BROCK UNIVERSITY

PENSION PLAN

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

Amended Effective June 26, 2024

It is hereby certified by the undersigned that this Statement of Investment Policies and Procedures was adopted by the Financial Planning and Investment Committee of the Board of Trustees of Brock University on June 26, 2024.

Y. Roussel

Name

University Secretary & Associate Vice-President, Governance & Policy

Title

June 27, 2024

Date

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Section 1 – Introduction

1.1 This document constitutes the Statement of Investment Policies and Procedures applicable to the assets held in respect of the Brock University Pension Plan (the "Plan"), established by Brock University (the "University") to provide retirement benefits for the Members.

Defined Terms

1.2 In this Policy:

"Act" means the Ontario Pension Benefits Act and the Regulation thereto;

"Administrator" has the meaning ascribed by section 3.1;

"Annuity" has the meaning ascribed by section 5.1;

"Cash Equivalent" has the meaning ascribed by section 5.1;

"Custodian" has the meaning ascribed by section 3.11;

"DB Pension" means the Member's annual pension determined under the defined benefit formula of the Plan, as adjusted from time to time;

"DC Account" means the value of the Member's contributions and the University's matching contributions, accumulated with annual investment returns;

"DC Pension" means the Member's annual pension, as determined at retirement and adjusted from time to time, based on the Member's DC Account;

"Derivative" has the meaning ascribed by section 5.1;

"Equity" has the meaning ascribed by section 5.1;

"Fixed Income" has the meaning ascribed by section 5.1;

"Fund" means the assets held in respect of the Plan;

"Investment Policy" means the investment policy of a Pooled Fund;

"Member" means a Member of the Plan;

"Normal Allocation" has the meaning ascribed by section 7.2;

"Pension Committee" has the meaning ascribed by section 3.2;

"Plan" has the meaning ascribed by section 1.1;

"Plan Year" means the twelve months commencing July 1 of each calendar year and terminating on June 30 of the following calendar year;

"Policy" means this Statement of Investment Policies and Procedures;

"Pooled Fund" means a segregated fund of an insurance company, a pooled fund or a mutual fund eligible for investment by a pension fund;

"Short-Term Investment Vehicle" has the meaning ascribed by section 2.4;

"University" means Brock University.

1.3 The purpose of this Policy is to formulate those investment principles, guidelines and monitoring procedures which are appropriate to the needs and objectives of the Plan, in a manner conforming to the applicable rules in the Act. This Policy is supplementary to the rules contained in the Act.

1.4 This Policy may be changed or modified at any time by action of the Administrator.

Section 2 – Overview of the Plan

2.1 The Plan is a hybrid pension plan, comprising design elements of both defined benefit and defined contribution programs. The Member receives a benefit equal to the greater of the DC Pension and the DB Pension. The following is a summary of the key provisions:

(a) The Member and the University both make required contributions to the Plan, which are invested in the Fund and are tracked individually for each Member (including investment earnings on the Fund) to determine the value of their DC Account. The University's contribution is based on a formula that is directly related to the Member's contributions.

(b) A Member's DC Pension is determined based upon the value of that Member's DC Account at date of retirement, based on an annuity purchase factor determined in accordance with the Plan terms.

(c) A Member's DB Pension is determined based on the Member's best average earnings and service.

(d) A Member's total pension at retirement is equal to the greater of the DC Pension and the DB Pension. A Member may elect at retirement either to receive a pension from the Plan or to transfer the value of their pension to their personal retirement savings vehicle.

(e) The University is also required to contribute at a level sufficient to finance the projected excess of the DB Pension over the DC Pension, within the funding requirements of the Act and the limitations of the Income Tax Act. The amount of these contributions is calculated from time to time, based on the advice of the actuary retained by the University for such purpose. The University's contributions are dependent on many aspects of the Plan's actual experience, including the Fund's investment return.

(f) For Members who elect to receive a pension from the Plan upon retirement:

(i) the Member's DB Pension is automatically indexed annually to changes in the Canadian Consumer Price Index (CPI), to a 2% maximum, cumulative from the pension commencement date.

