in 2022. Subsequent to year-end, the maturity date of the loan was extended to February 2024. As a result, the loan has been classified as long-term. As at December 31, 2022, outstanding draws on the credit facility agreement amounted to $5,369,995 (2021 - $4,184,445).

(vi) In April 2020, the Trust entered into a credit facility agreement with Meridian Credit Union Limited for a demand loan up to a maximum of $3,500,000 to finance construction of the parking lot expansion project. The facility is non-revolving and interest will be capitalized during the construction phase up to a maximum of 36 months and $267,195. The loan bears interest at prime rate plus 1.0%, and matures April 2023. Subsequent to year-end, the maturity date of the loan was extended to May 2024. As at December 31, 2022, outstanding draws on the credit facility agreement amounted to $1,624,782 (2021 - $1,624,782) and capitalized interest and standby fees amounted to $24,689 (2021 - $24,689).

Loans payable scheduled payments:

Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded, under the terms of the loan agreements the aggregate amount of principal repayments required in the next five years and thereafter are as follows:

Year ending December 31:	
2023	$ 3,943,012
2024	30,017,777
2025	5,337,557
2026	4,050,171
2027	4,170,983
Thereafter	39,453,790
	$ 86,973,290

11. Deferred capital grants:

The deferred capital grants represent the unamortized grants received for Park development. Details of the change in capital grants are as follows:

	2022	2021
Balance, beginning of year	$ -	$ 579,605
Less amount amortized to operating revenue	-	579,605
	$ -	$ -

Total capital grants received consists of:

	2022	2021
Spent	$ 12,405,750	$ 12,405,750
Less amount amortized to operating revenue	12,405,750	11,826,145
	$ -	$ 579,605

The City of Hamilton grant received in 2006 amounted to $5,000,000 and was allocated as follows:

Capital and development	$ 4,900,000
Land	100,000
	$ 5,000,000

The Province of Ontario grant received in 2006 amounted to $10,000,000 and was allocated as follows:

Capital and development	$ 7,500,000
Operating and start up	2,500,000
	$ 10,000,000

12. Obligations under capital leases:

The Park has financed the Geo-Exchange system equipment through two capital lease agreements with an outstanding obligation at December 31, 2022 of $7,946,701 (2021 - $8,082,501).

In 2020, the Park entered into a capital leasing arrangement with Kubota Canada Ltd. for service equipment with an outstanding obligation at December 31, 2022 of $9,437 (2021 - $18,344).

Aggregate capital lease repayments are due as follows:

Year ending December 31:	
2023	$ 799,104
2024	791,033
2025	790,298
2026	790,298
2027	790,298
Thereafter to 2044	12,842,340
Total minimum lease payments	16,803,371
Less amount representing interest in the range of 0.0% - 9.19%	8,847,233
Present value of net minimum capital lease payments	7,956,138
Current portion of obligations under capital leases	155,880
	$ 7,800,258

The total amount of equipment under capital lease is $9,400,094 (2021 - $9,400,094) with related accumulated depreciation of $3,218,293 (2021 - $2,893,460).

The Park recovers all costs incurred on the Geo-Exchange system equipment lease through tenant leasing arrangements.

13. Advances from McMaster University:

The advances represent McMaster University’s long term capital contribution in the Park in connection with its settlement of assets into the Park.

14. Commitments and contingencies:

(a) At December 31, 2022, letters of credit were issued for $1,419,146 and were held in relation to construction activity at the Park.

(b) The Innovation Trust carries out environmental site risk assessments and develops risk management plans on behalf of the Land Trust. Innovation Trust has submitted Site Specific Risk Analysis and Site Management Plans to the Ministry of the Environment in support of required permits in the form of Records of Site Conditions and Certificates of Property Use. These certificates are a prerequisite to site development. The Trusts and their consultants responded to questions arising from the reviews from the Ministry of the Environment, ultimately leading to appropriate certification on a building site by building site basis and on a defined area basis. Included in accounts payable and accrued liabilities is an estimate of $549,231 (2021 - $549,231) related to soil remediation costs. Future costs, if any, will be accounted for in the period in which they are determined and incurred.

(c) The Park has outstanding commitments for capital expenditures relating to Board approved capital projects of approximately $930,512 at December 31, 2022. In 2020, 44 Frid Street was acquired as a future strategic redevelopment project. In 2022, one of the most significant projects undergoing capital expenditures was for the tenant improvements for 44 Frid Street to support the tenancy and redevelopment of the property. In addition, carrying costs for interest and operating costs in the amount of $nil (2021 - $1,330,044) for the year ended December 31, 2022 have been capitalized to building.

15. Related party transactions:

In addition to the information disclosed in the financial statements and notes to the financial statements, the Trust had the following related party transactions:

(a) McMaster University:

- were provided payroll services at a fee of $13,200 (2021 - $13,200);
- received project management fees in the amount of $20,490 (2021 - $4,856);
- received rent in the amount of $1,742,049 (2021 - $1,823,073);
- received occupancy costs in the amount of $2,470,838 (2021 - $1,956,793);
- fees for the Debt Servicing Deficiency Agreement (see note 10) related to the processing of the loan of $85,775 (2021 - $90,690);
- interest charged against payable balance in the amount of $40,998 (2021 - $17,344);
- received fees for use of conference facilities in the amount of $25,352 (2021 - $1,615).

McMaster University has agreed in writing not to demand repayment of amounts payable prior to July 1, 2024.

15. Related party transactions (continued):

(b) The Park entered into a loan arrangement regarding the renovation of the MIP Garage with McMaster University for $500,000, effective April 30, 2019 with a 15 year term and interest of 5.75% per annum, repayable in monthly instalments of $49,356 principal and interest. The amount outstanding as at December 31, 2022 is $413,370 (2021 - $438,784). Total interest on this loan was $23,942 (2021 - $25,445).

In December 2020, the Park entered into non-revolving demand loan with McMaster University for $1,500,000 for general corporate purposes. The loan agreement converted an existing loan issued March 1, 2020 between the two parties to a long-term loan. The loan has a 15 year term and interest of 3.0% per annum. The amount outstanding as at December 31, 2022 is $1,336,281 (2021 - $1,419,350). Total interest on this loan was $40,885 (2021 - $43,305). McMaster University has agreed in writing not to demand repayment prior to July 1, 2024.

(c) The Gore District Land Trust:

- paid rent for land leases in the amount of $877,725 (2021 - $783,112);
- sold land improvements with a net book value of $2,798,846 in exchange for proceeds of $3,000,000 in 2021. The balance receivable was collected in January 2022.

The amounts due to The Gore District Land Trust are non interest bearing and provide no specified terms of repayment. The Gore District Land Trust has agreed in writing not to demand repayment of amounts payable prior to July 1, 2024.

16. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Trust is exposed to credit risk from tenants and customers.

(b) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust has entered into interest rate swap agreements that fix the interest rates over the terms of certain loan payables.

16. Financial risks and concentration of risk (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Trust manages its liquidity risk by monitoring its operating requirements. The Trust prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. At December 31, 2022, the Trust had current liabilities in excess of current assets. Continued financial support from McMaster University by way of advances, loans or extension of repayment terms is available, if necessary, to the Trust should the need for liquidity arise.

17. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year net loss.

GOVERNANCE BODY	Planning and Resources Committee (PRC)
ITEM/SUBJECT	**Statement of Investment Policies and Procedures**
DATE	September 28, 2023
LEADS	Steven Moore, University Treasurer
GOVERNANCE PATH	Pension Trust Committee (PTC), **PRC**, Board of Governors
MOTION	That the Planning and Resources Committee approve, for recommendation to the Board of Governors, the updated Statement of Investment Policies and Procedures, including the updated Asset Mix, for Contributory Pension Plans for Salaried Employees.
JURISDICTION	n/a
SUPPLEMENTAL MATERIALS	Statement of Investment Policies and Procedures – Salaried Employees

EXECUTIVE SUMMARY

The PTC reviewed and approved the updated Statement of Investment Policies and Procedures (SIPP) and updated strategic asset allocation ("Asset Mix") at the September 14, 2023, meeting. The recommended Asset Mix, based on the most recently completed asset/liability study (A/L Study) and climate risk review, is expected to improve return and reduce risk (refer to Appendix A. for a detailed summary of the A/L Study). The recommended changes to the Asset Mix, included in the updated SIPP are as follows:

1. Increase allocation to Real Assets by 10% to 20%, funded by reducing allocation to equities by 10%.

2. Transition to global equities away from regional allocations (maintain a 5% allocation to Canadian equities).

3. Add 5% allocation to return seeking fixed income funded by reducing Universe Bonds allocation by 5%.

BACKGROUND

Asset/Liability studies are conducted every three to five years to determine whether changes to investment strategy would be beneficial to meet investment objectives. The results of the current A/L Study concluded that the investment strategy recommendations from previous A/L Study (2019) remain appropriate, with some refinements. The previous A/L Study's primary recommendation was to implement an initial transition to include 10% in real assets by 2021, followed by a phase 2 transition to increase real assets by up to 25% by 2028, funded by reducing allocation to equities. The benefit of the increased allocation to real assets is an expected improvement in risk and return. The current A/L Study has reconfirmed that the real assets should be increased to 20%, but also recommended adding a 5% allocation to a new diversifier: non-traditional fixed income (return seeking bonds) funded by reducing traditional fixed income (Universe Bonds). The Real Assets implementation will focus initially on infrastructure and transition to real estate once markets stabilize.

The Pension Benefits Act requires that the pension plan's Statement of Investment Policy and Procedures (SIP&P) be reviewed each year. Aon (investment consultant to PTC) has reviewed the existing policy in detail. The proposed revisions update the policy to reflect the A/L Study Asset Mix recommendation and to reflect several items of a housekeeping nature. Refer to Exhibit A for A/L Study Recommendation (pg. 3), Appendix B. SIPP (Clean version), Appendix C SIPP (Blacklined Version), Appendix D. SIPP (Current).

Table 1. Summary of Proposed SIPP Changes (material changes -not an exhaustive list)

Reference	Comments
Section 2.4 (a)&(c) (pg. 8 & 9)	Total Fund Asset mix has been updated to reflect the updated investment strategy based on recommendations from the most recently completed asset/liability study. A transition asset mix has been included to facilitate the transition to the target asset mix which will take time to implement.
Section4.1(a)(pg18)	Total Fund Benchmark has been updated to reflect updated recommendations.

STRATEGIC ALIGNMENT

The PTC serves a fiduciary duty to ensure funds are invested responsibly to provide future retirement income to plan members and their beneficiaries. The work of PTC is aligned with McMaster's strategic plan with a focus on operational excellence and sustainability.

RISK AND MITIGATION STRATEGIES

Risk	Risk Mitigation Strategy
Risk that the SIPP and Asset Mix are not aligned with current Asset/Liability and climate-related risks and Plan investment objectives.	Mitigation strategies include undertaking an A/L study every three to five years to ensure asset allocations and performance expectations reasonably match liability growth rates and duration.

RECOMMENDATIONS AND NEXT STEPS

Following Board approval of the recommended SIPP implementation of the transition plan will begin. The transition plan actions include but are not limited to manager searches, asset mix rebalancing, and obtaining the necessary governance approvals.

Appendix A. Background – Asset/Liability Study & Climate Risk Review

The Pension Trust Committee ("Committee") and The Pension Trust Committee Asset/Liability Management Working Group met on three and four occasions respectively to review a series of assumptions, analysis and detailed reports prepared by Aon related to the asset-liability study, climate risk review and investment strategy review. The Committee met on May 11, 2023, to review final recommendations (summarized in Exhibit A).

The analysis included traditional asset classes plus real estate and infrastructure ("Real Assets"), return seeking fixed income[1], incorporated pension liabilities and the impact of different asset mixes on pension contributions and, the funded ratios as well as climate risk scenarios. The asset classes selected for inclusion followed a review of a range of options presented by Aon.

The Asset/Liability Study and Investment Strategy Review objectives were set by management and the Committee. These included:

- a focus on the going concern funded position of the Plan.
- a desire to limit the risk of the Plan's funding position falling below 85% and triggering solvency deficit payments;
- a focus on reducing risk (measured by increases in contributions) & improve expected return; and
- Consider climate risk in the assessment of investment strategies, goal of reducing exposure to downside climate risk scenarios.

The analysis was developed using Aon's stochastic asset liability model and primary inputs included projected economic factors such as inflation, interest rates, salary increases, and asset class returns. The model produced a distribution of results for the key measurements (i.e., contributions and funded ratios) for the current asset mix policy along with alternative portfolios from efficient frontier analysis. In addition, the analysis included Aon developed climate related scenarios[2] to assess the resiliency of the current investment strategy relative to other alternative investment strategies.

Analysis and Observations

The objective of the analysis was to identify opportunities to improve risk associated with funded ratios and contributions over the 10-year projection period, while improving contribution rates and expected average return relative to the current strategic asset mix.

Key observations:

- The current high level asset mix has 65% in return seeking assets and 35% in fixed income (risk reducing) assets.
- Based on the characteristics of this plan (open – with a long-term horizon) increasing fixed income beyond 35% did not offer significantly better risk and return results.
- Increasing return seeking assets to 70%, by adding 5% return seeking fixed income, while reducing equites and increasing Real Assets, improved return, and improved risk to extremely negative

---

[1] Return Seeking Fixed Income – Includes as diversified portfolio of fixed income investments. For asset/liability modeling purposes – the model portfolio included investment allocations as follows: 1/3rd Bank loans, 1/3rd unhedged foreign currency bonds (emerging market debt) and 1/3rd high yield bonds.

[2] The climate risk study used five deterministic scenarios, based on assumed temperature rise by the year 2100, to estimate potential impact returns for the investment portfolio. The five scenarios included: 1. No transition (4-degree scenario), 2. Disorderly transition (3-degree scenario), 3. abrupt transition (1.5 to 2-degree scenario) 4. Orderly transition (1.3 to 2-degree scenario) and 5. Smooth transition (less than 1.5-degree scenario).

outcomes relative to existing mix (i.e., outcomes whereby the 85% solvency funded ratio would be more likely to be breached).

- Conclusion of the analysis: Transition to increase allocation to return seeking assets to 70% from 65% by reducing allocation to Universe Bonds by 5% while adding a new allocation to return seeking bonds and further refining the mix of return seeking assets to increase allocation to Real Asset from 10% to 20% funded by reducing equities from 55% to 45%. These refinements generate higher expected returns relative to the existing asset mix, while reducing risk to both the solvency funded ratio and contributions.

The Committee deliberated over the long-term strategy mix and acknowledged that the recommended changes would be beneficial, given the potential improvement in risk return profile, through better diversification of the return seeking assets. Refer to Exhibit A for a summary.

Transition Plan

Aon presented a transition plan which transitioned to the longer-term asset mix over a period of up to 3 to 5 years. Key aspects are:

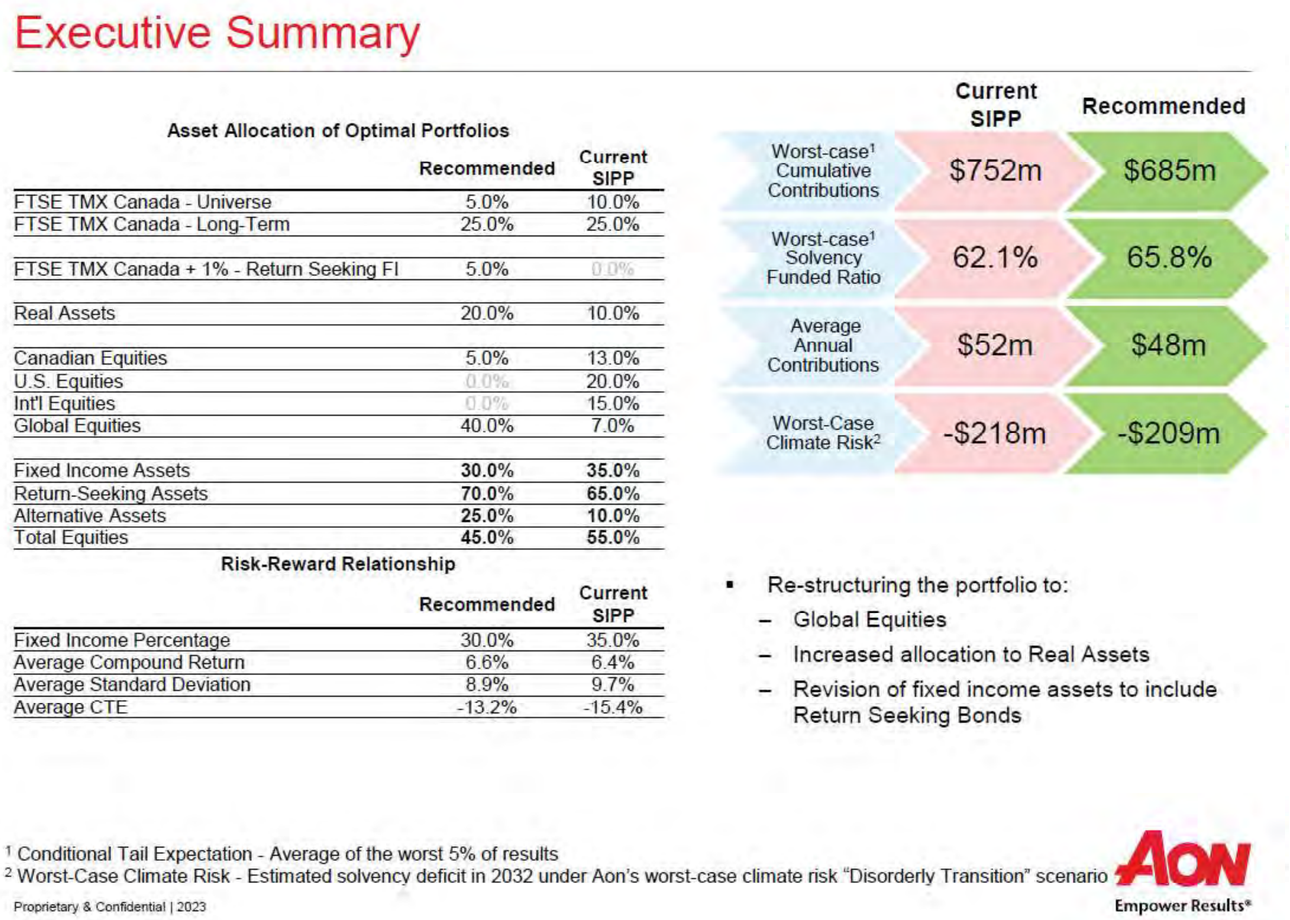
- Transition to Global Equities from Regional Equities. Target completion date: June 30, 2024
- Add a 5% allocation to Return Seeking Fixed Income funded by reducing the current allocation to Universe bonds by 5%. Target completion date: December 31, 2024; and
- Real asset transition (phase 2): Increase allocation by 10% to 20% funded by reducing equities allocation by 10%. Target completion date: December 31, 2028[3]

The Committee reviewed the Aon proposal and agreed to proceed with the proposed transition plan.

---

[3] Previous Asset/Liability Study completed in 2018/2019 recommended that the Salaried Pension Plans diversify return seeking assets to include a 10% allocation to Real Assets funded by reducing Equities by 10% to be completed by 2021. In addition, the Committee would consider a second phase of Real Assets Transition to further increase Real Assets to up to 25% by 2028 (to be confirmed by PTC).

Exhibit A. Aon – Executive Summary – Asset/Liability and Investment Strategy Review



Executive Summary

Asset Allocation of Optimal Portfolios

	Recommended	Current SIPP
FTSE TMX Canada - Universe	5.0%	10.0%
FTSE TMX Canada - Long-Term	25.0%	25.0%
FTSE TMX Canada + 1% - Return Seeking FI	5.0%	0.0%
Real Assets	20.0%	10.0%
Canadian Equities	5.0%	13.0%
U.S. Equities	0.0%	20.0%
Int'l Equities	0.0%	15.0%
Global Equities	40.0%	7.0%
Fixed Income Assets	**30.0%**	**35.0%**
Return-Seeking Assets	**70.0%**	**65.0%**
Alternative Assets	**25.0%**	**10.0%**
Total Equities	**45.0%**	**55.0%**

Risk-Reward Relationship

	Recommended	Current SIPP
Fixed Income Percentage	30.0%	35.0%
Average Compound Return	6.6%	6.4%
Average Standard Deviation	8.9%	9.7%
Average CTE	-13.2%	-15.4%

	Current SIPP	Recommended
Worst-case[1] Cumulative Contributions	$752m	$685m
Worst-case[1] Solvency Funded Ratio	62.1%	65.8%
Average Annual Contributions	$52m	$48m
Worst-Case Climate Risk[2]	-$218m	-$209m

- Re-structuring the portfolio to:
  - Global Equities
  - Increased allocation to Real Assets
  - Revision of fixed income assets to include Return Seeking Bonds

[1] Conditional Tail Expectation - Average of the worst 5% of results
[2] Worst-Case Climate Risk - Estimated solvency deficit in 2032 under Aon's worst-case climate risk "Disorderly Transition" scenario

Proprietary & Confidential | 2023

AON
Empower Results®

Pension Trust Committee (Committee) and Pension Trust Committee Asset/Liability Modeling Working Group (ALM) Meetings

Meeting Date	Agenda Item
20-Oct-22	ALM Working Group – Planning Objective and Assumption Setting
12-Jan -23	ALM Working Group - Risk Diagnosis
19-Jan-23	Committee: Risk Diagnosis (with PTC)
1-Mar-23	ALM Working Group- Optimization
23-Mar-23	Committee: Optimization (with PTC)
21-April-23	ALM Working Group- Deterministic Climate Risk Scenarios
11-May-23	Committee: Asset/Liability Study, Climate Risk and Asset Mix Recommendation - Approval
14-Sep-23	Committee: SIPP Update to reflect Asset Mix Change - Approval

Appendix B. Statement of Investment Policies and Procedures (Clean)

McMaster University

Policies, Procedures and Guidelines

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

Policy Number (if applicable):

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:

[October 26, 2023]

Supersedes/Amends Policy dated:

October 28, 2021

Enquiries:

University Secretariat

Contents

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 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.

1.2 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.

1.3 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 TaxAct.

---

[*] Unifor Unit 1 members who were hired on or after May 1, 2010 benefits are calculated using 1% and 1.6%.

1.4 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.

1.5 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 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 2023, 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.

1.6 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 basis, and advise the Committee on such performance;

(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.

(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 2.4 (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

2.1 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 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) 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 4.1 (a) and calculated 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, 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 2.4. 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.

It is reasonable for a strategic policy asset mix designed for long-term investing to accept short-term market volatility and to 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.

2.3 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 2.4 (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.

2.4 Asset Mix – Risk Limits

(a) Long-term 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:

Total Fund Asset Mix (Long-term)

	Min	Target	Max
Equities and Real Assets	55	70	85
Total Fixed Income	15	30	45
		100	

Total Fund Benchmark Portfolio by Asset Class (Long-term)

Assets[*]	**Minimum (%)**	**Benchmark (%)**	**Maximum (%)**
Canadian Equities	3	5	10
Global Equities	25	40	55
Real Assets	3	20	30
Return Seeking Bonds	0	5	10
Universe Bonds	3	5	10
Long Term Bonds	15	25	30
Cash and Short-term	0	0	10
		100	

[*] A total of 50% +/- 5% of the Total Fund's foreign currency exposure shall be hedged to the Canadian Dollar.

(b) Transition Asset Mix

The long–term policy mix contains allocations to asset classes (real estate and infrastructure, return seeking fixed income etc.) that take longer to implement. The Plan investments will be subject to a transition benchmark portfolio for performance measurement purposes. For benchmarking purposes, the benchmark portfolio mix will be adjusted as new investments are funded, subject to the constraints set forth in the Long-term Total Fund Asset Mix noted above. Updates to the Transition Asset Mix will occur annually as required.

Total Fund Asset Mix (Transition Asset Mix)

	Min	Target	Max
Equities and Real Assets	50	68	80
Total Fixed Income	20	32	50
		100	

Total Fund Benchmark Portfolio by Asset Class (Transition Asset Mix)

Assets[*]	**Minimum (%)**	**Benchmark (%)**	**Maximum (%)**
Canadian Equities	8	11	18
U.S. Equities	15	23	25
Non-North American Equities	10	17	20
Global Equities	0	8	14
Real Assets	5	9	15
Universe Bonds	5	7	20
Long Term Bonds	15	25	30
Cash and Short-term	0	0	10
		100	

[*] A total of 50% +/- 5% of the Total Fund's foreign currency exposure shall be hedged to the Canadian Dollar.

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:

Category	Long-term Benchmark Portfolio (%)	Transition Benchmark Portfolio (%)
1. Insured contracts		
2. Mutual or pooled funds or segregated funds		
3. Demand deposits and cash on hand		
4. Short-term notes and treasury bills		
5. Term deposits and guaranteed investment certificates		
6. Mortgage loans		
7. Real estate	10	1
8. Real estate debentures		
9. Resource properties		
10. Venture capital		
11. Corporations referred to in subsection 11(2) of schedule III to the federal investment regulations		
12. Employer issued securities		
13. Canadian stocks other than investments referred to in 1 to 12 above	5	11
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	40	48
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	30	32
16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	5	
17. Investments other than investments referred to in 1 to 16 above	10	8

Note that the full allocation made to items 7, 14, 15 and 17, and 60% of the allocation made to item 13 are accessed via pooled funds. Investments referenced in item 17 are made to infrastructure.

(c) 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, they 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 allocation to be in breach of the parameters specified in such mandate, the Fund Manager will immediately either seek the necessary approval to remain in breach of the mandate, 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.

(d) 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 2.4 (a).

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 Pension Benefits Act (Ontario), the Income Tax Act (Canada), and any relevant regulations.

3.2 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 Section3.04.

(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 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.

3.3 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.

3.4 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.

[†] In the case of pooled fund investments, the pooled fund investment guidelines/restrictions shall apply.

(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;

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

- (vii) Restrictions (iii), (iv) and (v) do not apply to Return Seeking Bond mandates.

3.5 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:

3.6 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.

3.7 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.

3.8 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.

