Investment Policy

1. General

Investments made by CCIF will be the responsibility of the Fund Manager, who will be accountable to CCIF for implementation of the Investment Policy. The Fund Manager will establish an Investment Committee (FMIC), to be composed of qualified individuals registered as advisers, for the purpose of approving investments for CCIF.

CCIF investments are additive to the co-operative enterprise system and CCIF will work collaboratively with its' partners – investors, co-operative developers and CCIF members. This collaboration will include, but not be limited to, working with investor partners in the identification of potential investments, assessment of potential investments, co-investment opportunities, and business development

The Fund Manager, in collaboration with the General Partner, and other partners of CCIF, identify investments for the Partnership. The Fund Manager will use a combination of approaches for this identification including working with a national network of key institutions and partners, co-operative developer, and other sector-based networks and organizations.

The General Partner will make information on the Partnership known to potential investees by a variety means including participation in key co-operative sector meetings, seminars and conferences; by use of a web site; by other means the Fund Manager and the Partnership may deem appropriate to reach potential investees.

2. Capital allocation

The capital of the Fund will be allocated according to the parameters set out in Section 3 of the Limited Partnership Agreement.

3. Qualified investments

The Partnership will invest in loans, quasi equity and equity in Co-operative Enterprises that are properly constituted under co-operative legislation and regulations in Canada (investees). To receive and maintain an investment from the Partnership the investees must maintain their status as a bona fide co-operative entity eligible for investment by the Partnership.

The Partnership may invest in loans to individuals where the purpose for such loans is the acquisition of shares in a co-operative enterprise created for the purpose of conversion of a non-co-operative enterprise to a co-operative one.

Where a co-operative cease to qualify as an investee, the investment will become repayable to the Partnership. The terms and conditions related to the repayment will be negotiated by the Fund Manager, in consultation with the General Partner.

4. Exclusions

(i) the Partnership shall not be permitted to Control any Co-operative Enterprise (A) that is governed by the laws of the United States, (B) which generates 50% or more of its revenue from the United States, or (C) more than 50% of the assets of which are located in the United States, and (ii) in the event that the Partnership were found to be in Control of a Co-operative Enterprise described in paragraph (i), the Partnership would seek to divest itself of the Co-op Investment as soon as practicable on a commercially reasonable basis.

5. Application

All potential investees will complete an application form providing details on the organization, the purpose of the investment and current financial information. The application may be completed after a preliminary discussion with the Fund Manager about the eligibility of the investment and the investee.

The Fund Manager will undertake a preliminary review of the application within two weeks of its receipt. Where additional information is required the Fund Manager will undertake to gather this information in a timely manner.

6. CCIF Investment Review and Approval

The level and type of CCIF investment being made determines the review and approval process for investments.

For loan investments, up to $200,000 the Fund Manager will have responsibility for making investment decisions. For loan investments above $200,000, and for all equity investments, the Fund Manager will seek the views of the Limited Partnership on the investment.

For the approval of investments, the Fund Manager will put in place a Fund Manager Investment Committee (FMIC) internal to the Fund Manager. The FMIC will approve or deny the investment based on compliance with the Limited Partnership investment policies, the diligence report and overall assessment of risks to the investment portfolio as a whole.

For loan investments above $200,000, and for all equity investments, the General Partner, in collaboration with the Fund Manager, will establish an Investment Advisory Committee (IAC) of persons nominated by the Board of CCIF to provide comment and advice on investment opportunities as presented to the group by the Fund Manager. The Fund Manager will take into consideration such advice and report back to this group on any investment actions taken on matters brought to the advisory group. The General Partner will establish terms of reference for the IAC.

The General Partner, in consultation with the Fund Manager will review the composition of the IAC from time to time to ensure there is a balance of skills and knowledge in relation to the investments being made by the Partnership.

7. Diligence

The Fund Manager will complete diligence on the potential investment using an industry –based review framework and procedures. This review will include contact with one or more persons for the investee, assessment of financial position and risks, contact with references for the investee. In some cases, the review will include an on-site assessment of the investee organization and investment. Where the Fund Manager deems it necessary, the diligence will include a legal review of a proposed investment.