(ii) the Member's DC Pension is adjusted annually (either up or down) to reflect the difference between the actual investment return earned on the Fund and the mortality experience of the retiree pool during the preceding Plan Year and the investment return and mortality assumptions used in the annuity purchase calculation; and

(iii) the Member's DB Pension and DC Pension are compared annually, after the adjustments described in (i) and (ii), with the Member being paid the greater of the two pensions for the ensuing year.

2.2 Members have a direct interest in the Fund's investment return, as the DC Account accumulates based on the actual investment return earned by the Fund and the DC Pension for retired Members is adjusted annually based on the actual investment return earned by the Fund.

2.3 The University has a direct interest in the Fund's investment performance, as the University's contributions to provide the defined benefit minimum benefit guarantee are directly related to the investment return earned on the Fund.

2.4 Due to the continuing interaction between the DC Account and the defined benefit minimum guarantee during the period prior to retirement and the DC Benefit and the DB Benefit during the retirement period, it is not appropriate to provide Members with investment choice for their DC Accounts. Members who are approaching retirement are provided with an option to elect to transfer all or a portion of their DC Account into a Short-Term Investment Vehicle, comprised of Cash Equivalents, for the period leading up to their retirement in recognition of the change in their risk tolerance during this period. At retirement, funds in the Short-Term Investment Vehicle are transferred back to the main Fund.

2.5 Member contributions to the Plan are related to their earnings each year and are independent of the Fund's investment return.

2.6 Actuarial valuations for ongoing funding purposes are based on long-term assumptions established primarily to ensure an acceptable pattern of future contributions and coverage of the accrued benefits. The ongoing funded status of the Plan is also affected adversely or favourably by numerous non-investment factors including wage growth, inflation, termination rates, mortality rates, membership growth and benefit changes.

2.7 The Plan is also valued on a solvency basis to calculate the solvency ratio. Solvency levels are directly affected by similar factors as the ongoing funded level, as well as prevailing long term interest rates at the date of each actuarial valuation.

2.8 As of the most recent actuarial valuation date (July 1, 2022), the Plan is fully funded on a statutory solvency basis and is 99.2% funded on a going concern basis. The University is making monthly contributions to finance the going concern deficit.

2.9 The liabilities for the Plan are in respect of both active and inactive members. As of the most recent actuarial valuation date (July 1, 2022), approximately 61.19% of obligations are in respect of pensioners.

2.10 The contributions being paid to the Fund currently exceed the benefits being paid therefrom. For the foreseeable future, the only situation in which benefit payments might exceed contributions is if there is an abnormally large volume of lump sum transfers from the Fund. Liquidity is thus not an overriding consideration for Fund investments.

Section 3 – Administration

3.1 The Board of Trustees of Brock University is the plan administrator (the “Administrator”) and is responsible for the overall operation of the Plan.

3.2 A Pension Committee has been established, comprised of both University representatives and representatives of the Members, to provide advice to the Board of Trustees with respect to many aspects of the overall operation of the Plan and to appropriately capture the interests of the various stakeholder groups. The Pension Committee is responsible for reviewing investment performance of the Fund, for keeping the Plan under review and for studying matters of interest to the Members and their impact on the Plan.

3.3 In fulfilling its responsibilities, the Administrator may delegate to, or otherwise utilize, the Pension Committee or employees of the University, where appropriate. The Administrator shall retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel. Any reference in the Policy to the Administrator shall be interpreted as referencing the appropriate delegate.

3.4 The Administrator may rely on independent experts for certain aspects of the Fund's operations, where expert knowledge is required or where a perceived or actual conflict of interest exists.

3.5 Neither the Administrator nor any employee of the University shall select securities on behalf of the Plan, except for the selection of Pooled Funds, Annuities, or short-term deposits with banks or trust companies.

3.6 The Administrator shall retain one or more independent professional investment managers (the “Manager(s)”) to invest the Fund.

3.7 The assets of the Fund shall be allocated by the Administrator among the Managers using either managed accounts or Pooled Funds, as considered appropriate, to implement the overall Fund asset allocation in accordance with this Policy.

3.8 With each Manager of a managed account, the Administrator shall agree upon a set of guidelines (the "Mandate") within which the Manager is expected to operate, including discretion limits, diversification and quality standards and performance expectations.