3.9 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

4.1 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:

Benchmark	Long-term Mix Weight (%)	Transition Mix Weight (%)
S&P/TSX Composite Index	5.0	11.0
S&P500 Index		5.0
Russell 1000 Index (Hedged)		18.0
MSCI EAFE Index (Cdn. $)		17.0
MSCI ACWI (Cdn. $)	40.0	8.0
FTSE TMX Universe Bond Index + 1%	5.0	0.0
FTSE TMX Universe Bond Index	5.0	7.0
FTSE TMX Long Term Bond Index	25.0	25.0
IPD Canada Property Index	1.0	1.0
CPI + 5%	19.0	8.0
Total	**100.0**	**100.0**

Total rate of return of the benchmark is the time-weighted rate of return based on the change of market value including realized and unrealized gains and losses and including income from all sources.

The Plans are currently undergoing a transition to its Total Fund Asset Mix as outlined in Section 2.4. The transition mix will be used as the benchmark as the starting point of the transition to long-term mix. The Total Fund Benchmark will be updated on a periodic basis to reflect the progress of this transition. Once the transition has been completed the long-term mix will be used as the benchmark.

(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, recognizing 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.

4.2 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.

4.3 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

5.1 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.

5.2 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.

5.3 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).

5.4 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.

5.5 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.

5.6 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.

5.7 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 Assets
A certified written appraisal from a qualified independent appraiser at least every two years.

5.8 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.

5.9 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.

Appendix C. Statement of Investment Policies and Procedures (Blacklined)

Policies, Procedures and Guidelines

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

Policy Number (if applicable):

Approved by:
Board of Governors

Date of Most Recent Approval:
[October 2~~8~~6, 202~~1~~3]

Date of Original Approval(s):
June 13, 2002

Supersedes/Amends Policy dated:
Oct~~December~~ober ~~17~~28, ~~2020~~2021

Responsible Executive:
Assistant Vice-President (Administration) and CFO

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*

Contents

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 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.

1.2 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.

1.3 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** [1]

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 TaxAct.

---

[1] Unifor Unit 1 members who were hired on or after May 1, 2010 benefits are calculated using 1% and 1.6%.

1.4 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.

1.5 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 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~~2023, 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.

1.6 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 basis, and advise the Committee on such performance;

(iii) Monitor funding and performance objectives on a quarterly basis;

~~(iii)~~(iv) Monitor the Fund Managers' quarterly compliance reports;

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

(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.~~0~~4 (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

2.1 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 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~~1 (a) and calculated 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, 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~~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.~~01~~1.

It is reasonable ~~to invest~~ for a ~~long-term horizon for the~~strategic policy asset mix ~~strategy,~~ designed for long-term investing to accept short-~~—~~term market volatility and to 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.

2.3 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~~4 (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.

2.4 Asset Mix – Risk Limits

(a) ~~Overall~~ Long-term 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:

Total Fund Asset Mix (Long-term)

	Min	Target	Max
Equities and Real Assets	55	~~65~~70	~~80~~85
Total Fixed Income	~~20~~15	~~35~~30	~~50~~45
		100	

Total Fund Benchmark Portfolio by Asset Class (Long-term)

Assets[1]	Minimum (%)	Benchmark (%)	Maximum (%)
Canadian Equities	~~8~~3	~~13~~5	~~18~~10
~~U.S. Equities[1]~~	~~15~~	~~20~~	~~25~~
~~Non-North American~~	~~10~~	~~15~~	~~20~~
Global Equities	~~0~~25	~~7~~40	~~14~~55
Real ~~Assets[2]~~Assets	~~5~~3	~~10~~20	~~15~~30
Return Seeking Bonds~~[2]~~	0	5	10
Universe Bonds	~~5~~3	~~10~~5	~~207~~10
Long Term Bonds	15	25	30
Cash and Short-term	0	0	10
		100	

[1] A total of 50% +/- 5% of the Total Fund's foreign currency exposure shall be hedged to the Canadian Dollar.

~~[2] The Real Assets~~Return Seeking Bonds ~~minimum is expected to be achieved once signed commitments have been funded in the next 12-18 months.~~

(b) Transition Asset Mix

The long–term policy mix contains allocations to asset classes (real estate and infrastructure, return seeking fixed income etc.) that take longer to implement. The salaried plan will be subject to a transition benchmark portfolio for performance measurement purposes. For benchmarking purposes, the benchmark portfolio mix will be adjusted as new investments are funded, subject to the constraints set forth in the Long-term Total Fund Asset Mix noted above. Updates to the Transition Asset Mix will occur annually as required.

Total Fund Asset Mix (Transition Asset Mix)

	Min	Target	Max
Equities and Real Assets	50	68	80
Total Fixed Income	20	32	50
		100	

Total Fund Benchmark Portfolio by Asset Class (Transition Asset Mix)

Assets[1]	Minimum (%)	Benchmark (%)	Maximum (%)
Canadian Equities	8	11	18
U.S. Equities[1]	15	23	25
Non-North American Equities	10	17	20
Global Equities	0	8	14
Real Assets[2]	5	9	15
Universe Bonds	5	7	20
Long Term Bonds	15	25	30
Cash and Short-term	0	0	10
		100	

[1] A total of 50% +/- 5% of the Total Fund's foreign currency exposure shall be hedged to the Canadian Dollar.

~~The increasing 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 investmentthe asset class characterized by lengthy capital drawdown queues), it will take some time and to reach the benchmark allocation of 10%.maintain vintage year diversification. Until such time that this is accomplished, the minimum andpolicy allocation to Real Assets is set to reflect current investments while Equity and Return Seeking Bond maximum ranges around benchmarks have been set widerallocations are set high 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:

Category	Long-term Benchmark Portfolio (%)	Transition Benchmark Portfolio (%)
1. Insured contracts		
2. Mutual or pooled funds or segregated funds		
3. Demand deposits and cash on hand		
4. Short-term notes and treasury bills		
5. Term deposits and guaranteed investment certificates		
6. Mortgage loans		
7. Real estate	~~5~~10	1
8. Real estate debentures		
9. Resource properties		
10. Venture capital		
11. Corporations ~~referred to~~ in subsection 11(2) of schedule III to the federal investment		
12. Employer issued securities		
13. Canadian stocks other than investments referred to in 1 to 12 above	~~13~~5	11
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	~~42~~40	48
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	~~35~~30	32
16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	5	0
17. Investments other than investments referred to in 1 to 16 above	~~5~~10	8

~~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 tments referenced in item 17 are made to infrastructure.~~Note that the full allocation made to items 7, 14, 15 and 17, and 60% of the allocation made to item 13 are accessed via pooled funds. Investments referenced in item 17 are made to infrastructure.

~~2.~~5

~~(a)~~(c) 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~~they 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~~allocation to be ~~offside~~in breach of the parameters specified in such mandate, the Fund Manager will immediately either seek the necessary approval to remain ~~offside~~in breach of the mandate, 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.

~~(b)~~(d)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~~4 (a).

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 Pension Benefits Act (Ontario), the Income Tax Act (Canada), and any relevant regulations.

3.2 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 ~~be~~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 Section3.04.

(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 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.

3.3 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~~Recognized 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~~Recognized 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.

3.4 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~~.~~; and,

(vii) Restrictions (iii), (iv) and (v) do not apply to Return Seeking Bond mandates.

3.5 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:

3.6 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.

3.7 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.

3.8 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.

3.9 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

4.1 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:

Benchmark	**Long-term Mix Weight (%)**	**Transition Mix Weight (%)**
S&P/TSX Composite Index	~~14~~5.0	11.0
~~S&P 500 Index (Cdn. $)~~	~~5.0~~	
~~Russell 1000 Index (Hedged)~~	~~17.0~~	
~~MSCI EAFE Index (Cdn. $)~~	~~17.0~~	
S&P500 Index	0.0	5.0
Russell 1000 Index (Hedged)	0.0	18.0
MSCI EAFE Index (Cdn. $)	0.0	17.0
MSCI ACWI (Cdn. $)	~~8.0~~40.0	8.0
FTSE TMX Universe Bond Index + 1%	~~10.0~~5.0	0.0
FTSE TMX Universe Bond Index	5.0	7.0
FTSE TMX Long Term Bond Index	25.0	25.0
IPD Canada Property Index	1.0	1.0
CPI + 5%	~~3.0~~19.0	8.0
Total	**100.0**	**100.0**

The Plans are currently undergoing a transition to its Total Fund Asset Mix as outlined in Section 2.~~04~~4. ~~The Total Fund Benchmark will be updated on a periodic basis to reflect the progress of this transition~~. The transition mix will be used as the benchmark as the starting point of the transition to long-term mix. The Total Fund Benchmark will be updated on a periodic basis to reflect the progress of this transition. Once the transition has been completed the long-term mix will be used as the benchmark.

(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~~recognizing 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.

---

[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.

4.2 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.

4.3 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

5.1 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.

5.2 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.

5.3 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).

5.4 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.

5.5 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.

Statement of Investment Policies and Procedures - Salaried Employees Pension Plan

5.6 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.

5.7 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 Assets**
A certified written appraisal from a qualified independent appraiser at least every two years.

5.8 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.

5.9 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.

Appendix D. Statement of Investment Policies and Procedures (Current)

Policies, Procedures and Guidelines

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

Policy Number (if applicable):

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:

October 28, 2021

Supersedes/Amends Policy dated:

December 17, 2020

Enquiries:

University Secretariat

Contents

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** [1]

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 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 basis, and advise the Committee on such performance;

(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,

(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:

Total Fund Asset Mix

	Min	Target	Max
Equities and Real Assets	50	65	80
Total Fixed Income	20	35	50
		100	

Total Fund Benchmark Portfolio by Asset Class

Assets[1]	**Minimum (%)**	**Benchmark (%)**	**Maximum (%)**
Canadian Equities	8	13	18
U.S. Equities[1]	15	20	25
Non-North American Equities	10	15	20
Global Equities	0	7	14
Real Assets[2]	5	10	15
Universe Bonds	5	10	20
Long Term Bonds	15	25	30
Cash and Short-term	0	0	10
		100	

[1] A total of 50% +/- 5% of the Total Fund's foreign currency exposure shall be hedged to the Canadian Dollar.

[2] The 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:

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

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:

Benchmark	**Weight (%)**
S&P/TSX Composite Index	14.0
S&P 500 Index (Cdn. $)	5.0
Russell 1000 Index (Hedged)	17.0
MSCI EAFE Index (Cdn. $)	17.0
MSCI-ACWI (Cdn. $)	8.0
FTSE TMX Universe Bond Index	10.0
FTSE TMX Long Term Bond Index	25.0
IPD Canada Property Index	1.0
CPI + 5%	3.0
Total	**100.0**

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.

---

[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.

UNIVERSITY SECRETARIAT
- Board of Governors
- Senate

Gilmour Hall, Room 210
1280 Main Street West
Hamilton, Ontario, Canada
L8S 4L8

Phone: 905.525.9140Ext. 24337
Fax: 905.526.9884
E-mail: univsec@mcmaster.ca
http://www.mcmaster.ca/univsec

REPORT TO THE BOARD OF GOVERNORS
from the
AUDIT & RISK COMMITTEE

APPROVAL

a. Annual Financial Report

At its meeting on October 19, 2023, the Audit & Risk Committee reviewed and approved the Annual Financial Report (including the Variance Report). Further details are contained within the circulated materials.

Approval of this item is included in the motion for item 24.a.i.

i. Audited Financial Statements for the Year Ended April 30, 2023

At the same meeting, the Audit & Risk Committee reviewed and approved the Audited Financial Statements. Further details are contained within the circulated materials.

It is now recommended,

that Board of Governors approve the Annual Financial Report including the Audited Financial Statements for the Year Ended April 30, 2023.

ii. Financial Risk Report

At the same meeting, the Audit & Risk Committee reviewed and approved the Financial Risk Report. Further details are contained within the circulated materials.

It is now recommended,

that the Board of Governors approve the Financial Risk Report.

INFORMATION

iii. Affiliates and Associations – Annual Status Report

At the same meeting, the Audit & Risk Committee received and reviewed the Affiliates and Associations – Annual Status Report. Further details are contained within the circulated materials.

Board of Governors
FOR APPROVAL/INFORMATION: October 26, 2023

GOVERNANCE BODY	*Audit & Risk Committee*
ITEM/SUBJECT	*Annual Financial Report 2022-2023*
DATE	*10/19/2023*
SUBMITTED BY	*Lil Scime, Interim, CFO* *Lou Mitton, Controller*
GOVERNANCE PATH	*PRC, ARC, Board of Governors*
MOTION (*If this is for information only, please note here)*	That the Audit and Risk Committee approve the Annual Financial Report 2022-2023, which includes the Audited Financial Statements for the year ended April 30, 2023.
JURISDICTION (If applicable) **include associated bylaw or policy*	*N/A*
SUPPLEMENTAL MATERIALS	*None*

1. Executive Summary

The Annual Financial Report 2022-2023 provides insight and commentary on the University's audited financial statements including variance to plans. The report includes highlights of key achievements and initiatives with a focus, this year, on the student experience.

McMaster continues to lead nationally on responsible investment practices with the early adoption of climate-related financial reporting contained in this report.

2. Background

The Annual Financial Report includes:

- Financial Analysis
- Climate-Related Financial Disclosures
- Supplemental Information: Variances to Plan
- Audited Financial Statements

The Audited Financial Statements for 2022-2023 have been audited by KMPG in accordance with Canadian generally accepted auditing standards. The Independent Auditor's Report included in the Financial Statements provides the opinion that the financial statements present fairly, in all material respects, the University's financial position as of April 30, 2023. KPMG reviews the Annual Financial Report for consistency with the Audited Financial Statements.

The Audited Financial Statements have been revised after the presentation to the PRC on September 28, 2023, to remove reference to the completion of final agreements with a property developer for MIP and any associated Board of Governors approvals. These changes which affected the Notes to the Financial Statements and had no impact on the numbers included in the Financial Statements have been reviewed by KPMG and are reflected in the attached Audited Financial Statements. The changes were to Notes 4 (Loans Receivable), 5 (Other Investments) and 16 J (Commitments and Contingencies: McMaster Innovation Park).

3. Recommendations & Next Steps

Following approval of the Board of Governors, the Annual Financial Report, including the Audited Financial Statements, Climate-Related Disclosures and Supplemental Information will be posted on the website for faculty, staff and students and shared with our funders, partners and donors as required.

4. Strategic Alignment

The Annual Financial Report provides valuable information on the achievement of our strategic plan initiatives, financial health indicators and progress on achieving reductions of its investment-related carbon emissions.

5. Risk Management

The Annual Financial Report is a tool to identify financial risks and comment on the strategies to mitigate and manage those risks. Historical information is provided for context and to identify trends. The supplemental information on variance to budget and projection for both the operating fund and the consolidated statements provide valuable information on the factors that influenced the financial results compared to the plan.

Annual Financial Report

Including the Audited Financial Statements

2022-2023

BRIGHTER WORLD | mcmaster.ca

McMaster University

Table of Contents

The 2022/2023 Annual Financial Report highlights the student experience at McMaster University and underscores our institution's unwavering dedication to teaching, research, and scholarship. Within this report are stories and photos that illustrate how our students, faculty, and staff are collaborating to enhance the McMaster experience to be better than ever. From pioneering sustainability efforts to championing diversity initiatives and even naming a new residence, the past year was full of milestones and celebrations.

BRIGHTER WORLD

McMaster University

Year in Review

This Annual Financial Report highlights McMaster's key achievements and initiatives in 2022/23, the second year of the updated strategic plan focused on serving societal health and well-being living within a sustainable global ecosystem. Highlights include activities that advanced McMaster Research for a Brighter World Strategic Plan launched in prior years, and the University's *audited financial statements*.

The financial results in 2022/23 were impacted by international trends and events contributing to global market volatility and inflation, as well as slowing growth in international student enrolment caused by national visa issues and increased competition from other institutions. With limited growth in international enrolment, the effects of the provincial funding corridor and tuition freeze are more pronounced, reducing income available to cover inflationary costs. The Province has struck a blue-ribbon panel to provide it with advice around financial sustainability of the post-secondary education sector. Despite the headwinds, the 2022/23 consolidated surplus remained strong at $149.6 million mainly due to a 7.1% investment gain and contributions from a full year of on-campus activities.

The 2022/23 Operating Fund closed with a $34.9 million surplus mainly resulting from rate increases in international student tuition and other revenue, offset by compensation, facilities and other operating costs driven by the return to campus. Salary and benefit costs are being driven both by additional faculty and staff required to support higher enrolment, as well as inflation and cost of living issues. Additional contributions to future capital projects were made in 2022/23, but at a lower rate than the prior year.

McMaster's global reputation as a student-focused experiential learning environment anchored around leading research intensity continues to make the University a destination of choice for students around the world. McMaster has embraced the challenge

to work together to solve global challenges, earning the institution a top 35 spot on the Times Higher Education United Nations' Sustainable Development Goals. Diversity across learners grew to 17.3% international student participation in total student enrolment of over 35,000.

Research income of $211.1 million was higher than last year as work progressed on grants and contracts received in prior years. Research income is recognized as related research expenditures occur. New research funding received in the year increased substantially from $236.9 million to $306.2 million.

In addition to expense containment and prudent management, McMaster remains focused on alternative opportunities to support the University mission and sustain financial health. In September 2022, McMaster announced the Wilson College of Leadership and Civic Engagement thanks to the largest gift to the liberal arts in Canada from Chancellor Emeritus L. R. (Red) Wilson and the Wilson Foundation. The McMaster Seed Fund entity continues to support public and private investments in our local innovation ecosystem, creating opportunities for faculty, students, and the community to engage in entrepreneurial initiatives with promising commercial opportunities.

An exciting new Campus Plan was approved in 2023 to provide a long-term vision for the future development of the University's physical campus and locations over the next 10 years and a framework that will help shape the University's infrastructure, buildings, outdoor spaces, landscape and natural land. Capital investments in 2022/23 totalled $180.5 million with key student-focused projects including the Student Activity and Fitness Expansion and the McLean Centre for Collaborative Discovery. Additionally, a Peak Shaver and Electric Boiler project is in progress to reduce campus carbon dioxide emissions by over 12,000 tonnes annually, in alignment with the refreshed Sustainability Policy. McMaster aspires to transform the campus into a living laboratory for sustainability, accessibility and inclusion, while also advancing sustainable operations and growth. McMaster's two public-private developments are underway. The 600-bed downtown graduate residence opened in September 2023. Lincoln Alexander Hall, a 1,370-bed undergraduate residence expected to open in 2026, will serve the legacy of the Honourable Lincoln Alexander.

Other research-related real estate initiatives underway in 2022/23 included supporting the McMaster Innovation Park's research infrastructure development initiative with a private developer partnership model to support an additional 2.8 million square feet of life sciences, bio-manufacturing, and research-supporting ecosystem spaces. The Board approved equity investments in the Atrium, the Portal, and the OmniaBio B Project at McMaster Innovation Park. This initiative enhances McMaster's research commercialization project initiated in 2017 with investments made to house several McMaster spin-off companies.

Finally, McMaster continues to lead nationally on responsible investment practices with early adoption of *climate-related financial reporting contained in this report* and on its website, with an accelerated carbon reduction strategy for the Investment Pool to reduce weighted average carbon intensity by 65% by 2025 and 75% by 2030, with net zero as soon as possible thereafter. The initial interim target for the Salaried Pension Pool is a 30% reduction by 2030, to be finalized in 2023/24, and the Hourly Pension Plan investment strategy is under review with an interim target to maintain carbon at or below current levels.

TO READ MORE

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

- *McMaster University Strategic Plan 2021-2024*
- *Strategic Mandate Agreement 2020-2025*
- *Goals and Priorities*
- *Consolidated Budget – June 2023*
- *University Fact Book* LINK TBD
- *Sustainability Policy*
- *Sustainability Strategy 2022-2026*
- *Campus Net Zero Carbon Roadmap*
- *Responsible Investing Disclosures*
- *Sustainable Procurement*
- *Campus Plan* LINK TBDs

By the Numbers

$885,729,000

Available expendable resources vs. $859,133,000 last year

$180,530,000

Capital spending vs. $132,984,000 last year

$1,405,728,000

Total revenue vs. $1,197,630,000 last year

$1,256,100,000

Total expenses vs. $1,144,702,000 last year

$149,629,000

Excess of revenues over expenses vs. $52,928,000 last year

$25,733

Endowment per FTE students vs. $24,418 last year

$39,800

Revenue per FTE students vs. $34,100 last year

$(277,648,000)

Non-pension employee future benefit unfunded obligation vs. $(268,882,000) last year

$13,892,000

Pension employee future benefit unfunded obligation vs. $(6,832,000) last year

$1,916,983,000

Total net assets vs. $1,706,638,000 last year

$34,898,000

Excess of revenues over expenses Operating Fund only vs. $28,021,000 last year

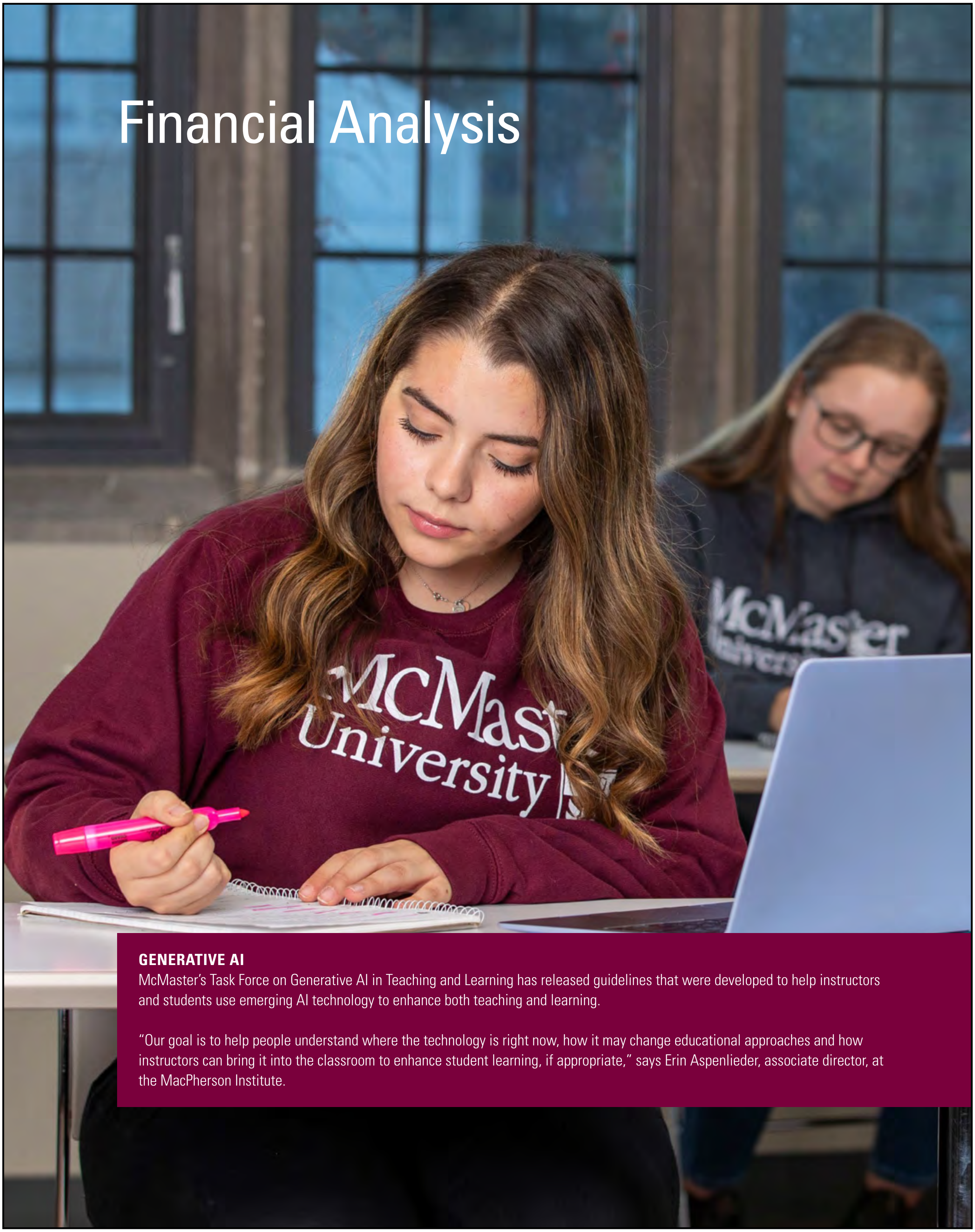
35,314

Enrolment (full time equivalent (FTE)) vs. 35,082 last year

8,962

Staff and Faculty head count vs. 8,518 last year

Financial Analysis



GENERATIVE AI

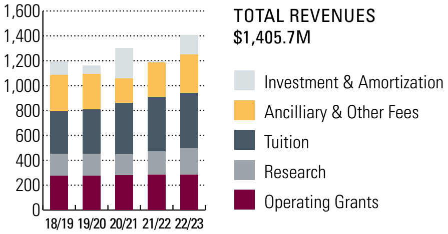
McMaster's Task Force on Generative AI in Teaching and Learning has released guidelines that were developed to help instructors and students use emerging AI technology to enhance both teaching and learning.

"Our goal is to help people understand where the technology is right now, how it may change educational approaches and how instructors can bring it into the classroom to enhance student learning, if appropriate," says Erin Aspenlieder, associate director, at the MacPherson Institute.

Key Financial Indicators

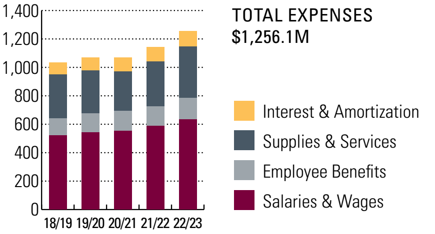
TOTAL REVENUES

- Revenues increased by $208.1 million (17.4%) largely due to a $142.2 million increase in investment income as a result of the Investment Pool return of 7.1% (prior year return -5.4%).
- Excluding investment returns, revenue increased by $65.9 million (5.4%).
- Full in-person attendance on-campus increased ancillary sales by $21.4 million (33.0%)
- Research revenue increased by $23.8 million (12.7%) due to utilization of funding received in prior years.
- Tuition income increased by $8.4 million (1.9%) due to increased enrolment and standard rate inflation.