For all investments, the Fund Manager will prepare an investment report to the FMIC including a recommendation on proceeding with the investment. The investment report will be presented to the IAC where the investment is subject to review by the committee.

8. Investment limitations

Generally, the Partnership will not make a single investment in a co-operative enterprise project of more than 5% of the total Capital Commitment of the Partnership. The maximum capital invested with single co-operative enterprise will not exceed 10% of the total capital of the Partnership. Exceptions to these limits may be made with the approval of the General Partner, at the request of the Fund Manager.

9. Investment agreement

Each investee will enter into an agreement with the Partnership for the investment, based on a set of standard templates. The Fund Manager will obtain legal assistance as required in the establishment of investment agreements. The Fund Manager will have authority to execute all investment agreements.

10. Investment monitoring

The Fund Manager will conduct an annual investment review for all investments made by the Partnership. The purpose of this review is to assess the investment performance, the status of the investee and any changes to the organization or purpose of the investment, the financial results of the investee and identify changes in risk factors related to the investment. The Fund Manager will retain records of the annual reviews and these will be accessible to the General Partner at all times.

Where the Partnership makes a significant investment, either in terms of the amount of the investment or the profile of the investment, the Fund Manager, on behalf of the General Partner, may, as a condition of the investment, require the ability to participate in the governance of the investee either as a Director or an observer. Where such participation is required as a Director the Fund Manager, through the General Partner will advise the Partnership in advance of making this requirement.

The Fund Manager will report semi-annually to the Partnership on the loan portfolio, including an assessment of investment performance. The General Partner will identify at-risk investments, actions taken to mitigate risks and planned actions to remedy risk situations. The Fund Manager will consult with the General Partner and seek concurrence in advance of any recourse actions to be taken in the case of persistent investment delinquencies.

11. Investment fees and charges

The Limited Partnership will charge an investment application fee of $1,000. This fee may be reduced at the discretion of the General Partner in cases where smaller investment amounts are requested by potential investees. The application fees will be applied toward the investment placement fee where an agreement to invest by the Partnership is reached with an investee.

For all new investments, the Partnership will charge an investment placement fee of 1.5% of the investment value up to a value of $1,000,000, with a minimum fee of $1,000. For investments over $1,000,000 the Fund Manager will have the authority to negotiate the investment placement fee with the investee and will seek the views of the IAC on the proposed fees.

Investment renewals will be treated as new investments and subject to the approval process for new investments. The Partnership will charge a fee of 0.5% of the investment value on all renewals of investments and will not charge any other fees where the basis of the reinvestment is unchanged from the original application.

12. Early repayment of investments

Terms governing the repayment of loans in advance of their maturity will be included in the terms and conditions of the loan. The level of prepayment, and any costs to the investee will be based on the impact of prepayment on the Fund performance. Where a request is made where there is no provision for early repayment of a loan, the Fund Manager will consider such requests and assess a pre-payment penalty. The Fund Manager will determine, in consultation with the General Partner, this penalty based on the impact of the early repayment on investment portfolio performance and the size of the loan.

Early repayment of equity and quasi-equity will be subject to negotiation on a case-by-case basis.

13. Late payment of interest

Investees will be charged for late payment for investments at an annual rate of 12% for the period of delinquency.

14. Fair investment

The Fund Manager will ensure fairness in the allocation of investment opportunities. Should the investments not meet the Partnership investment criteria or for other reasons CCIF declines to pursue an investment, the Fund Manager reserves the right to make such investments on behalf of other funds. The Fund Manager will disclose to the General Partner all such transactions on a semi-annual basis.

Where the Fund Manager proposes a co-investment of the Partnership with another fund managed by the Fund Manager, the matter will be disclosed in advance of the investment to the General Partner through the IAC.

15. Co-investment

The Partnership may seek opportunities for co-investment with other lenders or investors. Co-lending will be used to mitigate risk to the Partnership and to support partner organizations with investment opportunities. In each co-investment transaction, the Partnership will not assume any liabilities for a partner investment decision, even in cases where it assumes the lead role in conducting a diligence process for a transaction.