3.9 Where the Administrator desires to invest in a Pooled Fund, the Administrator must satisfy itself that the Investment Policy of such Pooled Fund is consistent with this Policy. In the event of any difference between the guidelines of this Policy and the Investment Policy of the Pooled Fund, the Investment Policy of the Pooled Fund shall govern. The agreements governing any such Pooled Fund that is established as a trust must provide that unit holders have no personal liability for the obligations of the trust or its trustee.

3.10 The Managers shall be responsible for choosing brokers to execute investment transactions in the most effective manner and in the best interests of the Fund's beneficiaries.

3.11 The Committee shall appoint one or more custodians for all or part of the Fund. Any custodian of the Fund (the "Custodian") shall be a trust company registered in Canada or an insurance company authorized to underwrite life insurance in Canada. All investments and assets of the Plan shall be held by a Custodian and invested:

(a) in a name that clearly indicates that the investment is held in trust for the Plan and, where the investment is capable of being registered, registered in that name, or

(b) in the name of the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Plan, or

(c) in the name of The Canadian Depository for Securities Limited, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates:

(i) that the investment constitutes part of the Fund;

(ii) that the investment shall not at any time constitute an asset of the Custodian or nominee; and

(iii) that records shall be maintained by the Custodian that are sufficient to allow the ownership of any investment be traced to the Fund at any time.

3.12 The Fund's financial statements shall be audited by an independent auditor at least annually.

Section 4 – General Limitations

4.1 All investments shall be maintained within legal limitations for employee pension plans registered under the Act and in such a manner as is necessary to comply with the Income Tax Act (Canada).

4.2 No part of the Fund shall, directly or indirectly, be invested in securities of a listed person as defined by the United Nations Suppression of Terrorism Regulations, or be loaned to or used for the benefit of such a person.

Section 5 – Asset Classes Eligible for Investment

5.1 All investments shall be made in accordance with the applicable rules relating to the investment of pension plan assets, including the Act, *Income Tax Act* (Canada) and Schedule III to the *Pension Benefits Standards Regulations* (Canada).

5.2 From time to time, and subject to this Policy, the Plans may invest in any or all of the following asset categories and subcategories of investments either directly or through Pooled Funds or exchange traded funds that hold these investments:

(a) **"Equity":**

- common stocks, convertible debentures, share purchase warrants, exchangeable shares, share purchase rights, installment receipts or preferred shares of corporations.
- interests in limited partnerships.
- units in real estate investment trusts and income trusts.
- depositary receipts or participation notes.

(b) **"Fixed Income":**

- bonds, debentures, notes, or other debt instruments of domestic, foreign and supranational issuers.
- asset-backed securities.
- mortgage-backed securities.
- hybrid debt instruments issued by Canadian chartered banks.
- term deposits or similar instruments of licensed trust companies and banks.

(c) **"Real Assets":**

- Direct Infrastructure Equity — Publicly-listed interests in infrastructure equity assets; ETFs based on infrastructure indices; funds, joint ventures or other pooled vehicles that invest in infrastructure equity assets; and funds of funds.

- Direct Real Estate Equity — Separate accounts, open-end funds, pooled funds, REITs, and publicly-listed interests in real estate operating companies

(d) **“Cash or Cash Equivalents”:**

- deposits with banks or trust companies with a term to maturity of one year or less.

- money market securities with a term to maturity of one year or less.

- floating rate notes.

(e) **“Annuities”:**

- annuities or other similar instruments regulated by the Insurance Companies Act (Canada) or comparable provincial law.

(f) **“Derivatives”:**

- forward currency contracts and swap agreements with financial institutions that satisfy the credit standards of the Policy with respect to Cash Equivalents and Fixed Income.

- futures and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available.

Other Investments:

5.3 The Plans may not invest in categories of assets or instruments not specifically provided for in this Section including commodities, precious metals, mineral rights, bullion or collectibles.

Section 6 – Fund Objectives

6.1 The overall objective for the Fund is to achieve a long-term total compound rate of return including capital gains and interest, dividend and rental income, but net of all investment and custodial expenses, equal to at least 6% per annum, when averaged over one or more complete market cycles (5-10 years).