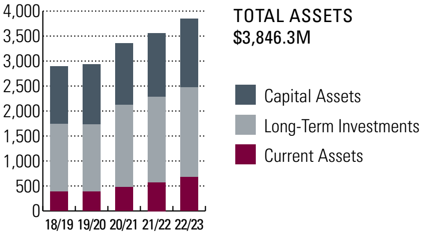
TOTAL EXPENSES

- Expenses increased by $111.4 million (9.7%).
- Supplies and services increased by $50.7 million (16.1%) due to increases in travel expenses, utility costs, ancillary cost of sales, and research activities, all related to the continued re-opening of campus as well as inflation.
- Salaries and wages increased by $47.3 million (8.1%) due to negotiated pay increases, the continued return to pre-pandemic staffing levels and planned recruitment in key areas resulting in a 5.4% headcount increase.
- Employee benefits increased by $10.5 million (7.6%) in line with salary and wages.



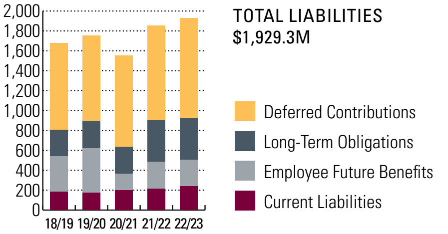
TOTAL ASSETS

- Total assets increased by $286.8 million (8.1%).
- Total short and long-term investments increased by $155.8 million (7.8%) due to increased investment returns.
- Accounts receivable increased by $19.9 million (13.1%) related to increased research funding.
- Net capital assets increased by $90.2 million (7.1%).



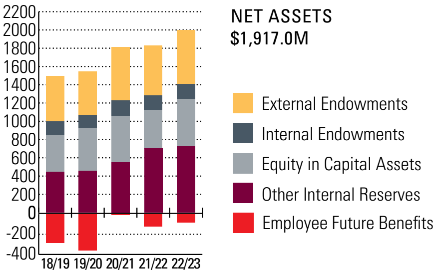
TOTAL LIABILITIES

- Total liabilities increased by $76.5 million (4.1%).
- Net deferred contributions increased by $60.6 million (6.4%) due to increased research receipts.
- Current liabilities increased by $27.8 million (13.1%) due to increased activity post-pandemic and inflation.
- Accrued employee future benefit obligations decreased by $12.0 million (-4.3%) due to an increase in discount rates.



NET ASSETS

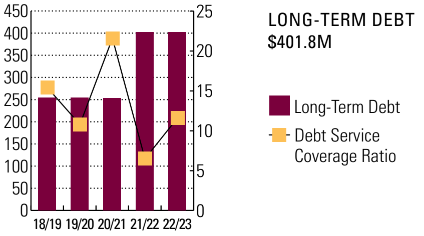
- Total net assets increased by $210.3 million (12.3%).
- Equity in capital assets increased by $101.0 million (24.0%) related to capital plan approved investments.
- Internal reserves increased by $63.8 million (11.0%) due to improved investment returns and delays in spending operating funds.
- External endowments increased by $41.1 million (7.5%) due to increased investment returns and endowed donations.



Key Financial Indicators

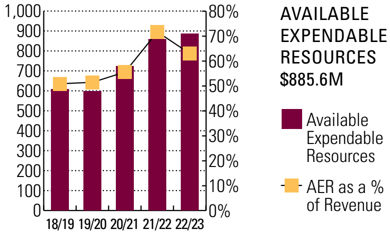
LONG-TERM DEBT

- Long-term debt is stable and primarily relates to two $120.0 million bonds maturing in 2052 and 2065, plus a $25.0 million green bond maturing in 2051 and a $125.0 million bond maturing in 2071.
- The debt service coverage ratio increased to 11.6 times due to higher net income.
- Sinking funds exist to settle debts on maturity.



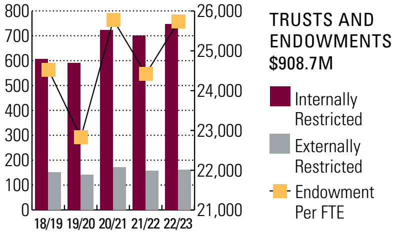
AVAILABLE EXPENDABLE RESOURCES (AER)

- AER represents equity (cash and non-cash funds) not externally committed, such as unrestricted net assets, specific purpose reserves, faculty and department appropriations, and internally restricted endowments.
- AER increased by $26.5 million (3.1%) due to improved investment returns and delays in spending operating funds.
- AER is internally restricted by the Board of Governors for specific purposes such as future financial obligations (see financial statements note 12).



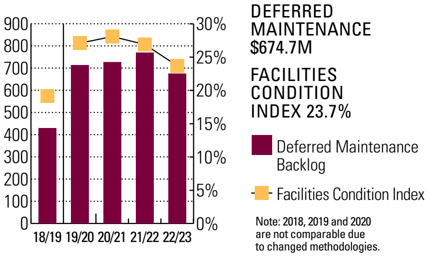
TRUSTS AND ENDOWMENTS

- Trusts and endowments increased by $52.1 million (6.1%) related to the Investment Pool return of 7.1%.
- Endowment funds per student increased 5.4% related to the higher fund balance, more than offsetting increased enrolment.



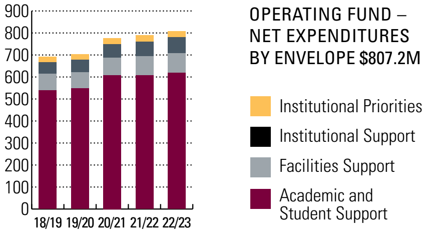
DEFERRED MAINTENANCE

- Deferred maintenance (DM) is funded from multiple sources, including a grant from the Ministry of Colleges and Universities, an annual operating allocation, and an annual contribution from residence revenues for residence infrastructure.
- DM backlog has decreased following sustained investment and continuing building audits.
- Asbestos abatement is conducted where required during building renovations and is not included in the backlog estimate, an approach that differs from government-controlled universities outside of Ontario.



OPERATING FUND – NET EXPENDITURES BY ENVELOPE

- Net Operating Fund expenditures increased by $17.1 million (2.2%) mainly due to resumption of activities paused during the pandemic.
- Expense increases were mainly due to additional travel, meeting costs, special projects and events, as well as approved salary increases.



Revenues

Total revenues increased by $208.1 million (17.4%) to $1,405.7 million (2021/22: $1,197.6 million) reflecting revenue per student FTE of $39,807 (2021/22: $34,138). Net investment income increased by $142.2 million with improved market returns. Financial markets remain volatile stemming from global political and climate events and rising inflation. Revenue also grew due to $23.8 million (12.7%) in increased research grants and contracts, $21.4 million (33.0%) increased ancillary sales and a $13.4 million (10.2%) increase in other income, as campus activities fully resumed during the year.

McMaster's reputation in research and experiential learning continues to make the University a destination of choice for students, while strategic investments are poised to grow alternative revenue opportunities across research commercialization, real estate, and other ancillary operations.

OPERATING GRANTS INCOME

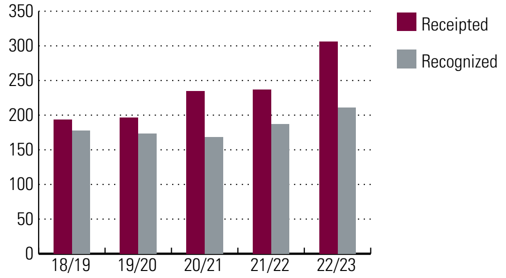
Operating grants from the Ministry of Colleges and Universities (MCU) remained flat year over year. The MCU corridor funding model funds universities for enrolment that is plus or minus 3.0% of the enrolment funding mid-point based on 2016/17 funding. In 2022/23, domestic enrolment continued to exceed the maximum funding cap as unfunded students accepted in 2020/21 continued their studies. Like McMaster, a number of Ontario universities are facing unfunded domestic enrolment. The MCU has convened a blue-ribbon panel as a short-term advisory body to provide advice and recommendations to improve the financial sustainability of the post-secondary education sector. McMaster has joined the Council of Ontario Universities in advocating for changes to the provincial funding model.

In 2022/23, the MCU continued its transition toward performance-based funding and metric tracking across the sector. However, performance-linked funding has been delayed due to the pandemic until 2023/24. Additional special purpose grants were received for clinical education, the Nursing program, and facilities renewal. In real dollar terms, the operating grant held mainly frozen has not kept pace with inflation.

RESEARCH GRANTS AND CONTRACTS

Research expenditures increased by $23.8 million (12.7%) due to resumption of on-campus activities and increased equipment acquisitions, resulting in $211.1 million in research revenue recognized (2021/22: $187.3 million). 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 other expense purposes. McMaster's research revenue does not include funding received and administered by affiliated hospitals or Networks of Centres of Excellence.

Figure 1: RESEARCH REVENUE: RECEIPTED VS. RECOGNIZED IN INCOME $ Millions



Research funding receipted in the year increased by $69.3 million (29.2%) to $306.2 million (2021/22: $236.9 million) as shown in Figure 1. The significant increase in receipts is due to increased funding activity from the Tri-Agency, Canada Foundation for Innovation, and various other federal and provincial sources, as well as new research initiatives.

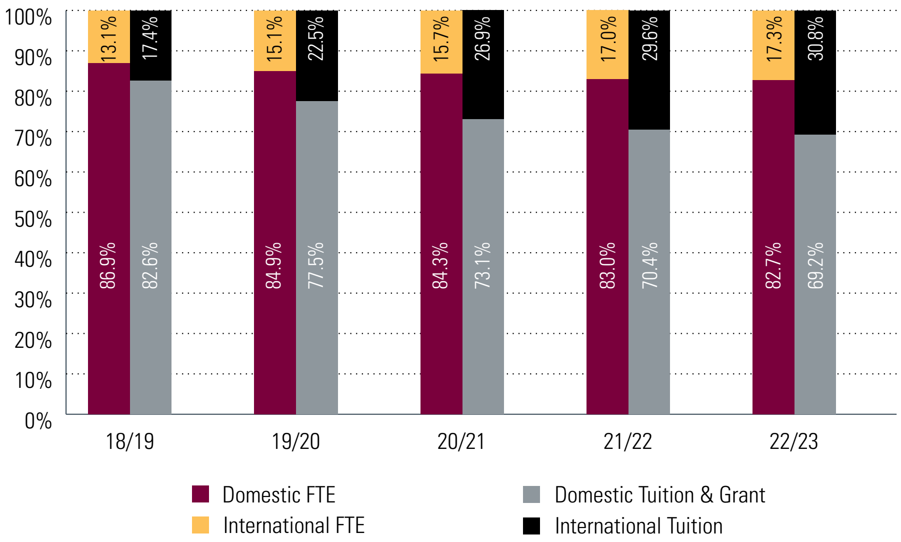
TUITION FEES

Revenue from tuition fees increased by $8.4 million (1.9%) to $445.8 million (2021/22: $437.4 million), solely due to increased international enrolment and international tuition rate increases.

Overall enrolment increased by 0.7%. Domestic enrolment of both undergraduate and graduate students was virtually flat, increasing by 0.4% (2021/22: -0.6%), with domestic tuition rates continuing to be frozen and enrolment targets constrained by the provincial funding cap. International enrolment increased by 2.1% (2021/22: 9.9%), while international tuition revenue increased by 5.5%. International tuition fees are higher than domestic fees because there is no provincial operating grant to offset the total education costs of these students and no restriction on increasing fees to offset increased costs.

Although the growth in international enrolment has slowed, McMaster is focused on further diversifying the international student mix along with modestly increasing participation. This enrolment mix change has resulted in a growing proportion of tuition from international students compared to domestic tuition and grants (Figure 2). Consolidated tuition revenues include non-government funded programs, which are priced by market comparators and not subject to legislative caps.

Figure 2: DOMESTIC VS. INTERNATIONAL – OPERATING FRAMEWORK TUITION AND GRANT FUNDING AND FTE



INDIGINERDS

IndigiNerds, an eight-week intensive research training program hosted by the McMaster Indigenous Research Institute, offers Indigenous undergraduate students the chance to participate in graduate-level research while providing mentorship, support and inspiration.

ANCILLARY SALES AND SERVICES

Ancillary operations provide essential support services, such as housing, food services, campus stores, continuing education, parking, and media production. Ancillaries provide efficient and affordable services covering operating and capital expenditure requirements, contribute 4.5% of sales to the Operating Fund, and offer casual employment opportunities to students.

An ancillary sales summary is shown in Table 1. Ancillary revenue increased by $21.4 million (33.0%) to $86.1 million (2021/22: $64.7 million) due to the full year of on-campus activity and is now over 10% above pre-pandemic levels. In 2020/21, all ancillaries except Continuing Education experienced a sales decline due to the pandemic, resulting in deficit reserves in both 2020/21 and 2021/22. At the end of 2022/23 the overall reserve has returned to a positive balance of $0.3 million, with all units achieving surpluses in the year.

Table 1: SALES BY ANCILLARY OPERATIONS — $ Thousands

	2018/19	2019/20	2020/21	2021/22	2022/23
Housing and Conference Services	27,792	28,440	524	27,765	35,369
Hospitality Services	27,240	25,696	506	17,319	30,955
Campus Store	14,978	14,073	10,849	12,025	12,075
Continuing Education	7,759	8,342	9,276	8,336	7,851
Parking	6,222	5,345	161	3,110	5,622
Media Production Services	4,331	4,194	1,388	1,964	3,509
	88,322	86,090	22,704	70,519	95,381
Less internal sales	(10,120)	(10,131)	(4,937)	(5,801)	(9,280)
	78,202	**75,959**	**17,767**	**64,718**	**86,101**

2023 INDIGENOUS STUDIES DEPARTMENT'S GRADUATION CELEBRATION
The Indigenous Studies department has celebrated its first graduating class since becoming an independent academic department. The gathering also recognized Indigenous students graduating from other programs along with their friends, family and other community members who supported them throughout their academic careers.

INVESTMENT INCOME

Long-term investments (the "Investment Pool") consist of both endowed and non-endowed funds. The Investment Pool achieved a total rate of return before investment management fees of 7.5% (2021/22: -5.0%), and net return of 7.1% (2021/22: -5.4%). Funds are invested based on a benchmark asset mix of 60.0% equities and 40.0% fixed income, real estate, and infrastructure. The Investment Pool performance policy tracks four-year annualized returns compared to policy benchmark. The April 30, 2023 four-year annualized return for the Investment Pool was 6.2% or 1.0% above the policy benchmark of 5.2%.

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

Table 2: INVESTMENT POOL CONSULTANT AND INVESTMENT MANAGERS AS AT APRIL 30, 2023

Investment Consultant: Aon Hewitt Inc.*

Investment Managers: Aristotle Capital Management, LLC; Bentall Kennedy; Beutel Goodman & Company Ltd.; BlackRock Asset Management Canada Limited; Brookfield Investment Management; Clarivest Asset Management LLC; Fiera Real Estate; First Sentier Investors; Foyston, Gordon & Payne Inc.; Harris Associates L.P.; Harrison Street; Mesirow Financial; Morgan Stanley Investment Management Inc.; PCJ Investment Counsel Ltd.; Russell Investments Canada Limited.

---

*Russell Investments Canada Limited acts as Real Assets Consultant

Investment earnings are allocated as either income or direct changes to endowment as preservation of capital (Table 3).

Table 3: ALLOCATION OF INVESTMENT INCOME EARNED $ Thousands

	2018/19	2019/20	2020/21	2021/22	2022/23
Recognized income	70,820	26,392	199,111	(32,252)	109,958
Amount posted directly to external endowments	7,266	(33,302)	96,932	(56,643)	8,413
Total earned	**78,086**	**(6,910)**	**296,043**	**(88,895)**	**118,371**

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% plus a 1.0% allowance for trust administration costs. The total 5.0% annual spending is monitored against the five-year average rate of return. Net returns in excess of annual spending are allocated to capital preservation. Approximately $34.7 million (2021/22: $23.0 million) of expenses were funded from the external endowment to support student scholarships, bursaries, Chairs, and Professorships.

Investment income allocated to internally restricted reserves is disclosed in note 12 of the audited financial statements. The specific purpose reserve is 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 actual returns. Finally, the specific purpose reserve will also support supplemental funding for long-term obligations, such as the post-retirement benefits and capital priorities.

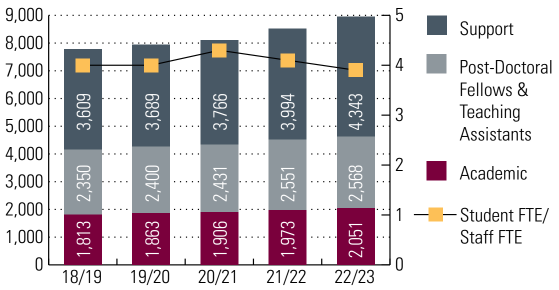
Compensation and Benefits

McMaster provides compensation and benefit plans for faculty and staff. Both current and future costs associated with total compensation plans are managed to ensure long-term financial sustainability. 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.

COMPENSATION EXPENSE

Total compensation (salary and wages along with benefit costs) accounts for 62.4% of total expenditures (2021/22: 63.4%). Figure 3 shows the count of 8,962 academic and permanent staff members at October 2022 (October 2021: 8,518), which includes layoff recalls as campus activities resumed.

Figure 3: ACADEMIC AND PERMANENT STAFF AS OF OCTOBER 2022



Total compensation expenses of $783.6 million (2021/22: $725.8 million) are up 8.0%. Salary and wage costs increased 8.1% due to staff recall and faculty recruitment strategies, along with negotiated pay increases. Ontario's Bill 124 requiring a three-year pay moderation period limiting increases to 1.0% per year was struck down in November, 2022. The end of moderation periods for some employee groups as well as recent inflation has created pressures on compensation rates, hiring and retention. Benefit expenses increased 7.6% in line with increases in employee complement.

WILSON LEADERS

10 students have been chosen to join the Wilson Leadership Scholar Award. The award, started by Chancellor Emeritus Lynton "Red" Wilson, is an intensive leadership development program available to both undergraduate and graduate students at McMaster that comes with a monetary component of up to $14,000.

The five graduate and five undergraduate students study in a range of Faculties and programs. The new Wilson Leaders are Shlok Agarwal (Social Sciences), Erika Campbell (Health Sciences), Loa Gordon (Social Sciences), Beck Gower (Social Sciences), Mandisa Jacques-Saburi (Science), Hadi Khan (Science), Dione Leung (Humanities), Kaitlin Rothberger (Humanities), Ebunoluwa Soneye (Social Sciences) and Nila Thangavelu (Health Sciences).

THE MCMASTER ENGLISH LANGUAGE DEVELOPMENT (MELD) PROGRAM
After overcoming hurdles like moving to a new country, making new friends and mastering English, Seina Yamada says she is graduating with more than a degree.

MELD offers international students the opportunity to develop the language skills and confidence they need to thrive. After completing the eight-month program, students are guaranteed admission into the McMaster undergraduate program they were accepted into.

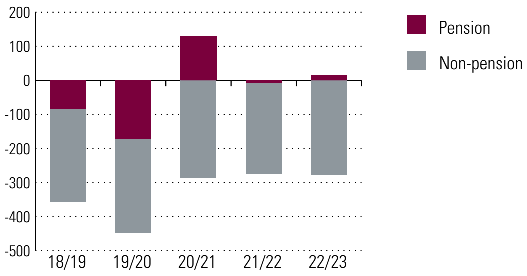
EMPLOYEE FUTURE BENEFIT COSTS

Included in total compensation expenses are defined benefit pension, group RRSP and non-pension benefit costs (EFB). The non-pension benefit costs include extended health, dental and life insurance for some employees 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.

In 2022/23, the EFB obligation (Figure 4) decreased by $12.0 million (-4.3%) to $263.8 million (2021/22: $275.7 million). Over the last several years, cost-balancing strategies have been put in place including plan eligibility, design changes, and increased employee contributions. Future interest rate improvements would improve affordability of the benefit plans. However, with individuals living longer, the mortality tables used to measure the liability are reflecting a permanent and ongoing increase to future benefit obligations.

Actuarial funding valuations are used on an ongoing and periodic basis to manage McMaster's funding commitment to plan members and to determine required funding contributions. The Board-approved post-retirement benefit reserve is unitized in the Investment Pool and reflects McMaster's commitment in employment-related agreements to set aside funding to settle this obligation net of employee contributions.

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



The funding strategy for non-pension obligations includes a fixed portion operating budget allocation, a departmental employee benefit cost charged to each unit with eligible staff, and allocations from the specific investment reserve. Benefit expenses are charged to faculties and departments using a smoothed coverage rate over three- to ten-year horizons. Benefit costs average 30.0% of associated salaries each year, although annual benefit cash outflows can vary year over year.

PENSION PLANS

Defined benefit pension plan management has involved strategies to revise plan eligibility and employee contributions to ensure ongoing affordability of these plans. In 2008, the defined benefit plans closed to some employee groups with the creation of a new group RRSP. The group RRSP now includes 702 full time employees (2021/22: 609).

McMaster Salaried Pension Plan actuarial valuation was filed on July 1, 2021 using a revised Pension Benefit Act definition of open plan, resulting in an improved valuation with reduced payment requirements. Although not due until January 1, 2023, the Hourly Pension Plan actuarial valuation was filed on July 1, 2022 to lock in recent strong performance and reduce required payments. The next regular three-year filing will be July 1, 2025. The change in the funded status of the defined benefit pension plans is summarized in Table 4.

Table 4: CHANGE IN FUNDED STATUS OF PENSION BENEFIT PLANS $ Thousands

	2018/19	2019/20	2020/21	2021/22	2022/23
Funded status, opening balance	**19,142**	**(82,609)**	**(171,231)**	**117,359**	**(6,832)**
Current service and finance cost	(32,375)	(38,841)	(48,930)	(34,068)	(38,154)
Remeasurements	(131,619)	(116,068)	274,006	(148,269)	17,384
University contributions	62,243	66,287	63,514	58,146	41,494
Funded status, closing balance, net	**(82,609)**	**(171,231)**	**117,359**	**(6,832)**	**13,892**

A $17.4 million positive pension remeasurement adjustment was made in the Statement of Net Assets (2021/22: $148.3 million negative) primarily related to improved returns on plan assets. Remeasurements are adjusted directly in reserves and have no impact on 2022/23 expenses.

The University Pension Plan (UPP) was launched on July 1, 2021 with currently four participating Ontario universities and 12 other affiliated organizations. McMaster monitors the UPP in relation to its own plans. The UPP as designed is more expensive than McMaster's current plans, however management is monitoring in the event the UPP becomes more cost neutral while serving the benefit needs of existing plan members.

2023 BRAIN BEE WINNER
Winnipeg high school student, Mark Piasecki, won the 2023 CIHR Canadian National Brain Bee. The Brain Bee, an annual event hosted by McMaster's department of Psychology, Neuroscience and Behaviour (PNB), brings together high school students from across the country to demonstrate their passion for and knowledge about the brain and the nervous system.

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 status of the plans improved by $8.8 million (3.3%) to a deficit of $277.6 million (2021/22: $268.9 million deficit). The long-term funding strategy for these obligations, explained earlier, includes annual contributions to an internally restricted reserve estimated annually by third-party actuaries. The current funding strategy is projected to fully fund the post-retirement obligation by 2029.

In 2022/23, non-pension employee benefit expenses decreased by $2.3 million (-10.1%) to $20.7 million (2021/22: $23.0 million) due to a decrease in both current service and finance cost (Table 5). University claim payments increased by $0.5 million over the prior year due to increases in covered employees and inflation.

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

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Funded status, opening balance	**(247,721)**	**(274,681)**	**(277,215)**	**(287,287)**	**(268,882)**
Current service and finance cost	(21,400)	(22,949)	(22,020)	(23,032)	(20,701)
Remeasurements	(13,732)	12,501	3,918	32,324	2,279
University contributions	8,172	7,914	8,030	9,113	9,656
	(274,681)	(277,215)	(287,287)	(268,882)	(277,648)
Internally restricted reserve	93,816	116,252	193,519	191,955	212,729
Funded status, closing balance, net	**(180,865)**	**(160,963)**	**(93,768)**	**(76,927)**	**(64,919)**

EMPLOYEE FUTURE BENEFITS IN INTERNALLY RESTRICTED NET ASSETS

McMaster allows unspent surpluses to be carried forward from year to year by departments, segregated as part of internally restricted net assets. These departments cover current service costs of benefit plans. Departmental reserves do not reflect the future obligation for the settlement of pension and other post-employment benefits. Table 6 demonstrates the net department reserves including all related employee future benefits. Department reserves are used to progress capital and strategic priorities supported by area leaders.

Table 6: NET OPERATING FUND DEPARTMENTAL RESERVES $ Thousands

	2021/22			**2022/23**		
	Faculties	Support/Ancillary	Total	Faculties	Support/Ancillary	Total
Departmental reserves	146,805	76,692	223,497	162,493	99,455	261,948
Pensions	(35,487)	10,031	(45,518)	(12,505)	(3,182)	(15,687)
Other post-employment benefits	(55,822)	(21,105)	(76,927)	(48,238)	(16,681)	(64,919)
Employee benefit reserve	5,533	4,317	9,850	3,797	(2,503)	6,300
Net departmental reserves	**61,029**	**49,873**	**110,902**	**105,547**	**82,095**	**187,642**

Strategic Projects and Financing

McMaster's refreshed vision statement and updated strategic plan reflect the University's commitment to making a positive impact on the world, developing the partnerships and collaborations needed to support its scholars and ensure that McMaster is well positioned to tackle local and global issues, and build a clear sense of community and belonging for everyone. Underlying this strategy is an increased alignment and promotion of the United Nations' (UN) Sustainable Development Goals.

CAPITAL PROJECTS

McMaster is committed to a sustainable and safe campus, developing and renewing purpose-built and technology-enabled spaces that are research-focused and student-centered. During 2022/23, McMaster continued its efforts to transition to a net zero carbon campus by 2050.

As part of the overall strategy, the University is continuing to focus on enhancing the physical environment, including transforming the campus into a living laboratory for accessibility, inclusion, and sustainability. During 2022/23, the McMaster community continued its collaborative initiatives to update the McMaster Campus Plan which, along with the annual Capital Plan and the Net Zero Carbon Roadmap, will provide a framework for future capital initiatives.