16. Social impact

The Fund Manager will implement and monitor criteria on social impact investment as approved by the General Partner from time to time. A fundamental purpose of CCIF is to generate social impact from the investments made by the Fund. Fund documents do not specify the type of impact to be generated or the degree to which the impact of a particular investment will be a determining factor in the decision to make the investment.

CCIF targets its investment to co-operative investment. This means there will be a broad range of investments, across different types of enterprise and with different purposes. There is not a universal social impact measure that can calibrate the impact of all investments. The approach below is intended to recognize this diversity while demonstrating a commitment to measurement and assessment of impact.

Social impact in decision-making:

The general purpose of CCIF already positions itself to have a social impact – supporting co-operative enterprise. Co-operatives contribute to community wealth and can be considered as community assets that have a community as well as a business purpose. In making investments, CCIF must consider its fiduciary responsibilities to investors as well as the potential social impact. The CCIF investment policy addresses the processes to be used in selecting investments, including the underwriting approach and criteria for the Fund.

For CCIF the potential for social impact (measurable positive impact for community) will be one of the criteria used in selecting investments. At CCIF inception this may be a requirement of the investment, but not given a relative measure. Over time, the degree of impact can be used as a criterion where there is choice in investment, and when capital availability is scarcer than at Fund inception. Stated differently, to make a CCIF investment there will be a requirement to demonstrate what the potential social impact of an investment is, and then subsequently measure whether this impact has been achieved.

Measurement of impact:

It is proposed that social impact be assessed in three ways:

- The outputs from a particular investment
- The application of measures or standards where these exist - outcomes
- The impact on organization and community

Output measurement:

In some respects, the simplest of all measures is an account of outputs form an investment – this could be in employment created, units of affordable housing produced, community assets mobilized. The measurement is not necessarily one of impact in the sense of a detailed assessment of the impact for communities or people, but an set of measurements that gauge the direct effect of the investment. It should be recognized that as a Fund that is engaged primarily in lending, the impact of CCIF will be indirect – that is the Fund enables activities that are undertaken by co-operatives.

Application of standards and measures:

Where there are industry recognized standards or measures, CCIF will endeavour to use these to measure impact. For example, the Impact Reporting and Investment Standards (IRIS) is managed by the Global Impact Investing Network (GIIN), a non-profit organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN offers IRIS as a free public good to support transparency, credibility, and accountability in impact measurement practices across the impact investing industry. IRIS provides added value in the following ways: (i) by cataloging the most useful metrics from across the industry in one place, IRIS takes the guesswork out of which performance metrics to use; (ii) by providing a standard common language to talk about results, IRIS makes it easier to compare investments and aggregate information across a portfolio; (iii) by increasing credibility -- 98% of investors recognize the importance of standardized metrics and over 5,000 organizations are using IRIS to evaluate, communicate and manage their social and environmental performance; and (iv) by reducing reporting burden -- IRIS doesn't reinvent the wheel and incorporates and aligns with widely accepted 3rd party standards wherever possible, allowing organizations to use IRIS as the anchor for their diverse reporting requirements.

Impact on organization and community:

CCIF will collect information from co-operatives that are investees regarding the impact they have had on their immediate community and on organizational financial and other capacities. This is a very subjective measure and is not necessarily validated by external audit or independent means. The measure does give a relative sense of where there is broader impact from CCIF investment.

17. Environmental impact

The Fund Manager will have due regard for the environmental impacts of investments. CCIF does not have specific environmental target outcomes, but generally seeks to ensure no investment will generate environmental damage, and where possible, investment result in positive environmental outcomes

Specifically, the Fund Manager will ensure that at the time of application to CCIF investees identify potential environmental outcomes from the investment and how these will be measured. The Fund Manager may propose to investees measures to be tracked that are specific to the investment. For example, renewable energy project reporting would include GHG reductions resulting from the project, as well as other environmental benefits (reduced energy consumption in energy transport). It is not proposed that for each project the secondary and tertiary environmental impact will be measured for all the component parts of the project (manufacturing energy and GHG production in component parts, etc.). Where these are significant they will be noted in the initial project environmental impact assessment.

18. Policy Review

The General Partner will review the Investment Policy annually and propose changes to the policy as deemed appropriate. The Investment Policy is approved by the Partnership by Extraordinary Resolution as defined in the Limited Partnership Agreement.