McMaster's 2022/23 total capital expenditures totalled $180.5 million (2021/22: $133.3 million) and are summarized in Table 7. Capital expenditures increased as pandemic restrictions ended, however supply chain challenges have continued along with inflationary pressures. Capital projects underway in 2022/23 included the Student Activity and Fitness Expansion (SAFE), the Peak Shaver and Electric Boiler project to reduce carbon emissions from 13,670 tonnes of CO2e annually to less than 1,000 tonnes, the McLean Centre for Collaborative Discovery, and infrastructure projects that support research commercialization.

Table 7: CAPITAL ASSET ADDITIONS $ Thousands

	2019/20	2020/21	2021/22	2022/23	2022/23
Land, Completed Building Projects & Construction in Progress	110,835	77,150	54,018	76,308	117,319
Computers, Software, Furniture and Other Equipment	27,342	40,694	43,649	44,787	51,130
Library Materials	9,833	10,078	11,649	11,889	12,081
	148,010	**127,922**	**109,316**	**132,984**	**180,530**

BLACK GRAD
Black Grad, an event organized by the Black Student Success Centre, is separate from the students' academic convocations. For the second year in a row, this celebration recognized Black students' resilience, achievement and community. Nearly 80 students attended the event, surrounded by hundreds of loved ones and friends.

OTHER STRATEGIC PROJECTS

New alternative revenue growth in alignment with McMaster's mission and vision will be key to building financial sustainability to support future needs. McMaster's carbon footprint will be reduced, both through our investments and installing green sources of energy on campus to reduce overall emissions by 42% by the end of next year. Development of the innovation ecosystem continues with the planned expansion of the McMaster Innovation Park, as well as investments in promising research start-ups identified by the McMaster Seed Fund (McMaster MSF Holdings, Inc.).

New infrastructure projects are being realized through several public-private partnerships. A new 640-bed graduate residence with 265 parking spaces in downtown Hamilton opened in September 2023, and main campus will be expanded to support the construction of a new undergraduate residence with 1,373 beds. In addition, a new limited partnership is developing a project at McMaster Innovation Park with anchor tenant OmniaBio Inc., a contract development and manufacturing organization producing gene-modified cells and viral vectors.

McCALL MACBAIN INTERNATIONAL FELLOWS

Four McMaster students have been selected as McCall MacBain International Fellows. Dev Nayak, Misty Macdonald, Teagan Caulfield and Zachary Maretzki will be able to spend a fully funded year abroad studying, living and working in a new country. The Fellowship provides students with the opportunity to learn a language, participate in a new community, build lasting international ties and deepen their ability to work in a different cultural context.

FINANCING

Projects with long-term funding sources such as user fees, parking levies, and future fundraising continue to be financed through internal central bank loans. Internal central bank loans decreased marginally to $102.6 million (2021/22: $103.2 million) due to scheduled loan repayments. Loans carry varying repayment terms and interest rates, which reflect the date of issue and the project's income stream.

University debt is considered a perpetual component of McMaster's capital financing structure; as such, additional debt is reviewed annually in conjunction with multi-year financial projections. In 2021/22, the Board approved additional debt of $150.0 million to support McMaster's strategic plan, locking in low interest rates and supporting the objective of achieving a lower weighted average cost of capital (WACC). Following the debt issuance, the University has four long-term bonds outstanding:

	Maturity Date	Interest Rate
$25.0 million	2051	3.225%
$120.0 million	2052	6.15%
$120.0 million	2065	4.105%
$125.0 million	2071	3.405%

Sinking funds exist to repay each bond at maturity. The favourable rates achieved for the new debt reduced the weighted average cost of capital used for new internal loans to 4.75% allowing revenue generating investments to proceed despite recent increases in bank lending rates.

Financial Health and Sustainability Metrics

The Strategic Mandate Agreement (SMA) includes annual tracking of financial health metrics. The inclusion of financial health metrics recognizes that financial stability is critical to achieving institutional mandates. In addition to the SMA financial metrics, the University's Debt Policy ratios provide a framework to monitor debt capacity and affordability. McMaster's strong financial health is evidenced by the robust financial metrics (Table 8) and reinforced by strong credit ratings of AA (Stable) by S&P and DBRS. MCU has announced plans to implement a new Financial Accountability Framework beginning in 2023/24. The metrics below are in line with the provincial metrics and are well within targeted ranges.

Table 8: FINANCIAL HEALTH AND SUSTAINABILITY METRICS $ Thousands

	2018/19	2019/20	2020/21	2021/22	2022/23
Available Expendable Resources					
Unrestricted net assets	10,755	-	-	-	-
Other internal reserves	446,535	456,943	552,000	702,518	724,526
Internal endowments	150,410	141,333	171,813	156,615	161,076
Available Expendable Resources	**607,700**	**598,276**	**723,813**	**859,133**	**885,602**
AER as a % of Revenue	**50.9%**	**51.5%**	**55.6%**	**71.7%**	**63.0%**
Debt Management Policy Ratios					
Expendable Net Assets to Debt (Target > 1.0x)	2.2x	2.2x	2.7x	2.0x	2.1x
Interest Burden (Target < 4.0%)	1.4%	1.3%	1.3%	1.6%	1.6%
Debt per FTE (Target < $12,000)	$8,901	$8,525	$7,826	$11,971	$11,841
Other Financial Health Indicators					
Net Income/(Loss) Ratio (McMaster Target > 1.0%)	13.2%	7.9%	17.8%	4.4%	10.6%
Net Operating Revenues (McMaster Target > 2.0%)[1]	15.7%	8.5%	29.7%	10.0%	20.0%
Primary Reserves Ratio (McMaster Target > 91 days)[2]	214	204	247	274	257
Viability Ratio (McMaster Target > 1.0)[3]	2.3	2.2	2.7	2.0	2.1

---

[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.

GREEN JOBS NETWORKING

In April 2023, McMaster students received the opportunity to attend a Green Jobs Networking Event hosted by the Academic Sustainability Programs Office. At the event, sustainability professionals working in and around Hamilton helped students learn about the possibilities of sustainability careers. The students were able to ask questions and explore the potential career paths they could take in the future.

Enterprise Risk Management

In 2022/23, the University successfully implemented recommendations based on an external review of McMaster's Enterprise Risk Management (ERM) Program, including integrating risk management strategies and developing comprehensive risk registers. In 2022/23, the Chief Risk Office conducted significant university-wide consultations, aggregated risk data, refreshed the risk taxonomy and constituted an ERM Committee to strengthen leaders' strategic decision-making.

The President and Vice-Presidents continue to routinely review McMaster's risk profiles, emerging risks and the ERM Program's progression toward maturation. The Chief Risk Officer regularly consults with leadership on risk identification and mitigation. The Chief Financial Officer also ensures material enterprise risk modelling in the multi-year financial projections, and risk mitigations are part of the reporting framework under the CPA professional standards guidance.

Key risks identified through this process are:

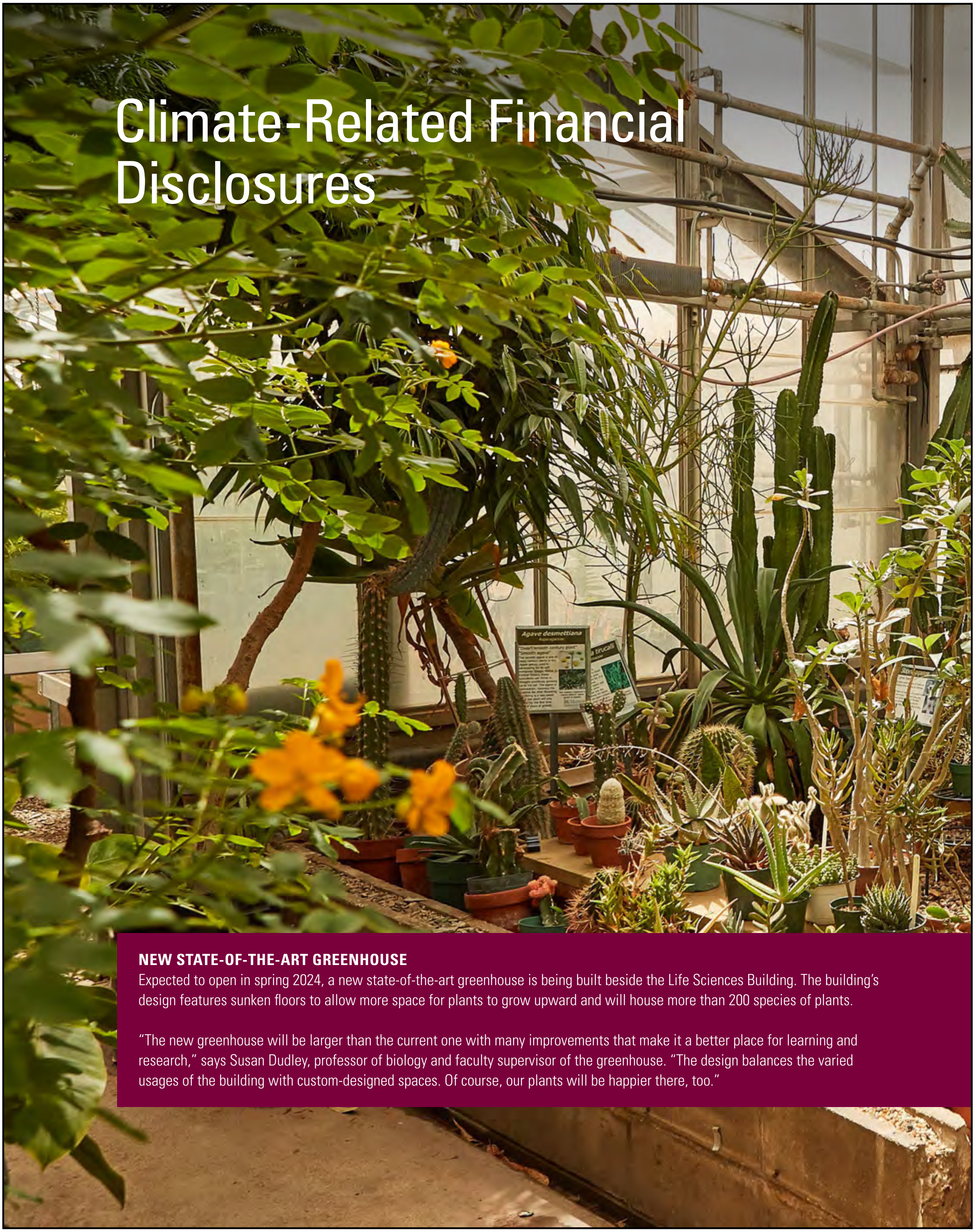
- Financial
- Geopolitical
- Legal and regulatory
- Operational
- Reputation
- Strategic

Key risks are further sub-divided into 31 categories for analysis.

VIRTUAL REALITY TECHNOLOGY

McMaster University has launched a strategic framework for digital learning that gives instructors a guide to improve the learning experience for students. The Framework provides online tools and technologies as well as a plan for implementation.

"By investing in digital learning, McMaster is ensuring that our graduates have an understanding of the tools that are now involved when decisions are made about important issues such as public health and democracy," says Kim Dej, vice-provost, Teaching and Learning, whose office led its development.



Climate-Related Financial Disclosures

NEW STATE-OF-THE-ART GREENHOUSE

Expected to open in spring 2024, a new state-of-the-art greenhouse is being built beside the Life Sciences Building. The building's design features sunken floors to allow more space for plants to grow upward and will house more than 200 species of plants.

"The new greenhouse will be larger than the current one with many improvements that make it a better place for learning and research," says Susan Dudley, professor of biology and faculty supervisor of the greenhouse. "The design balances the varied usages of the building with custom-designed spaces. Of course, our plants will be happier there, too."

Climate-Related Financial Disclosures

McMaster adopted the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) in fiscal year 2019/20. The integration of these recommendations was initially intended to support carbon footprint disclosure associated with investments by following an internationally recognized and consistent reporting framework. McMaster has opted for a phased-in adoption, enabling an assessment of its investment-related carbon emissions under a carbon dioxide equivalent (CO2e) intensity metric recommended by the standard, along with carbon reduction target-setting and reporting to promote understandability and improve comparability with other TCFD-adopting organizations. McMaster intends to broaden its climate-related disclosure in order to further align with the TCFD recommendations.

In 2019, the Government of Canada endorsed TCFD for voluntary adoption and has since suggested a phased and flexible approach. In that context, McMaster has endorsed earlier adoption of TCFD recommendations for its investments by 2023 (Table 9) and management is working with other TCFD-adopting universities on refining practice comparability. McMaster will update its climate risk disclosure reporting implementation phases to reflect a broader scope in future periods.

Table 9: TCFD IMPLEMENTATION PHASES

Investment Portfolio	Phase 1 Adoption	Phase 2 Adoption
Investment Pool	April 30, 2020	April 30, 2021
Pension Trust (Plan 2000 and Original Plan)	April 30, 2021	April 30, 2022
Hourly Pension Trust	April 30, 2022	April 30, 2023

As part of McMaster's ongoing commitment to transparent and responsible sustainability practices, we are continually exploring opportunities to further enhance our sustainability-related disclosures. Building upon the existing adoption of the TCFD recommendations, McMaster is reviewing alignment of future sustainability disclosures with the International Sustainability Standards Board (ISSB) standards. The ISSB's globally recognized standards represent a significant step towards greater harmonization and comparability in sustainability reporting. McMaster is dedicated to meeting evolving industry best practices and ensuring that our stakeholders have access to comprehensive and standardized information that accurately reflects our sustainability efforts. Future reports will provide updates about this initiative in the coming years as McMaster continues to advance its sustainability reporting journey.

ZERO WASTE McMASTER

Zero Waste McMaster is a student club that works to encourage sustainable living in an accessible way. The club organizes several sustainability-focused activities throughout the academic year, with projects exploring sustainability in a broad context.

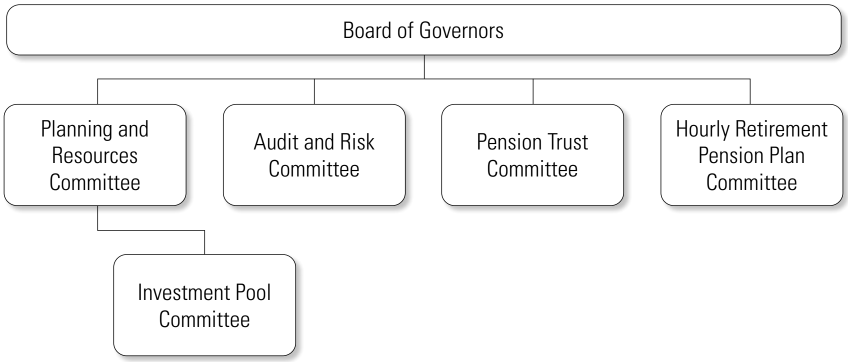
"Our club's mission statement is to promote accessible sustainable living both on campus and in our Hamilton community," says Alexa Kouroukis, a fourth-year Bachelor of Health Sciences Honours student.

Governance

BOARD OVERSIGHT ROLE

McMaster's enterprise risks and emerging potential material financial risks are included in scenario modeling within the multi-year financial projections along with mitigation plans summarized in an annual Debt Strategy Report for the Planning and Resources Committee and Board of Governors. Refer below to figure 5 for an abbreviated Board of Governors structure (not intended to capture all Board-related sub-committees). Climate-related risks that are assessed as material are incorporated into McMaster's enterprise risks. Investment-related climate risk is monitored by the investment and pension committees.

Figure 5: BOARD COMMITTEE REPORTING



In addition to annual multi-year financial projections, a Financial Risk Report is produced annually incorporating all material enterprise 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.

In 2021/22 McMaster's Investment Pool carbon reduction targets were updated to -65% by 2025 and -75% by 2030 against the 2018 original baseline measure year, reflecting an accelerated decarbonization strategy and net zero as soon as possible thereafter. Further, the Salaried Pension Plan set its carbon reduction interim target at -30% by 2030 based on a 2019 baseline. An asset-liability study and investment strategy review expected to be completed by December 2023 will further inform the Pension Trust Committee on finalizing the Salaried Pension Plan target. Progress against carbon reduction targets is publicly reported on McMaster's website. McMaster's carbon reduction goals are also incorporated into the performance objectives of the University Chief Financial Officer and Treasurer.

The Investment Pool and Salaried Pension Plan represent approximately $1.5 billion and $2.4 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. Overall, management is concerned with each invested company's alignment and commitments to all of the United Nations' Sustainable Development Goals.

BOARD AND MANAGEMENT ROLES

The University is the administrator of the Investment Pool, and the Board of Governors is responsible for setting the overall direction and delegation to management. The Board of Governors has delegated certain duties and responsibilities (including the power to sub-delegate) to the Pension Trust Committee (for the Salaried Pension Plans), the Hourly Pension Committee (for the Hourly Pension Plan), and the Planning and Resources Committee (for the Investment Pool) which, in turn, has delegated certain duties and responsibilities to the Investment Pool Committee. Additional duties have been delegated to the Treasury Department and Chief Financial Officer, and to third-party experts to assist in carrying out required fiduciary duties for invested assets. Pension-related committees have shared membership between University administrators and pension plan members. Proxy voting across all asset pools is delegated to investment managers hired with approaches aligned to McMaster's investment policies. Annual proxy summaries are reviewed by the committees and organized, where possible, by environmental, social, and governance matters. Additionally, each investment manager is required to complete an annual responsible investing questionnaire. A summary will be posted later in 2024.

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 transitionary risks (such as innovations in renewable and solar technology disrupting traditional fuel). Management's role 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).

Finally, to increase reporting transparency over investment holdings, in 2024 management plans to begin issuing an annual consolidated summary of companies held on its website beginning with December 31, 2023 holdings.

McMASTER CARBON SINK FOREST

More than 1000 native, climate-adapted trees have been planted at the McMaster Carbon Sink Forest. This is a major step towards the goal of creating a model of a carbon sink forest — a forest that stores more carbon than it releases. The McMaster Carbon Sink Forest initiative is led by the McMaster Center for Climate Change and serves as a research project, demonstration site and outdoor classroom.

Strategy and Risk Management

STRATEGIC PROCESSES

Annual multi-year projections and scenario modelling are prepared holistically incorporating University strategic plans, invested assets exposure to climate-related risks and other physical campus infrastructure and operational climate-related considerations. Key risks, including emerging risks, if expected to have a material impact on financial metrics in the planning horizon, are factored into financial scenario modeling. Risk 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 modeling define the University's annual Debt Strategy Report that consolidates all findings.

For its investments, McMaster completes a climate risk study for its Investment Pool and Pensions Plans with timing aligned with asset-liability and investment strategy reviews.

RISK MANAGEMENT PROCESSES

For invested assets, climate-related risks are factored into reporting updates by investment managers and discussed during oversight committee presentations to ensure that valuations used by managers in the investment decision process consider climate-related risks where appropriate.

CLIMATE RISK – INVESTMENT POOL DECARBONIZATION STRATEGY

McMaster has made significant progress during this past year implementing its climate risk management strategy in relation to its investment portfolio. McMaster's strategy is comprised of two main components: (1) decarbonizing the Investment Pool to achieve climate targets and (2) new investments to support and enable the global transition to clean energy.

In 2022/23, McMaster attained a significant milestone by achieving its 2025 goal of reducing the Investment Pool's weighted average carbon intensity (WACI) by more than 65% two years earlier than originally targeted. Approved by the University's Board of Governors, this achievement was driven by revisions to the University's investment strategies, including transitioning the US Equities portfolio to a low-carbon investment strategy. Investing in this strategy has reduced our carbon exposure while managing return and risk. McMaster also took action to re-balance manager allocations and investment products which, coupled with other market factors, further supported reducing the overall carbon exposures.

Keeping to earlier commitments, McMaster achieved another significant milestone: the University has now invested $10 million in the Brookfield Global Transition Fund, an institutional fund that only invests in infrastructure projects that support the global transition to clean energy. This investment in the Brookfield Global Transition Fund will grow to McMaster's total commitment of approximately $30 million[1] as investments are acquired by the fund.

During the reporting period, McMaster's exposure to the CU200 declined by 25% to represent 1.6% of the Investment Pool's investments.

---

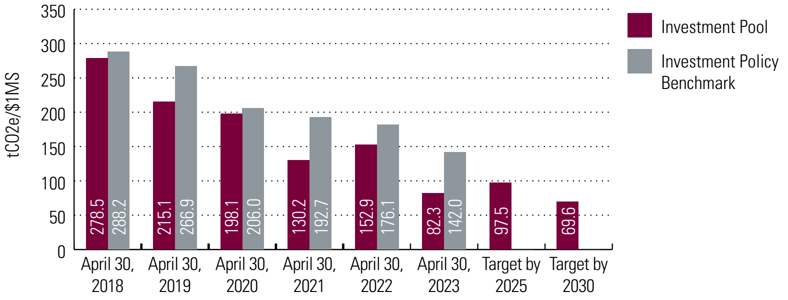
[1] In 2022 the Board approved a commitment of US$24 million to the Brookfield Global Transition Fund.

Metrics and Targets

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

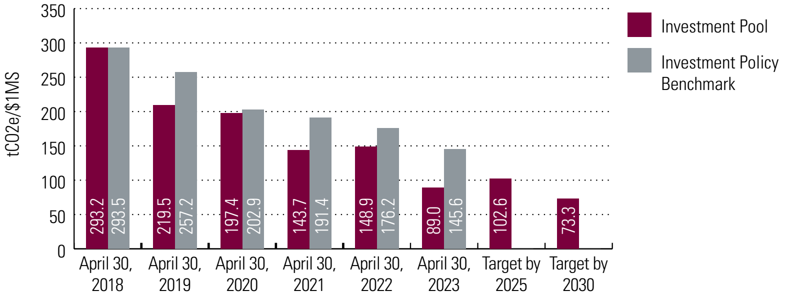
McMaster completes a third-party measurement of its weighted average carbon intensity (WACI) relative to its policy benchmark annually. This measure translates GHG emissions into a single carbon dioxide (CO2) measure and is reported as tonnes of CO2 equivalent emitted per million US dollars in sales (written as tCO2e/$1MS). As of April 30, 2023, the Investment Pool public equities WACI was 82.3 tCO2e/$1MS (2021/22: 152.9 tCO2e/$1MS) relative to the fund policy benchmark of 142.0 tCO2e/$1MS (2021/22: 176.1 tCO2e/$1MS). This WACI measure is 70.4% lower than the 2018 baseline measurement year of 278.5 tCO2e/$1MS (Figure 6).

Figure 6: INVESTMENT POOL – PUBLIC EQUITIES WEIGHTED AVERAGE CARBON INTENSITY



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 95%. Total Investment Pool carbon measurements, including both public equity and fixed income, have lower data availability ranging between 72% and 84% and are therefore less reliable. McMaster's total pool WACI at April 30, 2023 is 89.0 tCO2e/$1MS, down 69.6% from the 2018 baseline year (Figure 7). McMaster will continue to incorporate the best available measures to track and monitor its carbon footprint.

Figure 7: INVESTMENT POOL – EQUITY AND FIXED INCOME WEIGHTED AVERAGE CARBON INTENSITY



The underlying data used to measure WACI consists of Scope 1 and Scope 2 GHG carbon emissions of each invested asset[2]. McMaster's WACI calculation is limited to Scope 1 and 2 GHG emissions due to the lack of complete and reliable data availability for Scope 3 GHG emissions. Table 10 demonstrates Scope 1 and 2 data availability for the total Investment Pool. Inclusion and use of Scope 3 by McMaster for WACI calculations would require assumption-driven assessments for a significant number of the invested asset holdings.

Table 10: PROPORTION OF SCOPE 1 AND 2 DATA AVAILABILITY (TOTAL PORTFOLIO)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Investment Pool	81.5%	78.1%	78.6%	79.5%	78.7%	84.3%
Investment Policy Benchmark	72.3%	76.4%	75.5%	75.6%	78.7%	83.1%

McMaster monitors investment manager holdings in the Carbon Underground 200™ (CU200). Table 11 summarizes the investments in the CU200 expressed as a percentage of total investments in the Investment Pool.

Additionally, McMaster tracks companies that offer clean technology solutions. As at April 30, 2023, 32.4% weight of companies within the listed public equity portfolio offer clean technology solutions (2021/22: 31.1% weight)

Table 11: McMASTER CARBON UNDERGROUND 200™ TOP 5 EXPOSURE

2023	Company	Market Value ($ Millions)	Investment Pool (%)
1	TotalEnergies	2.7	0.2%
2	Chevron	2.6	0.2%
3	Suncor Energy	2.6	0.2%
4	Canadian Natural Resources	2.4	0.2%
5	Imperial Oil	1.8	0.1%
	Subtotal – Top 5 CU200 Exposure	12.1	0.9%
	Total CU200 Exposure	**22.8**	**1.6%**

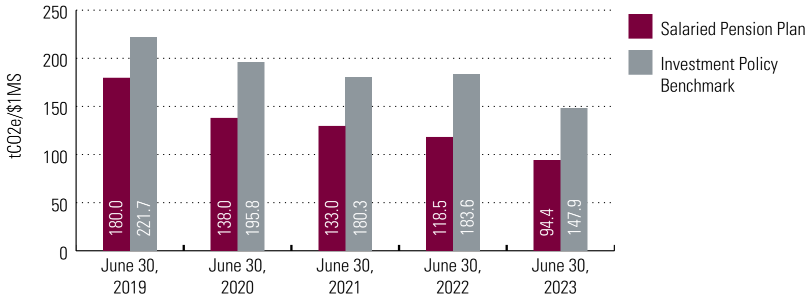
2022	Company	Market Value ($ Millions)	Investment Pool (%)
1	ExxonMobil	4.7	0.4%
2	Suncor Energy	3.9	0.3%
3	EOG Resources	3.3	0.3%
4	Canadian Natural Resources	2.4	0.2%
5	Cenovus Energy	2.2	0.2%
	Subtotal – Top 5 CU200 Exposure	16.5	1.4%
	Total CU200 Exposure	**30.4**	**2.7%**

The Salaried Plans' WACI has been measured as part of McMaster's initial Phase 1 reporting (Figure 8). As at June 30, 2023 the Salaried Plans' WACI for publicly listed equities was 94.4 tCO2e/$1MS (2021/22: 118.5 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 147.9 tCO2e/$1MS (2021/22:183.6 tCO2e/$1MS). The Salaried Plans' WACI at the total pool level was 124.1 tCO2e/$1MS (2021/22: 147.6 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 175.8 tCO2e/$1MS (2021/22: 206.7 tCO2e/$1MS).

---

[2] Scope 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.

Figure 8: SALARIED PENSION PLANS PUBLIC EQUITIES WEIGHTED AVERAGE CARBON INTENSITY



The Hourly Plans' WACI has been measured as part of McMaster's initial Phase 1 reporting. As at June 30, 2023 the Hourly Plan's WACI for publicly listed equities was 82.9 tCO2e/$1MS (2021/22: 51.5 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 175.1 tCO2e/$1MS (2021/22: 226.7 tCO2e/$1MS). The Hourly Plan's WACI at the total portfolio level was 98.2 tCO2e/$1MS (2021/22: 77.8 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 177.2 tCO2e/$1MS (2021/22: 215.8 tCO2e/$1MS).

TARGETS

The Investment Pool carbon reduction target is to reduce the carbon intensity of publicly traded assets by 65% by 2025, 75% by 2030, and net zero as soon as possible thereafter, compared to a 2018 baseline.

The Salaried Pension plan has an interim carbon reduction target of 30% by 2030. A finalized target will be set following the finalization of the investment strategy review.

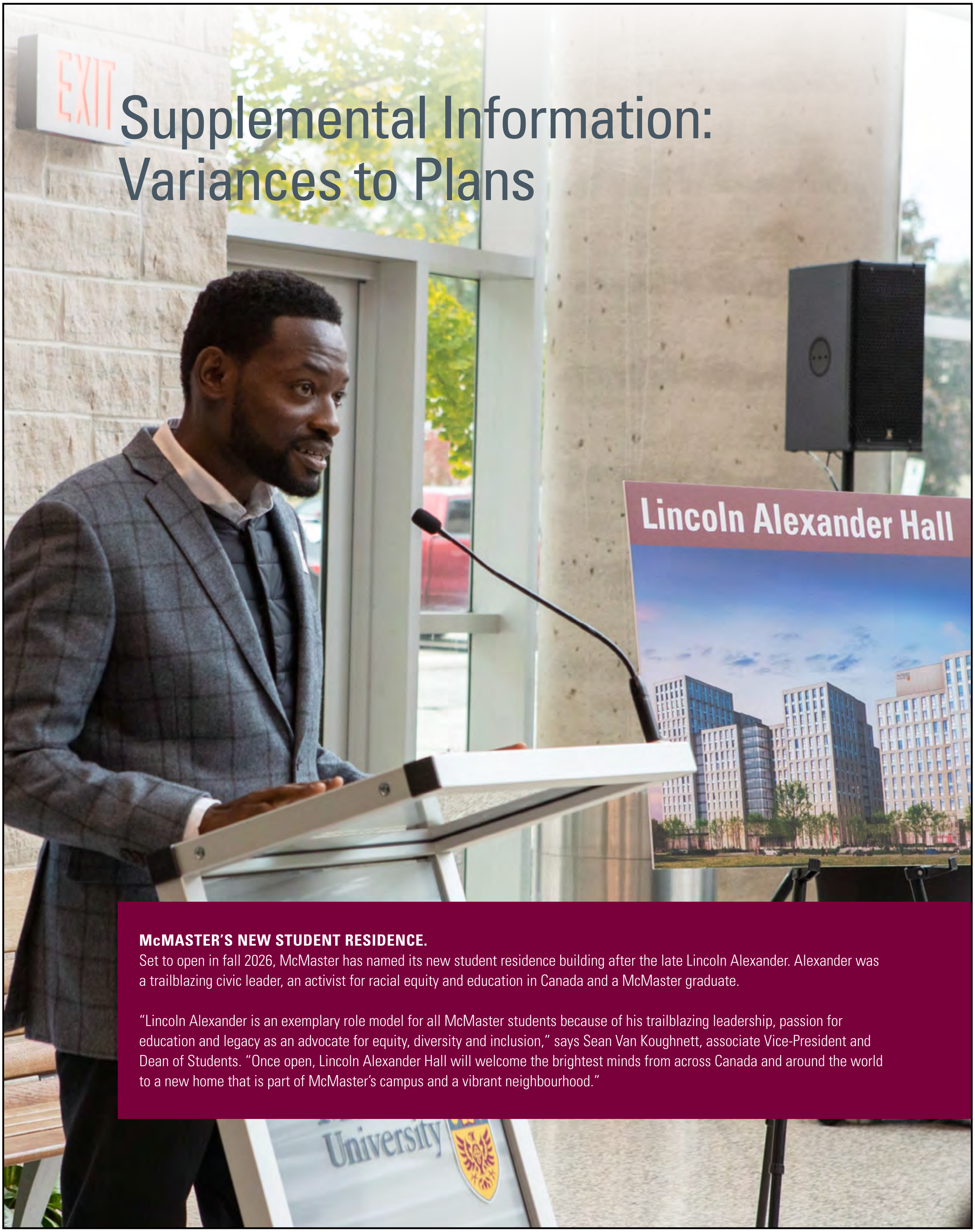
The Hourly Pension Plan carbon intensity is lower relative to its benchmark portfolio given its investment manager's strategy. The Hourly Pension Plan investment strategy is under review, after which a finalized target will be set.

WELCOMING DIVERSITY

McMaster's Biochemistry and Biomedical Sciences Summer Scholars Program (SSP) has welcomed a diverse group of Ontario scholars who self-identify as Black, Indigenous, and/or 2SLGBTQIA+ to the university on full research scholarships. The program offered the students intensive research skills training, experiential learning opportunities, mentorship and guidance.

"It was truly a pleasure to work with this inaugural cohort of scholars," says Caitlin Mullarkey, an assistant professor in the Department of Biochemistry and Biomedical Sciences and chair of the SSP. "These incredible students have left an indelible mark on the program that will shape the experience for future scholars, and I know that their own futures are likewise very bright."

Supplemental Information: Variances to Plans



McMASTER'S NEW STUDENT RESIDENCE.
Set to open in fall 2026, McMaster has named its new student residence building after the late Lincoln Alexander. Alexander was a trailblazing civic leader, an activist for racial equity and education in Canada and a McMaster graduate.

"Lincoln Alexander is an exemplary role model for all McMaster students because of his trailblazing leadership, passion for education and legacy as an advocate for equity, diversity and inclusion," says Sean Van Koughnett, associate Vice-President and Dean of Students. "Once open, Lincoln Alexander Hall will welcome the brightest minds from across Canada and around the world to a new home that is part of McMaster's campus and a vibrant neighbourhood."

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 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 using fund accounting concepts. Under this method, budgets are established for each fund to enhance accountability for resources while 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's budget model focuses on the allocation of resources within the Operating Fund, while the consolidated Statement of Operations and Statement of Financial Position represent the results of all funds combined.

The 2022/23 Operating Fund financial results compared to the approved budget are presented in this section as well as a comparison to the consolidated results on a full accrual basis.

TOP RANKING
McMaster has ranked fourth in the country on Maclean's Best Medical Doctoral Universities ranking, standing among the top universities with a broad range of research and PhD programs, including medical schools. Within this ranking, McMaster is placed first in student services, second in total research dollars and grants as well as in library acquisitions.

"Our position in the rankings reflects McMaster's dedication to creativity, innovation and inclusive excellence," says President David Farrar. "Our goal is to equip our students and enable our researchers to make a transformative impact in the world through our world-class teaching and research."

Operating Fund Summary

The Operating Fund represents approximately 65.0% 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 2022/23 Operating Fund budget included several strategic funding priorities, such as increasing graduate scholarships, international student recruitment and support, sustainability initiatives, information technology and security expansion, inflationary journal costs, digital audio-visual classroom upgrades, and research operations support. Overall, the budget supported McMaster's Strategic Mandate Agreement objectives, including key differentiation goals, enrolment targets, and other targeted program outcomes. As the post-pandemic picture becomes clearer, the Operating Fund ended 2022/23 in a more favourable position compared to the budget due to reduced expenses 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 12).

Table 12: OPERATING FUND SUMMARY

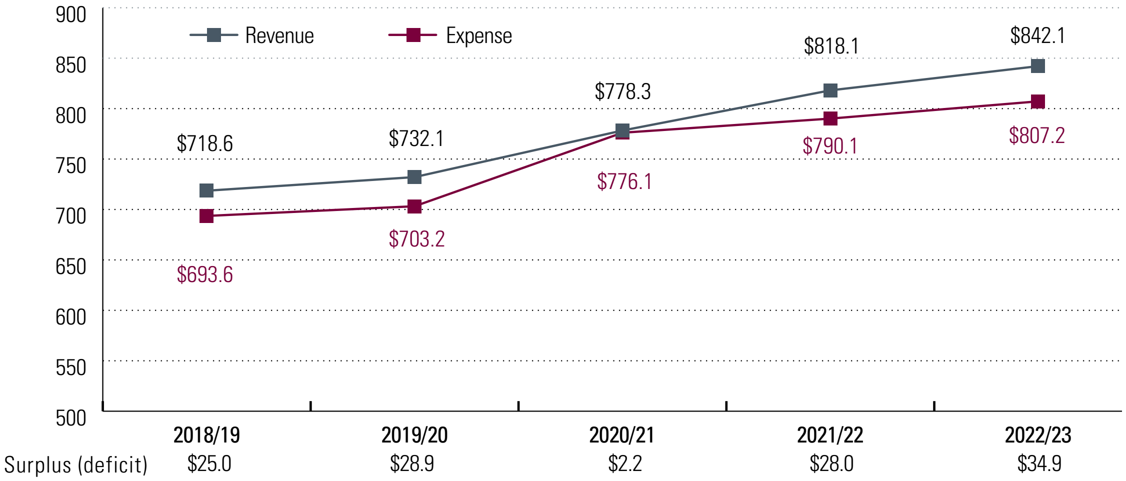
$ Thousands

	2021/22 Actual	2022/23 Budget	2022/23 Projection	2022/23 Actual	Variance Actual vs. Budget		Actual vs. Projection	
Revenues								
Provincial grants	239,692	239,816	240,021	239,170	(646)	-0.3%	(851)	-0.4%
Tuition	423,044	445,672	433,451	433,809	(11,863)	-2.7%	358	0.1%
Research Overhead income	28,907	25,562	27,733	30,307	4,745	18.6%	2,574	9.3%
Investment income	9,467	9,467	9,467	9,467	0	0.0%	0	0.0%
Other income	116,990	122,382	118,530	129,342	6,960	5.7%	10,812	9.1%
Total revenues	**818,100**	**842,899**	**829,202**	**842,095**	**(803)**	**-0.1%**	**12,893**	**1.6%**
Expenses								
Salaries, wages and benefits	523,008	565,034	566,541	552,375	12,659	2.2%	14,166	2.5%
Utilities and maintenance	41,866	45,261	48,953	52,443	(7,182)	-15.9%	(3,490)	-7.1%
Equipment and renovations	100,837	77,081	65,039	59,518	17,563	22.8%	5,521	8.5%
Scholarships, bursaries and work study	33,708	34,534	36,180	35,301	(767)	-2.2%	879	2.4%
Library acquisitions	14,878	14,614	15,533	16,907	(2,293)	-15.7%	(1,374)	-8.8%
Debt and financing charges	23,108	26,001	26,002	22,570	3,432	13.2%	3,432	13.2%
All other expenses	52,676	85,058	73,798	68,084	16,974	20.0%	5,715	7.7%
Total expenses	**790,081**	**847,584**	**832,046**	**807,197**	**40,386**	**4.8%**	**24,849**	**3.0%**
Excess (deficiency) of revenues over expenses	**28,019**	**(4,685)**	**(2,843)**	**34,898**	**39,583**	**844.8%**	**37,742**	**1,327.3%**
Fund balance, beginning of year	198,753	172,311	226,772	226,772	54,460	31.6%	0	0.0%
Fund balance, end of year	**226,772**	**167,626**	**223,928**	**261,670**	**94,044**	**56.1%**	**37,742**	**16.9%**

The Operating Fund surplus highlights McMaster's continuing strong academic reputation as well as impacts on the expenses related to the post-COVID expense environment (Figure 9).

Figure 9: OPERATING FUND REVENUE AND EXPENSES TREND

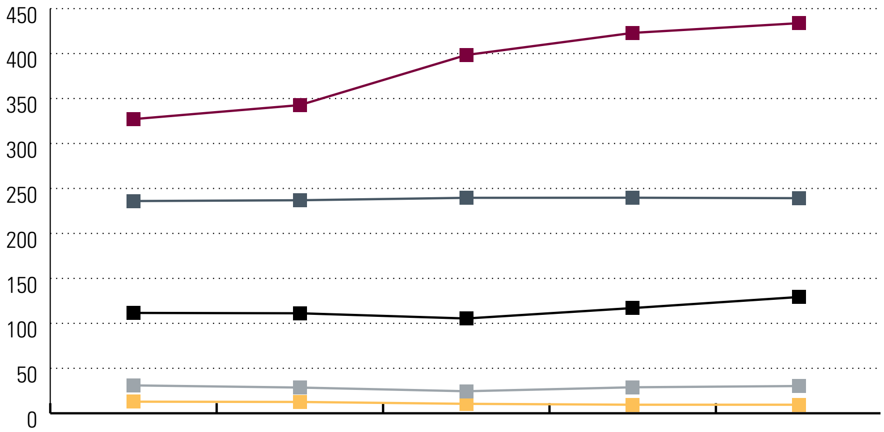
$ Millions



SOURCES OF FUNDING

Total Operating Fund revenues were $842.1 million compared to budget $842.9 million and projection of $829.2 million. Overall revenue growth is attributed to standard international enrolment tuition rate increases and additional income from sales and fees revenues with the return to a full year of normal campus operations, as well as special purpose provincial grants and higher external recoveries. Other sources of revenue remain relatively flat (Figure 10).

Figure 10: OPERATING FUND REVENUE TREND BY TYPE $ Millions



	2018/19	2019/20	2020/21	2021/22	2022/23
■ Provincial Grants	$236.0	$236.9	$239.6	$239.7	$239.2
■ Tuition	$327.1	$342.7	$398.4	$423.0	$433.8
■ Research Overhead Income	$31.0	$28.6	$24.5	$28.9	$30.3
■ Investment Income	$12.9	$12.6	$10.5	$9.5	$9.5
■ Other Income	$111.6	$111.2	$105.4	$117.0	$129.3

WELCOME WEEK

Each year, McMaster hosts Welcome Week to celebrate and say hello to the incoming first-year students. The week is full of fun activities, helping students to get to know the campus and connect with others. Welcome Week depends on the leadership of volunteer representatives to support students and guide the events. This year featured a casino-themed event, a headphone disco party and goat yoga, just to name a few.

PROVINCIAL GRANTS

In 2017/18, the corridor funding model was introduced capping enrolment-based funding to plus or minus 3.0% of the 2016/17 grant level or funding mid-point. The corridor model limits future operating grant growth while MCU shifts funding toward performance-linked Strategic Mandate Agreement metrics. Due to the pandemic, performance-linked funding has been delayed to 2023/24. The funding envelopes are defined as follows (Table 13):

- Enrolment Envelope: enrolment-based funding that is based on weighted grant units (WGU);
- Differentiation Envelope: performance funding based on the achievement of Strategic Management Agreement metrics within defined trended thresholds; and
- Special Purpose Envelope: grants based on government priorities such as clinical enrolment initiatives.

In 2022/23, the total provincial grant was in line with budget and projection. The new nursing enrolment expansion grants previously reported as part of the Special Purpose Envelope are now attributed directly to the School of Nursing and are reflected in Other Income. The International Student Recovery is a $750 per international student reduction in provincial funding. This levy remained flat along with international enrolment, at $3.8 million in 2022/23.

Table 13: PROVINCIAL GRANTS $ Thousands

				Variance			
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget		Actual vs. Projection	
Enrolment Envelope							
Core Operating Grant	155,618	130,401	127,552	(28,066)	-18.0%	(2,849)	-2.2%
Differentiation Envelope							
Performance/Student Success Grant	87,233	112,450	115,054	27,821	31.9%	2,604	2.3%
Special Purpose Envelope							
Grants for Clinical Programs	916	916	352	(564)	-61.6%	(564)	-61.6%
International Student Recovery	(3,951)	(3,746)	(3,788)	163	4.1%	(42)	-1.1%
Total Provincial Grants	**239,816**	**240,021**	**239,170**	**(646)**	**-0.3%**	**(851)**	**0.0%**

STUDENT WELLNESS

The Student Wellness Centre (SWC) works to support the emotional, physical and personal well-being of McMaster students. The SWC offers a wide range of services including counselling services, medical services and wellness programs.

"At the Student Wellness Centre, we believe providing students with the resources to maintain their health and well-being not only gives them the tools to succeed in their personal lives, but also provides a healthy foundation on which they can build their academic success," says Debbie Nifakis, a psychologist and Associate Director, Counselling at SWC.

TUITION

Tuition results are lower than budget due to lower international enrolment as a result of the competitive international student market, visa issues in 2022, and a decline in the number of international students studying high school in Ontario (Table 14).

Table 14: UNDERGRADUATE AND GRADUATE ENROLMENT

				Variance			
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget		Actual vs. Projection	
Undergraduate FFTEs							
Domestic	25,835	25,806	25,996	162	0.6%	190	0.7%
International	4,774	4,530	4,604	(170)	-3.6%	74	1.6%
Total	**30,609**	**30,336**	**30,600**	**(8)**	**0.0%**	**264**	**0.9%**
Graduate FTEs							
Domestic	3,317	3,210	3,210	(107)	-3.2%	(0)	0.0%
International	1,358	1,504	1,504	146	10.7%	(0)	0.0%
Total	**4,675**	**4,714**	**4,713**	**39**	**0.8%**	**(1)**	**0.0%**
Total UG & G Combined							
Domestic	29,151	29,016	29,206	55	0.2%	190	0.7%
International	6,132	6,034	6,108	(24)	-0.4%	74	1.2%
Total	**35,283**	**35,050**	**35,314**	**31**	**0.1%**	**264**	**0.8%**

MOVE-IN WELCOME WEEK

For the first time since 2019, Housing Conference Services (HCS) hosted a move-in event to welcome the incoming students into McMaster's residence buildings in fall 2022. Faculty Reps, Residence Orientation Reps, Maroons, and Archway Reps brought move-in back with their dance moves and cheers. They also helped families unload their vehicles as they arrived. Staff members assisted in directing traffic, checking students into their residence spaces, and welcoming them to their campus home.

The provincial tuition rate cut of 10% in 2019/20 followed by flat domestic rates for 2020/21 to 2022/23 decreased domestic tuition revenues and was offset by transparent four-year international tuition rate increases incorporated into offers (Figure 11 and Table 15).

Figure 11: TUITION AND FTE ENROLMENT

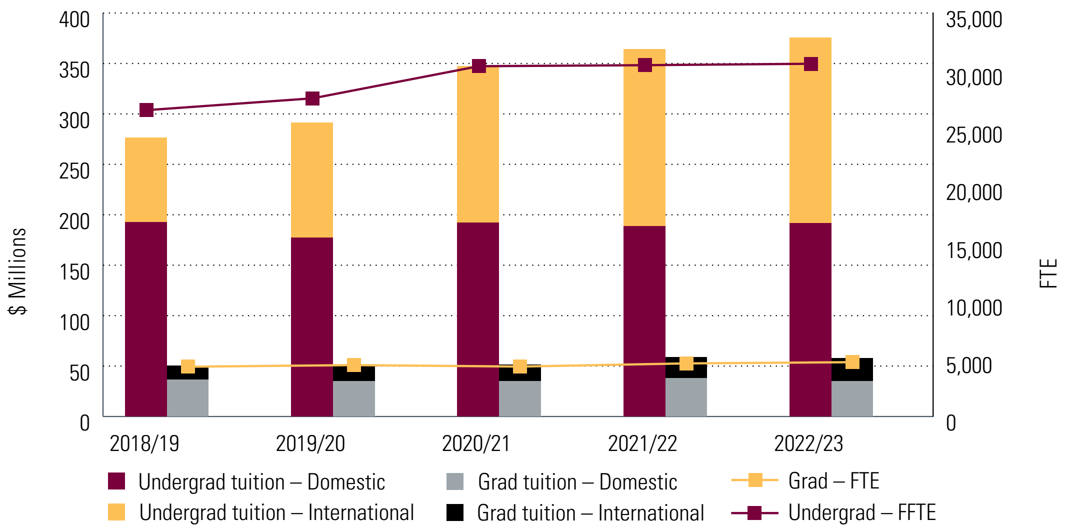


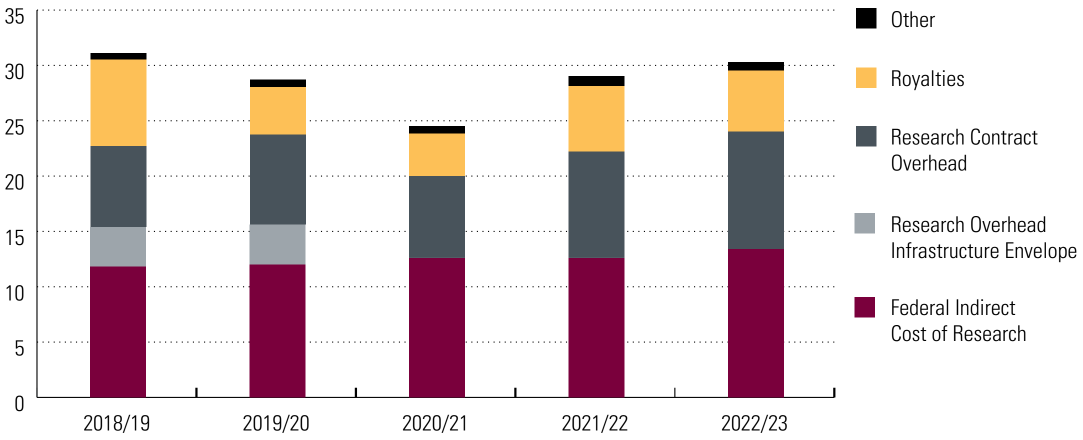
Table 15: TUITION AND FTE ENROLMENT

	Tuition ($ Millions)					FTE Enrolment				
	2018/19	2019/20	2020/21	2021/22	2022/23	2018/19	2019/20	2020/21	2021/22	2022/23
Undergraduate										
Domestic	192.6	177.1	192.0	188.8	191.6	23,759	24,070	26,062	25,861	25,996
International	84.1	114.3	155.3	175.5	184.3	2,815	3,533	4,327	4,615	4,604
Total	**276.7**	**291.4**	**347.3**	**364.3**	**375.9**	**26,575**	**27,603**	**30,388**	**30,477**	**30,600**
Graduate										
Domestic	36.6	35.1	35.0	37.9	35.0	3,080	3,140	3,218	3,240	3,210
International	13.8	16.3	16.0	20.9	22.9	1,238	1,320	1,114	1,365	1,504
Total	**50.3**	**51.3**	**51.0**	**58.7**	**57.9**	**4,319**	**4,460**	**4,332**	**4,606**	**4,713**
Total UG & G Combined										
Domestic	229.1	212.1	227.0	226.7	226.6	26,840	27,210	29,280	29,102	29,206
International	97.9	130.6	171.4	196.4	207.2	4,054	4,853	5,440	5,981	6,108
Total	**327.1**	**342.7**	**398.4**	**423.0**	**433.8**	**30,894**	**32,063**	**34,720**	**35,082**	**35,314**

RESEARCH OVERHEAD

Research overhead income was $4.7 million (18.6%) favourable to budget and $2.6 million (9.3%) favourable to projection due to increased research contract overhead, royalty revenues, and new federal research security funding. Both contract overhead and royalties fluctuate depending on activity (Figure 12). The Research Overhead Infrastructure Envelope (ROIE) grant rolled into MCU performance-based grant funding in 2021/22.

Figure 12: RESEARCH OVERHEAD INCOME $ Millions



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.

OTHER INCOME

The return to a complete fiscal year of full University operations is reflected in the other income in the Operating Fund. McMaster's budgeting approach projects revenues conservatively, particularly with uncertainty around post-pandemic activity at the time the budget was approved. The favourable variances of $6.9 million (5.7%) compared to budget and $10.8 million (9.1%) compared to projection were primarily due to unbudgeted direct provincial special-purpose and facility renewal grants, increased student services fees revenue and other fee-generating campus activities, application fees, and external recoveries, partially offset by a reduction in non-degree program tuition revenues.

GOOD NEIGHBOUR CAMPAIGN

McMaster launched the Good Neighbour campaign to welcome students to the areas surrounding campus and encourage positive neighbourly interactions. Students who moved to the Westdale and Ainslie Wood neighbourhoods last fall had the chance to get to know the families, businesses and other students nearby.

"The McMaster community is lucky to be surrounded by a beautiful neighbourhood filled with friendly people, local shops, and nature trails. Students play a role in making the neighbourhood a great place to live for everyone," says Sean Van Koughnett, Associate Vice-President and Dean of Students.

EXPENDITURES

Total Operating Fund expenditures were $807.2 million (Figure 13 and Figure 14) compared to budget and projected expenditures of $847.6 million and $832.0 million, respectively. The variances are small as a percentage of both the original budget (4.8%) and projection (3.0%) and are caused by the continuing post-pandemic impacts on spending plans, as well as the effect of conservative budgeting.

McMaster's budget model allocates all central revenues to Faculties after central allocations to the University Fund and research infrastructure. Faculties are assigned support unit costs based on activity drivers reflecting service use.

Figure 13: TOTAL OPERATING FUND ACTUAL EXPENSE BY TYPE $ Millions

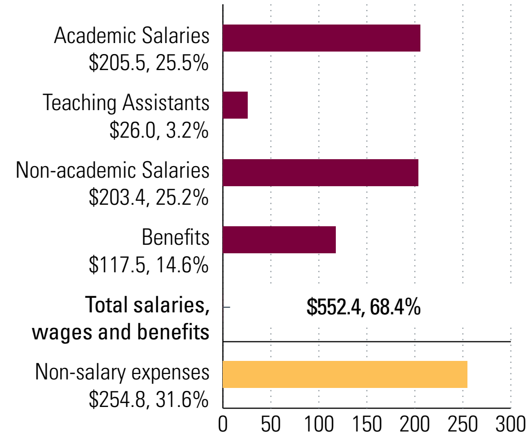
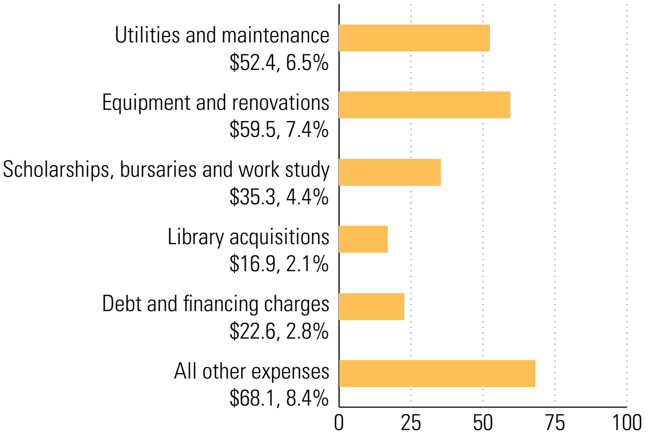


Figure 14: OPERATING FUND ACTUAL NON-SALARY EXPENSE BY TYPE $ Millions



Total expenses were favourable by $40.4 million (4.8%) compared to budget:

- Salaries, wages, and benefits were favourable by $12.7 million (2.2%) due to delayed hiring and unfilled staff vacancies.
- Utilities and maintenance were unfavourable by $7.2 million (-15.9%) predominantly due to higher hydro and gas costs.
- Equipment and renovations were favourable by $17.6 million (22.8%) due to a smaller final required instalment of the capital transfer for the McLean Centre for Collaborative Discovery, reduced Faculty of Science capital projects transfers, and delayed or re-directed renovations spending, partially offset by increased investments in future Faculty of Engineering capital priorities and capital funding support for the McMaster-Mohawk partnership for Advanced Medical Imaging Phase 1 and Phase 2.
- Scholarships, bursaries, and work study were unfavourable by $0.8 million (-2.2%) due to entrance award overages with an increased percentage of undergraduates presenting higher final admission averages, partially offset by lower graduate student scholarships.
- Library acquisitions were unfavourable by $2.3 million (-15.7%) due to acquisition of unique materials in the research collections area, additional electronic packages, online video and case content purchases, increases in serial subscriptions and membership costs.
- Debt and financing charges were favourable by $3.4 million (13.2%) due to delays in the completion of the Student Activity and Fitness Expansion building project.
- All other expenses were favourable by $17.0 million (20.0%) primarily due to lower than anticipated expenses related to post-pandemic activities including travel, meeting expenses, and research support costs. Expenses were also reduced by higher internal recoveries, including increased trust fund transfers due to increased activity in research centres and Chairs. This was partially offset by increased legal and professional services fees.

Total expenses were favourable by $24.9 million (3.0%) compared to projection:

- Salaries, wages, and benefits were favourable by $14.2 million (2.5%) primarily due to delayed hiring and unfilled staff vacancies.
- Utilities and maintenance were unfavourable by $3.5 million (-7.1%) predominantly due to higher hydro and gas costs.
- Equipment and renovations were favourable by $5.5 million (8.5%) primarily due to lower computer hardware, software, equipment, and renovation costs than projected.
- Scholarships, bursaries, and work study were favourable by $0.8 million (2.4%) due to lower than anticipated graduate student scholarships.
- Library acquisitions were unfavourable by $1.4 million (-8.8%) due to acquisition of unique materials in research collections area, additional electronic packages, online video and case content purchases, increases in serial subscriptions and membership costs.
- Debt and financing charges were favourable by $3.4 million (13.2%) due to delays in the completion of the Student Activity and Fitness Expansion building project.
- All other expenses were favourable by $5.7 million (7.7%) primarily due to lower than anticipated expenses related to post-pandemic activities, as well as higher internal recoveries. This was partially offset by increased professional services fees and research commercialization seed funding.

APPROPRIATIONS

The favourable results increase the Operating Fund appropriations balance by $34.9 million (15.4%) to $267.7 million (Figure 15), which represents an improvement of $39.6 million on budget and $37.8 million on projection. Appropriations are carried forward for expenditure in 2023/24 and future strategic and/or capital priorities. Of the total held in appropriations, $162.5 million is held by Faculties and another $38.3 million is held for academic priorities (Table 16). Further, some Faculty appropriation balances have been transferred to capital reserves, 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.

Overall Support unit appropriations reduced slightly in 2022/23 as these balances began to be drawn down as operations fully re-opened.

Figure 15: OPERATING FUND APPROPRIATIONS $ Millions

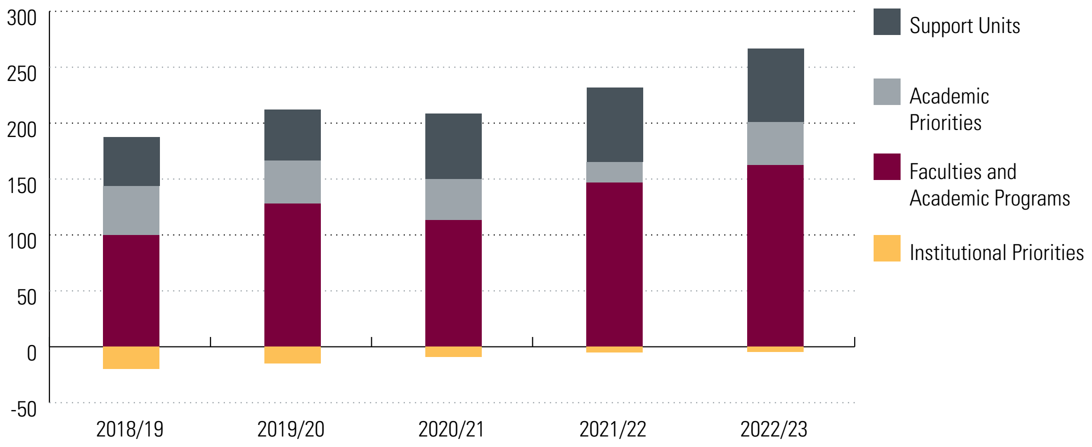


Table 16: APPROPRIATIONS VARIANCE TO PROJECTION BY ENVELOPE

$ Thousands

	Appropriations May 1, 2022	Net Surplus (Deficit)	Appropriations April 30, 2023	Net Surplus (Deficit) Variance
Faculties and Academic Programs				
Business	4,903	13,119	18,022	2,000
Engineering	27,455	2,631	30,085	6,223
Health Sciences	49,273	1,310	50,583	73
Humanities	12,311	651	12,962	1,887
Science	29,448	(1,650)	27,798	4,699
Social Sciences	21,851	(21)	21,830	2,197
Arts & Science	1,564	(353)	1,212	(16)
Subtotal	**146,805**	**15,688**	**162,493**	**17,063**
Academic Priorities	18,451	19,829	38,280	2,720
Academic Support	17,628	(284)	17,345	4,871
Research Support	14,734	(1,862)	12,872	5,064
Student Support	17,697	2,882	20,578	6,535
Facilities Support	1,458	(624)	833	696
Institutional Support	14,929	(1,083)	13,846	4,169
Institutional Priorities*	(4,930)	353	(4,577)	(3,376)
Total Operating Fund	**226,772**	**34,898**	**261,670**	**37,742**

*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 17):

- Net capital expenditures within faculties and departments are reversed and capitalized as assets with only one year of asset use expensed. Asset amortization periods 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 17: RECONCILIATION OF OPERATING FUND SURPLUS TO CONSOLIDATED STATEMENT OF OPERATIONS $ Thousands

				Variances Favourable (Unfavourable)	
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget	Actual vs. Projection
Excess (deficiency) of Operating Fund revenues over expenses	(4,685)	(2,843)	34,898	39,583	37,741
Capital expenditures net of amortization	151,585	88,666	101,567	(50,018)	12,901
Investment income (loss) on internal endowments	2,662	(6,786)	4,460	1,798	11,246
Pension and non-pension adjustments	3,038	11,276	41,839	38,801	30,563
Changes in other reserves	(31,314)	(45,870)	(33,136)	(1,822)	12,734
Total accrual adjustment	**125,971**	**47,286**	**114,731**	**(11,240)**	**67,445**
Excess of revenues over expenses	**121,286**	**44,443**	**149,629**	**28,343**	**105,186**

STATEMENT OF OPERATIONS

Table 18: CONSOLIDATED STATEMENT OF OPERATIONS (ACCRUAL BASIS) $ Thousands

	2022/23 Budget	2022/23 Projection	2022/23 Actual	Variances Favourable (Unfavourable) Actual vs. Budget	Variances Favourable (Unfavourable) Actual vs. Projection
Revenues					
Operating grants	274,106	284,816	284,621	10,515	(195)
Research grants and contracts	180,123	191,998	211,116	30,993	19,118
Tuition fees	465,728	445,056	445,751	(19,977)	695
Ancillary sales and services	93,845	90,264	86,101	(7,744)	(4,163)
Other revenues	189,239	201,862	221,350	32,111	19,488
Investment income, net	83,666	37,522	109,958	26,292	72,436
Amortization of deferred capital contributions	40,389	43,115	46,832	6,443	3,717
Total revenues	**1,327,096**	**1,294,633**	**1,405,729**	**78,633**	**111,096**
Expenses					
Salaries and wages	621,530	611,841	634,190	(12,660)	(22,349)
Employee benefits	148,578	141,671	149,404	(826)	(7,733)
Supplies and services	321,347	385,433	364,908	(43,561)	20,525
Interest on long-term obligations	18,129	18,122	18,185	(56)	(63)
Amortization of capital assets	96,226	93,123	89,413	6,813	3,710
Total expenses	**1,205,810**	**1,250,190**	**1,256,100**	**(50,290)**	**(5,910)**
Excess of revenues over expenses	**121,286**	**44,443**	**149,629**	**28,343**	**105,186**

As described above, uncertainty around the shape of post-pandemic operations and potential headwinds in the investment climate created challenging conditions for budgeting, however the conservative approach has resulted in overall favourable variances.

Except tuition and ancillary sales, revenues were generally favourable.

- Enrolment- and performance-based operating grants have been held flat at the 2016/17 level, however some additional targeted funding has been received.
- Although international enrolment increased overall, the targeted increase did not materialize.
- Ancillary sales increased materially over 2021/22 but did not reach anticipated levels.
- Revenue from research grants and contracts, as well as other income from fees increased as activity resumed on campus.
- Investment income was projected conservatively due to inflation and the ongoing conflict in Ukraine but achieved a 7.1% return.

Total expenses were unfavourable primarily due to filling vacancies, staffing for additional activities and negotiated increases. Projections for supplies and services included estimates of inflationary impacts as well as planned projects that have been delayed to 2023/24.

STATEMENT OF FINANCIAL POSITION

Table 19: CONSOLIDATED STATEMENT OF FINANCIAL POSITION $ Thousands

				Variances Increase (Decrease)	
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget	Actual vs. Projection
Assets					
Cash	18,294	22,705	29,357	11,063	6,652
Short-term investments	209,039	310,374	409,815	200,776	99,441
Investments	1,819,614	1,658,539	1,755,574	(64,040)	97,035
Capital assets	1,471,896	1,368,823	1,366,222	(105,674)	(2,601)
Other assets	227,609	287,101	285,294	57,685	(1,807)
Total assets	**3,746,452**	**3,647,542**	**3,846,262**	**99,810**	**198,720**
Liabilities and deferred contributions					
Current liabilities	204,259	227,499	240,450	36,191	12,951
Deferred contributions for future expenses	899,024	970,318	1,004,698	105,674	34,380
Long-term debt	416,769	420,422	420,375	3,606	(47)
Employee future benefits and pension	176,793	287,621	263,756	86,963	(23,865)
Total liabilities and deferred contributions	**1,696,845**	**1,905,860**	**1,929,279**	**232,434**	**23,419**
Net assets					
Internally restricted	658,424	541,554	643,920	(14,504)	102,366
Equity in capital assets	617,561	521,768	522,555	(95,006)	787
Endowments					
Internal	175,616	149,829	161,076	(14,540)	11,247
External	598,006	528,531	589,432	(8,574)	60,901
Total net assets	**2,049,607**	**1,741,682**	**1,916,983**	**(132,624)**	**175,301**
Total liabilities and net assets	**3,746,452**	**3,647,542**	**3,846,262**	**99,810**	**198,720**

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:

- Negative returns on investment asset holdings in 2021/22 were not anticipated in the budget, offsetting the higher return in 2022/23.
- Investment returns were projected at break-even for 2022/23; the higher return increased the value of internal and external endowments, as well as internally restricted reserves.
- Capital projects continued to progress slower than originally planned.

STATEMENT OF CASH FLOWS

Table 20: CONSOLIDATED STATEMENT OF CASH FLOWS — $ Thousands

				Variances Favourable (Unfavourable)	
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget	Actual vs. Projection
Excess of revenues over expenses	121,286	44,443	149,629	28,343	105,186
Adjustments for non-cash items					
Amortization of deferred capital contributions	(40,389)	(43,115)	(46,832)	(6,443)	(3,717)
Amortization of capital assets	96,226	93,123	89,413	(6,813)	(3,710)
Increase in decommissioning obligation	10,324	10,324	19,664	9,340	9,340
Net change in deferred contributions	758	890	845	87	(45)
Net change in other non-cash items	36,350	59,309	88,298	51,948	28,989
Financing and investing activities					
Purchase of capital assets, net	(261,281)	(185,883)	(179,572)	81,709	6,311
Net change in investments	28,765	40,656	(155,819)	(184,584)	(196,475)
Net change in external endowments	9,298	(19,723)	41,053	31,755	60,776
Principal repayments on long-term obligations	(703)	(805)	(808)	(105)	(3)
Increase/(decrease) in cash	**634**	**(781)**	**5,871**	**5,237**	**6,652**
Cash, beginning of year	17,660	23,486	23,486	5,826	-
Cash, end of year	**18,294**	**22,705**	**29,357**	**11,063**	**6,652**

Variances on the Statement of Cash Flows primarily relate to the higher than anticipated investment returns, with the net change in cash balance close to budget and projection.

DRAFT

Financial Statements of

McMASTER UNIVERSITY

Year ended April 30, 2023

October 10, 2023

11:11 AM

Table of Contents

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, 2023 and the results of its operations, changes in net assets and its cash flows for the year ended April 30, 2023. 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, 2023 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
October 26, 2023

President

Interim Chief Financial Officer (CFO)

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

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, 2023
- 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, 2023, 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.

- 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 26, 2023

McMASTER UNIVERSITY
Statement of Financial Position
April 30, 2023, with comparative figures for 2022
(thousands of dollars)

	2023	2022
Assets		
Current assets:		
Cash	$ 29,357	$ 23,486
Short-term investments (note 2)	409,815	342,510
Accounts receivable (note 3)	172,228	152,335
Loans receivable (note 4)	42,136	26,005
Inventories	7,868	5,741
Prepaid expenses and deposits	16,473	21,686
	677,877	571,763
Investments (note 2)	1,755,574	1,667,060
Other investments (note 5)	44,661	42,546
Other assets (note 6)	1,928	2,023
Capital assets (note 7)	1,366,222	1,276,062
	$ 3,846,262	$ 3,559,454
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 215,482	$ 184,149
Deferred revenue	24,110	27,665
Current portion of long-term obligations (note 9)	858	805
	240,450	212,619
Long-term obligations (note 9)	420,375	420,390
Accrued employee future benefits (note 10)	263,756	275,714
Deferred contributions (note 11):		
Deferred for future expenses	546,838	481,991
Deferred capital contributions	457,860	462,102
	1,004,698	944,093
Net assets:		
Unrestricted	-	-
Internally restricted (note 12)	643,920	580,073
Equity in capital assets (note 13)	522,555	421,571
Endowments (note 14):		
Internal	161,076	156,615
External	589,432	548,379
	1,916,983	1,706,638
Commitments and contingencies (note 16)		
	$ 3,846,262	$ 3,559,454

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, 2023, with comparative figures for 2022

(thousands of dollars)

	2023	2022
Revenues:		
Operating grants	$ 284,621	$ 284,747
Research grants and contracts	211,116	187,315
Tuition fees	445,751	437,397
Other (note 17)	145,340	131,896
Ancillary sales and services	86,101	64,718
Investment income (loss), net	109,958	(32,252)
Donations and other grants	62,572	66,389
Research overhead grants	13,438	12,567
Amortization of deferred capital contributions	46,832	44,853
	1,405,729	1,197,630
Expenses:		
Salaries and wages	634,190	586,899
Employee benefits	149,404	138,893
Supplies and services	364,908	314,178
Interest on long-term obligations	18,185	17,392
Amortization of capital assets	89,413	87,340
	1,256,100	1,144,702
Excess of revenues over expenses	$ 149,629	$ 52,928

See accompanying notes to financial statements

McMASTER UNIVERSITY
Statement of Changes in Net Assets
Year ended April 30, 2023, with comparative figures for 2022
(thousands of dollars)

	Unrestricted	Internally restricted	Equity in capital assets	Endowments		2023 Total	2022 Total
				Internal	External		
Net assets, beginning of year	$ -	$ 580,073	$ 421,571	$ 156,615	$ 548,379	$ 1,706,638	$ 1,804,678
Excess (deficiency) of revenues over expenses	192,210	-	(42,581)	-	-	149,629	52,928
External endowment contributions:							
Contributions (note 14)	-	-	-	-	32,640	32,640	20,619
Protection of capital (note 14)	-	-	-	-	8,413	8,413	(56,643)
Transfers and adjustments:							
Transfers for specific purposes (note 12)	(43,227)	44,184	(957)	-	-	-	-
Capital transactions from operating (note 13)	(144,522)	-	144,522	-	-	-	-
Transfer to internal endowments (note 14)	(4,461)	-	-	4,461	-	-	-
Remeasurements and other items (note 10)	-	19,663	-	-	-	19,663	(114,944)
	-	63,847	100,984	4,461	41,053	210,345	(98,040)
Net assets, end of year	$ -	$ 643,920	$ 522,555	$ 161,076	$ 589,432	$ 1,916,983	$ 1,706,638

See accompanying notes to financial statements

McMASTER UNIVERSITY
Statement of Cash Flows
Year ended April 30, 2023, with comparative figures for 2022
(thousands of dollars)

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 149,629	$ 52,928
Adjustments for non-cash items:		
Amortization of deferred capital contributions	(46,832)	(44,853)
Amortization of capital assets	89,413	87,340
Employee future benefits	7,705	(9,158)
Equity loss of other investments (note 5)	3,985	1,859
Increase in decommissioning obligation (note 9)	845	3,560
	204,745	91,676
Net change in contributions deferred for future expenses	64,847	44,001
Net change in other non-cash working capital (note 15)	10,971	(15,770)
	280,563	119,907
Investing activities:		
Purchase of capital assets	(180,530)	(132,984)
Proceeds on recovery of capital expenditures	957	1,058
Net change in loans receivable	(16,131)	(3,016)
Net change in investments	(155,819)	(110,436)
Net change in other investments	(6,100)	(10,000)
Net change in other assets	95	112
Net change in external endowments (note 14(b))	41,053	(36,024)
Deferred capital contributions (note 11(b))	42,590	26,219
	(273,885)	(265,071)
Financing activities:		
Issuance of long-term debt	-	150,000
Principal repayments on long-term obligations (note 9)	(807)	(756)
	(807)	149,244
Net increase in cash	5,871	4,080
Cash, beginning of year	23,486	19,406
Cash, end of year	$ 29,357	$ 23,486

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)
University Club of McMaster
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 5) 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:

The First Longwood Innovation Trust (FLIT) is not controlled by the University. The investment is accounted for by the equity method (note 5 and note 16(j)) 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.

1000352106 Limited Partnership:

The investment in 1000352106 Limited Partnership ('Partnership") (note 5 and note 16(j)) is accounted for by the equity method as permitted by accounting standards for not-for-profit organizations. Since the Partnership has a December 31st fiscal year end, the University will record its share of the operating results effective on that date.

KCAP Hamilton Grad LP:

The investment in KCAP Hamilton Grad LP (note 5 and note 16(h)) is accounted for by the equity method as permitted by accounting standards for not-for-profit organizations. Since KCAP Hamilton Grad LP has a December 31st fiscal year end, the University will record 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.

1. Significant accounting policies (continued):

(a) Basis of presentation (continued):

Halton McMaster Family Health Centre:

These financial statements include the University's 50% contribution to the Halton McMaster Family Health Centre (note 5). 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.

(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 are 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:

Buildings and building components	2.5% to 10%
Decommissioning retirement costs	4%
Site improvements	5%
Library materials	20%
Computing systems	5% to 10%
Equipment, furnishings and vehicles	20%
Computing equipment	33.3%
Leasehold improvements	term of lease

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 pension plans, non-registered supplemental executive retirement plans (SERP), and group registered retirement savings plans. Non-pension post-retirement and post-employment benefits plans are also provided. Financial information is disclosed in note 10.

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. For 2023, the actuarial method of determining the accrued benefit obligations for all defined benefit pension plans (excluding SERP) and other non-pension plans continues to use 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. Beginning with the 2023 fiscal year, obligations and related costs for SERP are accrued using the accounting valuation method (note 1(q)).

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):

(l) 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. 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.

1. Significant accounting policies (continued):

(q) Accounting policy adoption:

During the year, accounting standard Section 3462 Employee Future Benefits, was amended to clarify the measurement of the defined benefit obligation for plans with a legislative, regulatory or contractual requirement to prepare a funding valuation. These amendments also apply to Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations. The amendments remove the accommodation to allow the use of a funding valuation for defined benefit plans without a funding valuation requirement. As a result, the non-registered supplemental executive retirement plans (SERP) will no longer be permitted to use the funding valuation basis and must instead be measured using plan-specific accounting valuations. There will be no change for McMaster's defined benefit registered pension plans and non-registered post-retirement and post-employment plans, each of which has a requirement (either legislative or contractual) to prepare a funding valuation and is permitted to continue using the funding valuation basis. The amendments are effective for financial statements relating to fiscal years beginning on or after January 1, 2022, and were applied to the University's financial statements for the year ended April 30, 2023. The effect of the change (related to the SERP) as at May 1, 2022 is nominal.

2. Investments:

Details of investments are as follows:

(thousands of dollars)	2023		2022	
	Fair value	Cost	Fair value	Cost
Equities:				
Canadian	$ 150,996	$ 136,947	$ 153,125	$ 140,085
United States	402,256	393,876	384,398	217,174
Non-North American	334,315	311,365	262,556	277,341
	887,567	842,188	800,079	634,600
Fixed income	612,807	655,670	677,567	733,580
Other	255,200	211,662	189,414	165,323
	1,755,574	1,709,520	1,667,060	1,533,503
Short-term investments	409,815	410,401	342,510	344,421
	$ 2,165,389	$ 2,119,921	$ 2,009,570	$ 1,877,924

Investments are exposed to foreign currency risk, interest rate risk, climate-related exposures and market volatility. The University manages these risks through policies and procedures in place outlining performance and decarbonization objectives and governing asset mix, equity and fixed income allocations, and diversification among and within categories.

Fixed income investments include medium-term investments of $327,731,000 (2022 - $342,835,000) which are part of working capital.

3. Accounts receivable:

(thousands of dollars)	2023	2022
Research grants	$ 123,243	$ 98,159
Students	15,490	13,997
Government grants	7,929	6,747
Other	31,495	39,245
	178,157	158,148
Less allowance for doubtful accounts	5,929	5,813
Balance, end of year	$ 172,228	$ 152,335

4. Loans receivable:

Included in loans receivable are the following items:

(thousands of dollars)	2023	2022
Gore Hamilton Spectator building acquisition loan	$ 11,500	$ 11,500
Gore demand loan	1,505	1,505
Gore demand loan operations	13,000	13,000
1000352106 Limited Partnership loan	15,325	-
McMaster MSF Holdings Inc.	806	-
	$ 42,136	$ 26,005

During the year, the University extended the $11,500,000 (2022 - $11,500,000) loan to Gore for an additional year. The loan has been extended to February 28, 2024. The loan bears a fixed interest rate of 2.54% (2022 - 2.54% fixed rate).

The University has a demand loan to Gore in the amount of $1,504,803 (2022 - $1,504,803) representing distribution of net earnings for 2021, 2020 and 2019 declared by the trust. The 2021 and 2020 loans of $148,804 and $313,190, respectively, bear interest at a fixed rate of 3% per annum. The 2019 loan of $1,042,809 is interest free. All three loans are payable at any time at the sole discretion of the lender.

The University has a non-revolving demand loan to Gore in the amount of $13,000,000 (2022 - $13,000,000). During the year ended April 30, 2021, the University approved a $13,000,000 non-revolving demand loan. The loan proceeds were provided in two separate draws. As of April 30, 2021, McMaster had provided $10,000,000. The remaining $3,000,000 was drawn during the fiscal year ended April 30, 2022. 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.

During the year, the University provided interim loan financing of $15,325,000 (2022 - $nil) to 1000352106 Limited Partnership (note 5).

During the year, the University provided a loan to McMaster MSF Holdings Inc. (note 5) of $806,000 (2022 - $nil). The loan was repaid in May 2023.

5. Other investments:

Details of other investments are as follows:

(thousands of dollars)	2023	2022
The Gore District Land Trust (a)	$ 13,478	$ 13,598
The First Longwood Innovation Trust (b)	3,200	7,065
Halton McMaster Family Health Centre (c)	4,720	4,720
KCAP Hamilton Grad LP (d)	16,512	16,512
1000352106 Limited Partnership (e)	6,096	-
Other Investments (f)	655	651
	$ 44,661	$ 42,546

Details of the equity pick-up (loss) on other investments are as follows:

(thousands of dollars)	2023	2022
The Gore District Land Trust (a)	$ (120)	$ 149
The First Longwood Innovation Trust (b)	(3,865)	(2,008)
	$ (3,985)	$ (1,859)

5. Other investments (continued):

(a) The Gore District Land Trust:

The Gore District Land Trust 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:

(thousands of dollars)		2023		2022
Balance, beginning of year	$	13,598	$	13,598
Equity (loss) earnings		(120)		149
Distribution		-		(149)
Balance, end of year	$	13,478	$	13,598

Pertinent information from The Gore District Land Trust's financial statements are as follows:

(thousands of dollars)		December 31, 2022		December 31, 2021
Total assets	$	41,877	$	43,929
Total liabilities	$	28,399	$	30,331
Total trusts' equity		13,478		13,598
	$	41,877	$	43,929
Results of operations:				
Total revenues	$	869	$	783
Total expenses		989		634
Net (loss) earnings	$	(120)	$	149
Cash flows:				
(Used in) provided by operating activities	$	(2,281)	$	2,826
Used in financing and investing activities		(200)		-
(Decrease) increase in cash	$	(2,481)	$	2,826

During the year, the University provided professional services to Gore at a fee which amounted to $10,000 (2022 - $10,000) and earned interest income of $695,960 (2022 - $550,824).

Subsequent to its year end, Gore, as the lessor, entered into a conditional land lease agreement on February 6, 2023 for the purpose of constructing and operating a hotel. A rent-free period will begin upon the commencement date up until substantial completion of the project. Lease payments will begin for a term of ninety-nine years once the rent-free period ceases. At the end of the term of the lease, and if Gore permits, there is an option for the lessee to continue operations as a monthly tenant.

(b) The First Longwood Innovation Trust:

The First Longwood Innovation Trust (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:

(thousands of dollars)		2023		2022
Balance, beginning of year	$	7,065	$	9,073
Equity loss		(3,865)		(2,008)
Balance, end of year	$	3,200	$	7,065

5. Other investments (continued):

(b) The First Longwood Innovation Trust (continued):

Included in Other assets in note 6 are two loans receivable from FLIT at April 30, 2023. One loan receivable in the amount of $1,318,370 (2022 - $1,391,983) and another loan receivable in the amount of $408,691 (2022 - $434,583).

The University is party to a Debt Service Deficiency Agreement as disclosed in note 16(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, 2023, $64,375 (2022 - $89,467) in income was recorded by the University.

Included in rent expense for the University for the year ended April 30, 2023 is $4,885,287 (2022 - $5,034,947). Included in accounts receivable at April 30, 2023 is $2,505,998 (2022 - $2,277,946) receivable from FLIT. Included in note 16(f) are $23,972,854 (2022 - $27,209,361) in operating lease commitments with FLIT.

During the year, the University provided payroll services at a fee which amounted to $13,200 (2022 - $13,200) and earned interest income of $36,196 (2022 - $21,743) on the accounts receivable balance.

Refer to (note 16(j)) for events subsequent to year end involving equity and upfront financing associated with the OmniaBio B Project.

Pertinent information from the First Longwood Innovation Trust's financial statements are as follows:

(thousands of dollars)	December 31, 2022	December 31, 2021
Total assets	$ 115,004	$ 116,625
Total liabilities	$ 111,804	$ 109,560
Total deferred capital grants	-	-
Total trusts' equity	3,200	7,065
	$ 115,004	$ 116,625
Results of operations:		
Total revenues	$ 16,364	$ 14,634
Total expenses	20,229	16,642
Net earnings	$ (3,865)	$ (2,008)
Cash flows:		
(Used in) provided by operating activities	$ (542)	$ 6,645
Provided by (used in) financing and investing activities	326	(5,740)
(Decrease) increase in cash and short-term investments	$ (216)	$ 905

(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.

(d) KCAP Hamilton Grad LP:

McMaster holds an equity contribution of $16,512,000 (2022 - $16,512,000) representing a 50% interest in a partnership for two developments in downtown Hamilton. At April 30, 2023, $12,612,000 (2022 - $12,612,000) has been contributed to the McMaster Graduate Student Residence (note 16(h)) located at 10 Bay Street, Hamilton. The contribution is to fund construction development costs. At April 30, 2023, $3,900,000 (2022 - $3,900,000) is McMaster's equity contribution to acquire the property located at 22 Bay Street, Hamilton.

5. Other investments (continued):

(e) 1000352106 Limited Partnership:

During the year, the University made an equity contribution of $6,096,000 (2022 - $nil) to a partnership for a development (note 16(j)) located on the west quadrant of the McMaster Innovation Park lands. At April 30, 2023, the University holds 100% interest in the partnership.

(f) Other investments:

Other investments consist primarily of shares in privately held companies in which McMaster does not have significant control or influence, recorded at cost.

Also included is McMaster MSF Holdings Inc. ("MMHI"), a private company owned by the University. The company's principal activity is providing consulting services related to research investments. MMHI has a fiscal year end of December 31st and paid no financial transactions from incorporation in November 2021 to April 30, 2023. Included in loans receivable (note 4) at April 30, 2023, was an amount of $806,000 (2022 - $nil) owing from MMHI.

6. Other assets:

Details of other assets are as follows:

(thousands of dollars)	2023	2022
Loans receivable (a)	$ 1,928	$ 2,023
Collections (b)	-	-
	$ 1,928	$ 2,023

(a) Loans receivable:

The University has a long-term loan receivable from First Longwood Innovation Trust (FLIT), operating as McMaster Innovation Park (MIP), in the amount of $1,318,370 (April 30, 2022 - $1,391,933). The loan has a 15-year amortization period and bears interest at a fixed rate of 3%.

The University has a loan receivable from FLIT in the amount of $408,691 (2022 - $434,583). 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.

The University has a loan receivable from a lessee in the amount of $196,875 (2022 - $196,875) for lease fit-out costs as of April 30, 2023.

(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 $566,796 (2022 - $407,310).

7. Capital assets:

(thousands of dollars)	Cost	Accumulated amortization	2023 Net
Land	$ 89,747	$ -	$ 89,747
Buildings and building components	1,626,779	582,116	1,044,663
Decommissioning retirement costs	5,939	1,467	4,472
Site improvements	30,687	19,331	11,356
Leasehold improvements	81,184	35,733	45,451
Library materials	235,016	205,990	29,026
Equipment, furnishings and vehicles	459,946	364,414	95,532
Computing systems and computing equipment	147,934	101,959	45,975
	$ 2,677,232	$ 1,311,010	$ 1,366,222

(thousands of dollars)	Cost	Accumulated amortization	2022 Net
Land	$ 88,741	$ -	$ 88,741
Buildings and building components	1,511,602	550,345	961,257
Decommissioning retirement costs	5,967	1,279	4,688
Site improvements	30,687	18,088	12,599
Leasehold improvements	81,004	31,378	49,626
Library materials	222,939	195,043	27,896
Equipment, furnishings and vehicles	431,940	350,302	81,638
Computing systems and computing equipment	149,404	99,787	49,617
	$ 2,522,284	$ 1,246,222	$ 1,276,062

Included in buildings and building components is $209,612,000 (2022 - $146,463,000) representing buildings currently under construction and not available for use or subject to amortization.

During the year, capital asset additions amounted to $180,530,000 (2022 - $132,984,000). Of these additions, $143,715,000 (2022 - $109,591,000) were financed with internally restricted net assets (note 13), $36,800,000 (2022 - $20,700,000) were financed with deferred capital contributions (note 11), and $nil (2022 - $2,700,000) were financed with decommissioning obligations (note 9).

8. 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 $5,877,000 (2022 - $4,919,000).

9. Long-term obligations:

Details of long-term obligations are as follows:

(thousands of dollars)					2023	2022
	Maturity	Interest rate	Current portion	Non-current portion	Total outstanding	Total outstanding
Long term debt:						
Bank term loan (a)	May 2033	floating	858	10,893	11,751	12,558
Debentures (b)	Jun 2051	3.255%	-	25,000	25,000	25,000
Debentures (c)	Oct 2052	6.15%	-	120,000	120,000	120,000
Debentures (d)	Nov 2065	4.105%	-	120,000	120,000	120,000
Debentures (e)	Jun 2071	3.405%	-	125,000	125,000	125,000
			858	400,893	401,751	402,558
Decommissioning obligations (f)			-	19,482	19,482	18,637
			$ 858	$ 420,375	$ 421,233	$ 421,195

Principal payments due in each of the following five years are as follows (in thousands of dollars):

2024	858
2025	915
2026	975
2027	1,039
2028	1,107

(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) In June 2021, the Board approved the issuance of up to $25 million in Senior Unsecured Series C Debentures. The $25 million debentures, which are unsecured, bear interest at 3.255% per annum payable semi-annually in June and December. The proceeds of the issue are being used to finance and/or re-finance various green projects as directed or approved by the Board of Governors.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 12(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, 2023 amounted to $6,391,000 (2022 - $5,945,000).

(c) 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 12(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, 2023 amounted to $27,628,000 (2022 - $25,727,000).

9. Long-term obligations (continued):

(d) 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 12(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, 2023 amounted to $15,950,000 (2022 - $14,846,000).

(e) In June 2021, the Board approved the issuance of up to $125 million in Senior Unsecured Series B Debentures. The $125 million debentures, which are unsecured, bear interest at 3.405% payable semi-annually in June and December. The 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.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 12(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, 2023 amounted to $8,722,000 (2022 - $8,115,000).

(f) 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, 2023, the fair value of the trust funds amounted to $15,893,000 (2022 - $14,452,000). The net present value of the estimated cost for decommissioning at April 30, 2023 is $18,675,000 (2022 - $17,802,000) 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, 2023, the amount of the obligation was $807,000 (2022 - $835,000), a decrease of $28,000 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.

(g) 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 9(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:

(thousands of dollars)	2023		2022	
	Notional value	Fair value	Notional value	Fair value
30-year interest rate swap	$ 11,751	$ (1,750)	$ 12,558	$ (2,236)

The change in fair value of the swap for the year ended April 30, 2023 is $486,000 (2022 - $1,721,000).

10. 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.

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:

(thousands of dollars)	2023			
	Pension			
	Registered	Supplemental	Other	Total
Accrued benefit obligation	$ 2,433,082	$ 54,590	$ 277,648	$ 2,765,320
Fair value of plan assets	2,501,564	-	-	2,501,564
Funded status - surplus (deficiency)	$ 68,482	$ (54,590)	$ (277,648)	$ (263,756)

(thousands of dollars)	2022			
	Pension			
	Registered	Supplemental	Other	Total
Accrued benefit obligation	$ 2,369,309	$ 65,371	$ 268,882	$ 2,703,562
Fair value of plan assets	2,427,848	-	-	2,427,848
Funded status - surplus (deficiency)	$ 58,539	$ (65,371)	$ (268,882)	$ (275,714)

(b) Information on the benefit expense is as follows:

(thousands of dollars)	2023			
	Pension			
	Registered	Supplemental	Other	Total
Current service cost	$ 38,064	$ 37	$ 7,036	$ 45,137
Interest cost (income), net	(2,977)	3,030	13,665	13,718
	$ 35,087	$ 3,067	$ 20,701	$ 58,855

(thousands of dollars)	2022			
	Pension			
	Registered	Supplemental	Other	Total
Current service cost	$ 40,665	$ 39	$ 7,100	$ 47,804
Interest cost (income), net	(10,481)	3,845	15,932	9,296
	$ 30,184	$ 3,884	$ 23,032	$ 57,100

10. Employee future benefits (continued):

(c) Information on remeasurements and other items is as follows:

(thousands of dollars)	2023			
	Pension			
	Registered	Supplemental	Other	Total
Investment gain (loss)	$ (47)	$ -	$ -	$ (47)
Valuation allowance	(4,333)	-	-	(4,333)
Actuarial gain (loss) on accrued benefit obligation	13,658	8,106	2,279	24,043
	$ 9,278	$ 8,106	$ 2,279	$ 19,663

(thousands of dollars)	2022			
	Pension			
	Registered	Supplemental	Other	Total
Investment gain (loss)	$ (262,982)	$ -	$ -	$ (262,982)
Valuation allowance	5,950	-	-	5,950
Actuarial gain (loss) on accrued benefit obligation	105,864	2,899	33,325	142,088
	$ (151,168)	$ 2,899	$ 33,325	$ (114,944)

(d) Information on the pension plan assets includes the following:

	Percentage of fair value of total plan	Target allocation percentage
Equity securities	67.0%	65.0%
Debt securities	32.7%	35.0%
Other	0.3%	0.0%

(e) The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	Pension	Other
Discount rate	5.10%	5.13%
Rate of compensation increase	3.9%	-

(f) The significant actuarial assumptions adopted in measuring the net benefit expense are as follows:

	Pension	Other
Discount rate	5.08%	5.08%
Rate of compensation increase	3.98%	-

(g) Details of annual contributions and benefits paid are as follows:

(thousands of dollars)	2023		2022	
	Pension	Other	Pension	Other
Employer contributions	$ 41,494	$ 9,656	$ 58,146	$ 8,112
Employee contributions	32,078	-	30,161	-
Benefits paid	119,346	9,656	124,302	8,112

10. Employee future benefits (continued):

(h) The respective plans actuarial valuation for funding purposes completion and filing dates are as follows:

- hourly rated employee pensions: completed as at July 1, 2022, the next required filing date is July 1, 2025.
- salaried employees' pensions: completed as at July 1, 2021, the next required filing date is July 1, 2024.
- other (post-retirement benefit): completed as at March 31, 2023; the next valuation date is March 31, 2024.
- other (post-employment and retirement allowance): completed as at April 30, 2023.

The results of valuations not completed as of April 30, 2023 have been extrapolated to April 30, 2023, which is the measurement date used to determine the accrued benefit obligation for all employee future benefit plans.

(i) In 2008, the University created a group RRSP for certain types of new employees. University and employees' contributions in 2023 amounted to $6,659,000 (2022 - $5,453,000). In 2023, the University had 835 members (2022 - 704).

(j) The University has internally restricted reserves set aside in the amount of $212,729,000 (2022 - $191,955,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan included in (note 12(b)).

11. 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:

(thousands of dollars)	2023	2022
Balance, beginning of year	$ 481,991	$ 437,990
Deferred contributions received	448,272	378,356
	930,263	816,346
Less:		
Amounts recognized as revenue	(346,805)	(315,111)
Deferred capital contributions transfer	(36,620)	(19,244)
Balance, end of year	$ 546,838	$ 481,991

Deferred contributions consist of the following:

(thousands of dollars)	2023	2022
Research grants and contracts	$ 366,249	$ 307,693
Donations, other grants and investment income	158,207	151,655
Other restricted funds	22,382	22,643
	$ 546,838	$ 481,991

11. Deferred contributions (continued):

(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:

(thousands of dollars)	2023	2022
Balance, beginning of year	$ 462,102	$ 480,736
Add: contribution received and transfers	42,590	26,219
Less: amount amortized to revenue	(46,832)	(44,853)
Balance, end of year	$ 457,860	$ 462,102

Deferred capital contributions consist of the following:

(thousands of dollars)	2023	2022
Amounts subject to amortization	$ 440,115	$ 450,105
Amounts not subject to amortization	17,745	11,997
	$ 457,860	$ 462,102

12. Internally restricted net assets:

Details of internally restricted net assets are as follows:

(thousands of dollars)	2023	2022
Pensions (a)	$ (15,687)	$ (45,518)
Other retirement and post employment benefit plans (net) (b)	(64,919)	(76,927)
Employee future benefits	(80,606)	(122,445)
Unexpended departmental carryforwards (c)	261,672	226,774
Unexpended research funds (d)	67,760	58,506
Employee benefit (e)	6,300	9,850
Ancillaries (f)	278	(3,277)
Specific purpose (g)	89,111	61,517
Research investments (h)	3,101	2,102
MIP investment (i)	(1,763)	2,223
Other (j)	15,135	12,243
Sinking funds (k)	58,691	54,633
Internally financed capital projects (l)	(102,623)	(103,205)
Capital reserves (m)	282,688	258,898
Facilities services projects (n)	44,176	122,254
Other internal reserves	724,526	702,518
	$ 643,920	$ 580,073

12. Internally restricted net assets (continued):

(a) Pensions: the net pension funding position, determined by a third party actuary.

(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 $277,648,000 (2022 - $268,882,000), net of employer committed funding held in internal reserves of $212,729,000 (2022 - $191,955,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan (note 10(j)).

(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:

(thousands of dollars)	2023	2022
Unexpended departmental carryforwards (c)	$ 261,672	$ 226,774
Ancillaries (f)	278	(3,277)
Employee benefit (e)	6,300	9,850
Pensions (a)	(15,687)	(45,518)
Other retirement and post employment benefit plans (b)	(64,919)	(76,927)
	$ 187,644	$ 110,902

(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: deficits accumulated are repaid by the ancillaries and surplus funds accumulated are for reinvestment into ancillary infrastructure or systems projects to advance ancillary operations.

(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 2023, $7.5 million (2022 - $7.5 million) was transferred 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 (loss) 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, $25 million due in 2051 and $125 million due in 2071.

12. Internally restricted net assets (continued):

(l) Internally financed capital projects: long term loans for capital projects which have been internally financed by capital reserves as outlined in note 12(m).

Details of the internally financed capital projects which have various recovery terms and periods are as follows:

(thousands of dollars) Project	Funding source	April 30, 2023 balance
Stadium	Pledges, fundraising	$ (6,074)
Les Prince Residence	Ancillary operations	(11,925)
David Braley Athletic Centre	Student levies, pledges, fundraising	-
Peter George Centre for Living and Learning	Ancillary operations	(45,236)
Parking Consolidation Loan	Parking	(9,829)
McMaster Automotive Resource Centre (MARC)	Various	(4,297)
McMaster University Medical Centre (MUMC)	Various	(1,438)
Comprehensive Energy Reduction Program	Various	(22,294)
Biomedical Engineering and Advanced Manufacturing (BEAM)	Various	(522)
Other	Various	(1,008)
		$ (102,623)

(thousands of dollars) Project	Funding source	April 30, 2022 balance
Stadium	Pledges, fundraising	$ (6,660)
Les Prince Residence	Ancillary operations	(12,411)
David Braley Athletic Centre	Student levies, pledges, fundraising	(638)
Peter George Centre for Living and Learning	Ancillary operations	(45,885)
Parking Consolidation Loan	Parking	(5,648)
McMaster Automotive Resource Centre (MARC)	Various	(4,747)
McMaster University Medical Centre (MUMC)	Various	(1,938)
Comprehensive Energy Reduction Program	Various	(23,109)
Biomedical Engineering and Advanced Manufacturing (BEAM)	Various	(597)
Other	Various	(1,572)
		$ (103,205)

(m) Capital reserves: funds for planned capital projects committed and confirmed by governance approvals, as outlined in note 16(d). During the year, $1.0 million (2022 - $136.1 million) was transferred to capital reserves from equity in capital assets.

(n) Facilities services projects: holding accounts for temporarily unspent funds for construction projects in progress.

13. Equity in capital assets:

The equity in capital assets is calculated as follows:

(thousands of dollars)	2023	2022
Capital assets	$ 1,366,222	$ 1,276,062
Less amounts financed by:		
Net long-term obligations	(403,552)	(404,386)
Deferred capital contributions subject to amortization	(440,115)	(450,105)
	$ 522,555	$ 421,571

Details of the transfer for capital transactions are as follows:

(thousands of dollars)	2023	2022
Repayment of long-term debt	$ 807	$ 756
Capital asset purchases from operating, net of disposals	143,715	109,591
	$ 144,522	$ 110,347

14. Endowments:

(a) Internal:

Details of the change in internally restricted endowments are as follows:

(thousands of dollars)	2023	2022
Balance, beginning of year	$ 156,615	$ 171,813
Donations	151	40
Investment income (loss)	10,360	(9,510)
Net transfers and expenses	(6,050)	(5,728)
Balance, end of year	$ 161,076	$ 156,615

Included in internal endowments is an amount of $72,425,000 (2022 - $70,778,000) reflecting the legacy of Dr. H. L. Hooker and $69,527,000 (2022 - $67,406,000) 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.

(b) External:

Details of the change in externally restricted endowments are as follows:

(thousands of dollars)	2023	2022
Balance, beginning of year	$ 548,379	$ 584,403
External contributions	32,640	20,619
Income retained (withdrawn) - capital protection policy	8,413	(56,643)
Balance, end of year	$ 589,432	$ 548,379

Investment income (loss) on external endowments amounted to $31,608,000 (2022 - $(36,431,000)). 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 $23,197,000 (2022 - $20,214,000), plus net transfers of $3,000 (2022 - $2,000). The amount made available for spending is recorded as investment income in the statement of operations.

15. Net change in other non-cash working capital:

Details of the change in other non-cash working capital is as follows:

(thousands of dollars)	2023	2022
Accounts receivable	$ (19,893)	$ (27,854)
Inventories	(2,127)	616
Prepaid expenses and deposits	5,213	(4,719)
Accounts payable and accrued liabilities	31,333	13,807
Deferred revenue	(3,555)	2,380
Balance, end of year	$ 10,971	$ (15,770)

16. 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, 2023 was $16.4 million (2022 - $17.4 million). Since the agreement may expire without being drawn upon, it does not necessarily represent future cash requirements. As of April 30, 2023, 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 $209.4 million at April 30, 2023 (2022 - $249.1 million). The major commitments are as follows: McLean Centre ($98.1million), PeakShavers and Boilers project ($17.0 million) and ETC Boiler Replacement ($15.3 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, 2023, the University's remaining share of the costs are estimated to be $5.7 million (2022 - $6.7 million). Payments to IHS will take place up to 2029.

16. 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:

(thousands of dollars)	
2024	$ 8,694
2025	8,629
2026	8,620
2027	6,842
2028	6,885

(g) McMaster Main Street Student Residence:

The University has agreed to acquire a 16% interest in Hamilton Undergrad Limited Partnership 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. The residence project is designed to be a public-private partnership project. At April 30, 2023, $16.4 million (2022 - $16.3 million) is recorded in land, which will be contributed to the partnership. The project is expected to be completed by the fall of 2026. The residence will be managed, operated and used by the University to support its mission as part of the housing ancillary operation.

(h) Grad Residence and Parking Garage:

The University has a 50% interest in KCAP Hamilton Grad LP (note 5(d)), a public-private partnership to provide a new graduate residence with approximately 640 beds and a 265 space parking garage in downtown Hamilton. The residence will open in September 2023 and will be managed, operated and used by the University to support its mission as part of the housing ancillary operation. To support this project the University has entered into a 99 year land lease effective October 1, 2019, with four 25 year renewal options.

The parking garage is being constructed as part of the residence and will be 100% McMaster owned, internally financed and maintained as part of the parking ancillary operation. Construction costs on the parking garage at April 30, 2023 amounted to $20.9 million (April 30, 2022 - $10.1 million).

(i) Research Commercialization:

In June 2017, the Board approved an investment of up to $25 million in leasehold improvements to 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. Since then, the Board has approved additional investments up to $45 million. These facilities investments are in support of research commercialization opportunities for early stage commercialization and established businesses. Construction on this space continues and third party tenants moved into the space in fiscal 2021. Of the total $70 million approved investment, $66.7 million has been spent and included in capital assets, as of April 30, 2023 (2022 - $48.2 million).

16. Commitments and contingencies (continued):

(j) McMaster Innovation Park:

In June 2023, the Board of Governors approved the investment of up to $16.5 million in equity in the 1000352106 Limited Partnership, for the OmniaBio B Project. In June 2023, the Board of Governors approved an increase to a maximum of $85 million for the interim loan financing to 1000352106 Limited Partnership to complete the project.

Pursuant to the 2022 approval of the Board of Directors, the University will enter into a letter of intent to acquire a leasehold interest in the existing Portal Project from MIP for $14 million, with a closing date no later than December 31, 2024.

17. Other income:

Details of other income are as follows:

(thousands of dollars)	Major Sources	2023	2022
Faculty of Health Sciences	Non-degree educational fees, specifically funded programs, international postgraduates stipends, space/equipment rentals, other student fees	$ 70,143	$ 64,483
Other Faculties	Non-degree educational fees, international postgraduate stipends, space/equipment rentals, other student fees	12,299	6,984
Academic Services	Contracts and patent royalties, registrar administration fees	13,842	14,354
Student Services	Athletics and Recreation memberships and user fees	25,082	21,669
Miscellaneous	Nuclear reactor sales, application fees, late payment fees, sales of utilities and other departmental sales	25,066	22,500
Other Investment Income	Gore, FLIT and all private or publicly traded entities	(1,092)	1,906
		$ 145,340	$ 131,896

18. Related party transactions:

In addition to certain transactions and balances disclosed in note 5, the University received funds of approximately $3,736,000 (2022 - $10,880,000) during the year from Friends of McMaster Incorporated.

19. 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 2023. 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 2023.

19. Financial risks and concentration of credit risk (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterpart 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 9.

(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 2022.

20. 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:

(thousands of dollars)	2023	2022
Endowment balance, beginning of year	$ 33,402	$ 31,179
Investment income retained for protection of capital	3,025	2,463
Investment income transferred to expendable income	(296)	(240)
Endowment balance, end of year	36,131	33,402
Funds available for awards, beginning of year	-	-
Investment income	1,769	1,670
Bursaries awarded (2023 - 1,714 awards; 2022 - 1,384 awards)	(2,064)	(1,910)
Investment income transferred from endowment balance	295	240
Funds available for awards, end of year	-	-
Total funds at book value	$ 36,131	$ 33,402

The market value of the endowment as at April 30, 2023 was $42,142,000 (2022 - $41,019,000).

20. Ontario student opportunity trust fund (continued):

(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:

(thousands of dollars)	2023	2022
Endowment balance, beginning of year	$ 6,744	$ 6,182
Investment income retained for protection of capital	1,220	562
Endowment balance, end of year	7,964	6,744
Funds available for awards, beginning of year	120	79
Investment income for expenditures	316	299
Bursaries awarded (2023 - 486 awards; 2022 - 263 awards)	(326)	(258)
Funds available for awards, end of year	110	120
Total funds at book value	$ 8,074	$ 6,864

The market value of the endowment as at April 30, 2023 was $7,648,000 (2022 - $7,534,000).

21. 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:

(thousands of dollars)	2023	2022
Endowment balance, beginning of year	$ 44,235	$ 40,307
Investment income retained for protection of capital	8,281	3,928
Endowment balance, end of year	52,516	44,235
Funds available for awards, beginning of year	732	753
Investment income for expenditures	1,889	1,793
Bursaries awarded (2023 -742 awards; 2022 - 563 awards)	(2,038)	(1,814)
Funds available for awards, end of year	583	732
Total funds at book value	$ 53,099	$ 44,967

The market value of the endowment as at April 30, 2023 was $56,418,000 (2022 - $55,130,000).

22. Pledges:

Outstanding but unrecorded pledges for donations and other fund raising amounted to approximately $105,000,000 (2022 - $97,000,000) (Unaudited).

GOVERNANCE BODY	Audit & Risk Committee for approval, PRC for information
ITEM/SUBJECT	2023 Financial Risk Report
DATE	
LEAD(S)	Lil Scime, Interim CFO Steven Moore, Treasurer Lou Mitton, Controller
GOVERNANCE PATH	PRC, Board of Governors
MOTION *(If this is for information only, please note here)*	For Information
JURISDICTION **(If applicable)** **include associated bylaw or policy*	
SUPPLEMENTAL MATERIALS	Financial Risk Summary Report including • Currency/Foreign Exchange Risk • Investment Risk • Interest Rate Risk • Liquidity Risk • Credit Risk • Debt Management Risk – Capital and Debt Management • Debt Management Risk – Off-Balance Sheet Risk

EXECUTIVE SUMMARY

This report aims to identify and assess the key financial risks, associated risk mitigation strategies, and action plans to address gaps and residual risk levels. In fiscal 2023, McMaster introduced and approved an updated Enterprise Risk Management (ERM) Framework including an ERM Taxonomy. This 2023 Financial Risk Report aligns the traditional financial risk reporting with the new ERM Framework.

Alignment of the financial risk reporting with the refreshed ERM framework enables the university and Board of Governors to assess the level of financial risk within the context of the key university-level risks. Separately reporting the financial risks in this report ensures visibility on financial risks that may not rank highly in the university-wide heat map.

BACKGROUND

The updated approved ERM Taxonomy defines financial risks as those risks arising from the potential negative impact on the university's financial health and sustainability due to market fluctuations and factors affecting liquidity risk, credit risk, interest rate risk, foreign exchange risk, debt management, and investment risks. Enterprise Risk Management assesses and manages financial risks to ensure the adequacy of financial resources and processes to operate, invest, and grow while protecting against potential financial losses.

This Financial Risk Report addresses the following ERM financial category risks for which Financial Affairs is the risk owner and primary risk leader in the University.

• Credit risk	• Currency/Foreign Exchange Risk
• Interest Rate Risk	• Debt Management Risk – Capital & Management
• Liquidity Risk	• Debt Management Risk – Off Balance Sheet
• Investment Risk	

The development of the refreshed ERM framework and tools provided the opportunity for the finance team to further standardize their financial risk assessment and quantification. Each of the above risks has been reviewed and is reported in alignment with the new proposed ERM templates and risk level assessments. A full risk profile has been completed for each of the risks. The attached ERM Financial Risk Summary report provides a one-page summary of detailed profiles for each risk.

STRATEGIC ALIGNMENT

The updated ERM Framework was developed in the Strategic Plan and Strategic Priorities context. The identification of primary risk owners clarifies the accountability for risk management and reporting.

Effective management of financial risk contributes directly to the Operational Excellence strategic direction for financial stewardship.

Alignment of the financial risk reporting with the ERM framework enables the University and Board to assess the level of financial risk within the context of the key university-level risks.

As the refreshed ERM continues to be implemented, additional financial risks in the Risk Taxonomy will be assessed with our university partners and reported to the Audit and Risk committee using this standardized reporting template. Examples of these risks which have been mentioned in previous Finance Risk Reports include:

- Macroeconomic, Strategy & Execution, Budget Model & Resource allocation, Government Policy, Climate Change & Climate Related Events

RECOMMENDATIONS AND NEXT STEPS

Continue to refine the integration of financial risk reporting with the ERM framework including the risks noted above. Begin to incorporate ERM heat map results and strategies into the risk assessment included in the Multi-Year Financial Plan and Debt Strategy. Report on changes to the financial risk assessments and progress of action plans to address gaps annually to the PRC and ARC

Questions:

Does the one-page risk summary provide sufficient information to understand the risk assessment, management, and level of residual risk for each identified risk?

BRIGHTER WORLD

Finance Risks Summary

Fall 2023

Financial Risks Summary *

- Currency / Foreign Exchange
- Investment
- Interest Rate
- Liquidity
- Credit
- Capital & Debt Management
- Off-Balance Sheet

* Refer to page 10 for inherent risk sources and drivers for each risk

Financial Risks

Risk Name: Currency Exchange Risk			
Risk Category & Subcategory	Financial - Currency/Foreign Exchange Risk	**Risk Level (Residual)**	Low
Report Date	September 2023	**Impact (Residual)**	High
Strategy Linkage	Operational Excellence, Research & Scholarship	**Likelihood (Residual)**	Very Low
Board Committee	PRC, Investment Pool Committee, Pension Trust Committee	**Risk Owner**	Lilian Scime, AVP & CFO
Risk Description: The risk of currency fluctuations negatively impacting investments and expenditures denominated in foreign currencies, adversely impacting the institution’s financial sustainability, investment portfolio and achievement of strategic objectives.			
Controls & Risk Mitigation Strategies in Place:		**Constraints:**	
1. Foreign exchange risk from operations is managed by maintaining a target of USD $5 million. Amounts received in excess are converted to CAD unless USD expenses are anticipated. Amounts more than the USD $5 million target may be held to support expected USD payment requirements associated with USD purchases. 2. Investment pool foreign currency equities have a minimum hedge target of 20%. 3. Pension plan foreign currency equities have a hedge target of 50% +/-5%.		None identified	
Risk Monitoring:		**Action Plan to Address Control Gaps:**	
1. Operating foreign currency exposure is monitored by the Investments team within Treasury 2. Investment pool and Pension Trust Committee quarterly hedge ratio compliance actions taken as needed. 3. Investment pool and Pension Plan exposure to foreign equities is reviewed when investment strategy and asset mix changes are recommended and approved by the Board of Governors.		Continue to monitor, assess and control risk, as outlined in controls/mitigations and monitoring sections	

Financial Risks

Risk Name: Investment Risk

Risk Category & Subcategory	Financial - Investment Risk	**Risk Level (Residual)**	Medium
Report Date	September 2023	**Impact (Residual)**	Medium
Strategy Linkage	Operational Excellence	**Likelihood (Residual)**	Medium
Board Committee	Investment Committee (IC) Pension Trust Committee (PTC), Hourly Pension Committee, Planning and Resource Committee (PRC)	**Risk Owner**	Lilian Scime, AVP & CFO

Risk Description: That McMaster will have reduced funding for operations, trust spending and/or increased pension liabilities if investments do not achieve target rates of return

Controls & Risk Mitigation Strategies in Place:	**Constraints:**
1. The Investment Pool Statements of Investment Policies and Procedures (SIPP) including asset mix, approved investments and investment mandates are approved by the Board. The asset mix expresses the risk tolerance and is implemented to exceed the benchmark and real return target rates of return at acceptable risk over the long term. 2. Limit the reliance of the University's operations on investment income to operate its core business due to the inherent volatility of investment returns 3. A specific purpose investment reserve maintains a minimum balance of $50 m to mitigate volatility of investment returns vs. target for the investment pool. Endowments use a preservation of capital account to manage fluctuation in returns from the target. 4. Defined Benefit Pension Plan Statements of Investment Policies and Procedures (SIPP) are approved by the Board and are based on pension plan asset/liability and investment strategy reviews that align risk tolerance with funding and benefit payment requirements. 5. Approved Investment Pool and Pension plan investment strategies outline performance objectives and are diversified to limit exposure to asset classes, individual investments, and managers.	1. Investing has inherent risks that are not controllable. Uncontrollable risks relate to macro-socio and geopolitical factors that may have adverse impact on volatility and returns.

Risk Monitoring:	**Action Plan to Address Control Gaps:**
1. Regular monitoring and benchmarking by the investment team and Aon (investment consultant) and Board Committees.	1. Investment Strategy Update – Based on the Endowment sustainability (payout) and climate risk review.

Financial Risks

Risk Name: Interest Rate Risk			
Risk Category & Subcategory	Financial – Interest Rate Risk	**Risk Level (Residual)**	Medium
Report Date	September 2023	**Impact (Residual)**	Medium
Strategy Linkage	Operational Excellence	**Likelihood (Residual)**	Medium
Board Committee	Audit & Risk Committee of the Board	**Risk Owner**	Lilian Scime, AVP & CFO

Risk Description: The potential adverse impact to revenues and expenses and/or economic value due to a change interest rates, including the risk that obligations materially change if **interest rates decline (e.g. actuarial liabilities post-retirement benefits)** or increase (e.g. through our net investment in MIP - external variable rate debt).

Controls & Risk Mitigation Strategies in Place:	Constraints:
1. Investment strategy and investment policies (SIPP) reflect asset-liability studies and agreed-upon risk tolerance associated with risks including interest rate risks. 2. Defined Pension Plan membership has been limited to a subset of employee/faculty groups (TMG is provided with a group RRSP instead of a defined pension plan). 3. Mitigate exposure to refinancing risk associated with higher interest rates when fixed-rate debt comes due with sinking funds that mature at debt value.	1. Cost prohibitive and impractical to eliminate interest sensitivity due to the length and nature of pension liabilities (contingent COLA adjustment).
Risk Monitoring:	**Action Plan to Address Control Gaps:**
1. Periodic monitoring of pension valuations captures changes in assumptions including interest rates between triennial valuations and asset liability studies. 2. Quarterly monitoring of investment strategy.	1. Continue to monitor plan status on a quarterly basis. 2. Asset/Liability Study -implement recommendations to revise the Investment Strategy to further reduce risk while maintaining return expectations.

Financial Risks

Risk Name: Liquidity Risk

Risk Category & Subcategory	Financial – Liquidity Risk	**Risk Level (Residual)**	🟩 Low
Report Date	September 2023	**Impact (Residual)**	Low
Strategy Linkage	Operational Excellence	**Likelihood (Residual)**	Low
Board Committee	Investment Pool Committee, PRC	**Risk Owner**	Lilian Scime, AVP & CFO

Risk Description: The risk that the university may be unable to generate sufficient cash or its equivalents in a time and cost-effective manner to meet our commitments as they come due, resulting in financial impacts, damage to credit rating, damage to reputation.

Controls & Risk Mitigation Strategies in Place:	**Constraints:**
1. Daily cash flow forecasting utilizing real-time information on expected cash inflows and outflows in the Treasury portfolio. 2. Mid-term cash flow forecasting to inform investment strategies. 3. Maintenance of medium-term fixed-income investments ($325 m) that can be converted to cash within 3 business days, which are part of working capital. 4. Maintenance of a committed credit facility ($75 m), and a strong debt rating to support new debt issuance if needed. 5. Cash and Short-term Investments Statement of Investment Policies and Guidelines, which include credit and term limits, is approved by the Board annually.	1. Complexity of financial planning across the university.
Risk Monitoring:	**Action Plan to Address Control Gaps:**
1. Regular reporting of liquidity indicators – the target is sufficient cash and short-term investments to cover three months' needs for current expenses (minimum target range of $200-$300 m). 2. Daily and regular liquidity monitoring and reporting of consolidated cash and liquidity position. 3. Reporting to the Chief Financial Officer. 4. Annual attestation to PRC confirming McMaster has sufficient cash and liquid investments to satisfy its obligations.	1. Mid and long-term cash flow planning processes are currently being refined to better integrate financial planning models (operating, capital and research) with cash planning.

Financial Risks

Risk Name: Credit Risk

Risk Category & Subcategory	Financial – Credit Risk	**Risk Level (Residual)**	Medium
Report Date	September 2023	**Impact (Residual)**	Medium
Strategy Linkage	Operational Excellence	**Likelihood (Residual)**	Low
Board Committee	ARC, PRC	**Risk Owner**	Lilian Scime, AVP & CFO

Risk Description: The risk of loss associated with an obligator’s potential inability or unwillingness to fulfill its contractual obligations on a timely basis, resulting in adverse impacts to the university’s financial position.

Controls & Risk Mitigation Strategies in Place:	**Constraints:**
1. Student credit risk is controlled by setting limits per account, withholding degrees on outstanding accounts, and utilizing third-party collections. 2. Loans receivable from MIP and others are controlled by the requirement for Board Approval and business plans. 3. Research grant receivables – the majority is from government and government agencies that have a strong credit rating and credit capacity to pay on a timely basis. Non-government grantors are well diversified. 4. The relatively new MacBill system automates billing and assists with identifying aging and collection issues for other receivables which are highly diversified. 5. Complete/partial ownership of partnerships allows McMaster to exert control or partial control of credit processes to help mitigate credit risk exposure.	1. Decentralized billing processes, partly centralized through new MacBill system.

Risk Monitoring:	**Action Plan to Address Control Gaps:**
1. Regular aging and assessment of accounts receivable. 2. Provide for allowance for doubtful accounts for amounts deemed not collectible ($6m). 3. Research receivables are monitored by Research Finance and PRC receives an outstanding receivables & overdraft report. 4. MIP receivables are monitored through board participation and regular staff-to-staff interactions. 5. Loans are included in Central Bank reporting.	1. Review of Residual Receivables.

Financial Risks

Risk Name: Debt Management Risk			
Risk Category & Subcategory	Financial - Capital & Debt Management	**Risk Level (Residual)**	Medium
Report Date	September 2023	**Impact (Residual)**	Medium
Strategy Linkage	Operational Excellence	**Likelihood (Residual)**	Low
Board Committee	Planning & Resource Committee of the Board	**Risk Owner**	Lilian Scime, AVP & CFO

Risk Description: The risk of inadequate: assessment of the institution's debt capacity, management of refinancing risk, optimization of debt structure and debt result in negative impacts on financial sustainability and achievement of strategic objectives.

Controls & Risk Mitigation Strategies in Place:	Constraints:
1. The Board-approved Debt Management Policy outlines the strategic use of debt, sets out capacity and affordability guardrails, and governs the overall management of debt. 2. The annual Debt Strategy report which recommends debt capacity is based on the multi- year (10 years) financial plan which includes scenario modelling of potentially material enterprise risks. 3. Capital and other strategic investments are prioritized by internal committees and aligned with available or recommended debt capacity. 4. Sinking fund investments are governed by the Investment Pool Statement of Investment Policies and Objectives. 5. Sinking fund adequacy and debt covenant compliance are monitored and tracked in the Treasury portfolio. 6. Debt guardrails include internal debt.	1. Pressure on our credit rating from provincial or other university negative trends. 2. Influence of debt/student ratio in credit rating limits increases in debt under the current corridor method.
Risk Monitoring:	**Action Plan to Address Control Gaps:**
1. Debt Management Policy is reviewed and approved tri-annually by PRC. 2. Debt policy and monitoring indicators are reported against a target in the AFR (actual), the Consolidated budget (projection and 3-year plan), and the Multi-Year Financial Plan/Debt Strategy Report (10-year plan). 3. Annual reports to PRC for Sinking Fund adequacy and compliance with Debt Covenants. 4. Annual credit rating reports are monitored and reported to the PRC. 5. Annual Central Bank (internal borrowing) provided to PRC.	1. Greater consideration of internal debt targets when setting external debt capacity recommendations. 2. Consideration of indirect debt amounts when setting external debt capacity recommendations. 3. Improved alignment of highest priority strategic projects with internal and external debt capacity (Prioritization).

Financial Risks

Risk Name: Off Balance Sheet

Risk Category & Subcategory	Financial – Off Balance Sheet Risk	**Risk Level (Residual)**	Medium
Report Date	September 2023	**Impact (Residual)**	Medium
Strategy Linkage	Operational Excellence	**Likelihood (Residual)**	Medium
Board Committee	Planning & Resource Committee of the Board	**Risk Owner**	Lilian Scime, AVP & CFO

Risk Description: The risk that the University will have exposure to indirect liabilities or financial risk associated with affiliates, P3 partners or other obligations that are not recorded on our balance sheet.

Controls & Risk Mitigation Strategies in Place:	**Constraints:**
1. Deferred maintenance (DM) is tracked on a building specific basis. Total DM and funding of priority DM is included in the annual approved Capital Plan. DM receives an annual funding allocation from the Budget Model and dedicated annual funding from the MCU. 2. P3 business cases require rigorous analysis and risk assessment including financial due diligence on potential partners. Contracts require incentives to complete and the ability for the University to select another partner in the event of default. 3. The University controls Gore and has a 50% share of the seats on the FLIT board giving the opportunity to contribute to prudent management of affiliate liabilities 4. Retirement plan management includes long term projection and scenario modelling with the ability to adjust funding plans using the benefit projection and charge out model	1. Inability to influence outcome where control does not exist
Risk Monitoring:	**Action Plan to Address Control Gaps:**
1. Annual report on DM and funding plans are included in the Capital Plan approved by PRC 2. MIP Assets and Liabilities are included in the AFS 3. Gore FS and Budgets and MIP FS and Budgets are received by the University Board 4. Report on Affiliate and P3 Activities is approved by PRC on an annual basis 5. Funded status and funding plans for pension and non-pension obligations are reported in the Annual Financial Report/ Consolidated Budget and reviewed by the Budget Committee	1. Completion of an Affiliate/Subsidiary Oversight Review 2. Formalizing consideration of consolidated and risk adjusted indirect debt amounts when setting external debt capacity recommendation

Risk Name	Inherent Risk Sources & Drivers	Residual Risk
Currency / Foreign Exchange	• 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 and to settle obligations in Canadian dollars. (Investment Pool foreign currency equities total approximately $738 m CAD, net of hedge $416 m CAD). Pension plan $1.1 billion, net of hedge $637m • Revenues and expenses in foreign currencies are subject to foreign exchange risk • Currency translation risk associated with foreign currency assets and liabilities	Low
Investment Risk	• Volatility of actual rates of return versus target rates of return • Misalignment of target rates of return with risk tolerance, asset mix and underlying uses of investment • Over dependence of investment income in operating and capital financial plans [currently:$25 million central bank, annual endowment spending 4% and $10 million Operating Fund from investment income) • Volatility of actual rates of return can significantly impact annual excess of revenues over expenses	Medium
Interest Rate Risk	• The University is exposed to interest rate risk on its fixed interest income investments (Investment Pool approx. $290 m) Salaried pension plan approx. $780 m) • Defined Benefit Pension Plan liabilities increase in value when interest rates decline. The duration (measure of interest rate sensitivity)of plan invested assets does not match the duration of the liabilities (duration mismatch) which generates a risk that pension plan funding requirements will increase as interest rates decline • Exposure to a 1% decline in interest rates is expected to increase Plan 2000 going concern liabilities by approx.$270 m	Medium
Liquidity	• Reliability of short term and medium-term cash flow forecasts to include all potential university wide requirements for cash • Potential contingent requirements for cash from off-balance sheet cash flows (MIP, P3's) • Misalignment of short and medium-term investment strategies with cash flow needs	Low
Credit Risk	• Accounts receivable (research grants ($123 m), government grants ($8 m), students ($15 m) and other receivables ($31m) • Loans receivable from MIP ($26 m) and from Limited partnership (15.3 m) as April 30, 2023 • McMaster contingent exposure to Partnership's credit risk or transactional risk [see off-balance sheet risk)	Medium
Capital & Debt Management	• Risk that debt strategy decisions depend on capacity and affordability indicator calculations that are not based on risk-adjusted, consolidated future financial plans or other financial indicators • Risk that debt as a scarce resource is not used strategically to support the university's mission and priorities • Risk that sinking funds and other debt repayment plans are not adequate • Risk of non-compliance with Bond or other Debt covenants • Risk that debt capacity assessments do not include internal debt or indirect (partnership) debt • Impact on MCU Financial Risk Assessment rating if indicators are not met and credit ratings are downgraded	Medium
Off Balance Sheet	• Deferred Maintenance outstanding (approx.. $700m) • Risk that a P3 Partner is unable to fulfil its obligations necessitating McMaster to step in and assume the rights and Risk that an affiliate organization is unable to meet its obligations (MIP indirect debt of $[140] m • Risk that legislative changes cause unfunded pension and non pension retirement benefits to be funded sooner than planned [$100] million	Medium

GOVERNANCE BODY	Planning and Resources Committee (PRC)
ITEM/SUBJECT	Affiliates and Associations – Annual Status Report
DATE	September 28, 2023
LEAD	Lilian Scime, Interim Chief Financial Officer; Steven Moore, Treasurer & Debbie Martin, AVP, Real Estate, Ancillaries & Partnerships (REAP)
GOVERNANCE PATH	ARC, PRC, Board of Governors
MOTION	For Information
JURISDICTION	McMaster University Act (assessment audited financial statements related parties) Policy for Charging Affiliated Entities for Space and Services
SUPPLEMENTAL MATERIALS	See also https://financial-affairs.mcmaster.ca/app/uploads/2023/08/2023-09-01-Affliated-Entities-Chart.pdf

EXECUTIVE SUMMARY

Affiliated entities are reviewed annually to assess accounting and disclosure requirements to complete the annual financial statements and notes in accordance with the McMaster Act (sections 10, 11 (1), and (3)) and CPA Canada accounting standards. Business Development monitors policy compliance; provides support services, along with legal, student affairs and research support, and informs financial risk assessments. Affiliates are categorized below, and key highlights follow.

Affiliate Category	April 2022	April 2023	Year Over Year Change
General Affiliate	19	19	0
Independent Student Organization	18	19	**+1**
Research Related Spinoff	38	39	**+1**
Employee Association	8	8	0
Total	**83**	**85**	**+2**

BACKGROUND

McMaster began reporting on Affiliates and Associations in 2012 when 29 entities existed and were tracked. Affiliated entities serve numerous purposes including advancing the academic and research mission. An annual review is essential to ensure McMaster's accounting records are complete and the financial risk report considers related party risk.

Updates to General Affiliates

There were no new General Affiliates added during the past year. There were many changes within the McMaster Innovation Park (MIP). MIP is made up of 2 trusts, the Gore District Land Trust (Gore) which McMaster has control of, and First Longwood Innovation Trust (FLIT) which McMaster has seats on the Board. In the past year, McMaster has approved up to $85 million in equity and financing investments related to the OmniaBio B building. McMaster has 100% ownership in this projects at this time will earn the associated future revenues.

Further to the approved investments, MIP has approximately $28 million in loans that are outstanding ($26M with Gore and $2M with FLIT). The credit risk is inherently high, due to FLITs financial position. The $26 million with Gore will be repaid through ground lease future revenues and the $2M with FLIT will be repaid from the proceeds of the Portal sale. McMaster also has accounts receivable due from FLIT of approximately $2.7M as of the end of August 2023, which the university expects to also be repaid from the proceeds of the Portal sale. FLIT also owes Gore $4.2M via their intercompany account related to the acquisition of 44 Frid. Discussions with FLIT regarding its cash flow position, forecast and the allocation of the proceeds of the Portal sale are ongoing.

Updates to Independent Student Organizations

There is one new Independent Student Organization that was added during the past year. The Biochemistry & Biomedical Sciences Student Society is a Faculty of Health Science constituted club.

Updates to Research Related Spinoffs

Overall, there is a net change of one additional Research Related Spinoff in the past year. There are three new Research Related Spinoffs, while both Fox-Tech (Media Central Corp) and VitaSound Audio Inc., were removed from the tracking list.

New Research Related Spinoffs

1. **Aeroimmune Biotechnologies** is a for-profit entity founded at McMaster that is developing inhaled vaccines and therapeutics for respiratory and infectious diseases that will be delivered mucosal.
2. **Insight Medbotics Canada Corp.,** is a for-profit entity founded at McMaster that is developing MRI-guided robotics to bring together the insights only MRI can provide with the minimally invasive access and precision of robotics. Insight's MRI-compatible robot, IGAR, has been clinically demonstrated in breast cancer patients. IGAR can be used for biopsy, targeted therapy delivery and device placement. McMaster MSF Holdings, has signed a Simple Agreement for Future Equity (SAFE) with Insight and has provided $435,000 in financing.
3. **Synmedix** is a for-profit biotechnology company founded at McMaster that is developing technology that enhances the efficacy and spectrum of many antibiotics through the action of bicarbonate and can be broadly applied to antibacterial drug discovery. Synmedix is targeting the diabetic foot ulcer (DFU) market, currently there is no effective in-market therapy, Synmedix will look to address this therapeutic gap with a topical antibiotic. McMaster MSF Holdings, has signed a SAFE with Synmedix and provided $300,000 in financing.

STRATEGIC ALIGNMENT

McMaster supports the creation, advisory support, legislative and tax filing, policy compliance and other activities with or for affiliates in alignment with the research and academic mission. Affiliates serve research commercialization, student support activities, staff support and benefits. Overall, the over 80 affiliates connect with many aspects of McMaster's mission, vision, and strategic plan.

RISK AND RISK MITIGATION STRATEGIES

Risk	Risk Mitigation Strategy
Affiliate liabilities accrue to McMaster	• Affiliates with internal accounts at McMaster are monitored quarterly for abnormalities. • Affiliated related parties are reviewed in greater detail by KPMG during the McMaster audit. • Affiliate accounting, disclosure, policy compliance, and risk assessments are routinely discussed within Financial Affairs and the McMaster Industry Liaison Office (MILO). • As affiliates increase in assets, revenues and expenses, and third-party obligations, Financial Affairs assesses residual risk that might relate to severances and settlement obligations net of asset proceeds.
Reputational Risk	• The Business Development Office works closely with several areas across the University, including MILO, to assess changes to Affiliates that could impact McMaster's reputation. • For student related entities, McMaster's Financial Accountability Policy for Student Groups addresses fees charged to students and the University remittance process. McMaster's Internal Audit team supports this policy and routinely checks student group activities. • For larger affiliates and associations McMaster will often provide oversight committee members or Board seats to help govern and oversee activities, such as with the MIP trusts, the McMaster Student's Union, the University Club, and the Graduate Student Association.
Affiliate Debt Risk	• The Affiliate debt risk for is mainly related to Gore and FLIT. This risk is managed where McMaster controls Gore (the asset owning trust) and has seats on the FLIT Board (the lease operating trust). The potential third party development deal would see a transition of operations and sale of existing assets to settle existing debts. • McMaster will endeavor to secure an equity partner for OmniaBio B and to meet the cash flow needs of MIP as required under an agreed-upon mandate.
Residual Risk	• McMaster is the sole beneficiary of MIP and retains the residual risk. Some of the committed projects may fall fully to McMaster, which will lead to McMaster exceeding intended ownership and planned debt capacity. To manage the risk McMaster will explore long-term options