The risk/reward profiles of the different stakeholder groups must be recognized and, to the extent that they differ, the approach to achieving the Fund objective must represent a compromise between these profiles. In principle, those can be briefly summarized as follows:

(a) For active Members (except those near retirement), the investment time horizon is very long and the overall objective is to maximize the long-term return on the Fund.

(b) For retired Members and active Members near retirement, investment returns on the Fund in each year have a direct impact on the pension they receive and capital preservation during down markets is as important as the long-term return achieved.

(c) For the University, volatility of investment returns and particularly returns during down markets are important, as the University is required to make additional contributions when the projected DB Benefit exceeds the projected DC Benefit.

These objectives have been captured within the combination of the asset mix policy and the implementation strategy for the Fund.

6.2 Members who are approaching retirement are provided with an option to elect to transfer all or a portion of their DC Account into a Short-Term Investment Vehicle, comprised of Cash Equivalents, as a means of improving capital preservation during the immediate pre-retirement period.

6.3 The Fund is expected to achieve over moving four-year periods a return, net of all brokerage expenses, but before all other fees and expenses, at least equal to a composite benchmark made of passive investments in appropriate market indices according to the Normal Allocation, rebalanced quarterly, plus an added value for active management where applicable. The composition of the benchmark per asset class is summarized in the table below.

Component Asset Class	**Benchmark**
Global Equities	MSCI World Index (Net Dividend Reinvested)
Fixed Income	FTSE Canada Universe Bond Index
Real Estate	NCREIF Fund Index – Open End Diversified Core
Infrastructure	No external benchmark. IFM Investors has a target return of 10% per annum (net of advisory fees, performance fees, allocable expenses and investment level taxes at the partnership level) over the long term. Axium Infrastructure targets an internal rate of return of 8 to 10% per annum (net of management fees, commitment fees, carried interest and other fund expenses) over the long term.

6.4 The risk inherent in the investment strategy over a market cycle (a five to ten year period) is three-fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over passive management will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return and that such return may also be negative.

Section 7 – Asset Allocation Guidelines

7.1 In identifying the Normal Allocation, as set out in paragraph 7.2, that would best meet the objectives set out in paragraph 6.1, consideration was given to:

(a) the factors outlined in Section 2;

(b) the long-term nature of the liabilities;

(c) the solvency financial position of the Plan and its sensitivity to investment returns and changes in interest rates;

(d) the going-concern financial position of the Plan and the degree of inflation-sensitivity of the liabilities for inactive and active members;

(e) the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates; and

(f) practical considerations.

7.2 The Administrator introduced real assets, specifically the sub-classes of Real Estate and Infrastructure, to the Plan. All committed capital to both Direct Real Estate and Direct Infrastructure has been deployed.

The long term allocation of the Fund, excluding any amounts that Members elect to invest in the Short-Term Investment Vehicle, is expected to stay within the ranges outlined below.

	Percentage of Fund at Market Values		
Component Asset Classes	**Long Term Allocation**	**Range**	
		Minimum	*Maximum*
Equities:			
- Global	50%	40%	60%
Fixed Income	30%	22.5%	37.5%
Real Assets	20%	10%	30%
- Real Estate	10%	0%	26%
- Infrastructure	10%	0%	26%
Cash & Cash Equivalents	0%	0%	5%

The Plan's target asset allocation for each investment category listed in subsection 76(12) of the regulations to the Pension Benefits Act (Ontario) is as follows:

Asset Class under Sub-section 76(12) of the Pension Benefits Act (Ontario)	**Long Term Target Allocation**	**Accessed Through Pooled Funds (Y/N)**
1. Insured Contracts	0.0%	-
2. Mutual or pooled funds or segregated funds	0.0%	-
3. Demand deposits and cash on hand	0.0%	-
4. Short-term notes and treasury bills	0.0%	-
5. Term Deposits and guaranteed investment certificates	0.0%	-
6. Mortgage Loans	0.0%	-
7. Real Estate	10.0%	Y
8. Real Estate Debentures	0.0%	-
9. Resource properties	0.0%	-
10. Venture Capital	0.0%	-
11. Corporations referred to in subsection 11(2) of Schedule III to the federal investment regs	0.0%	-
12. Employer issued securities	0.0%	-
13. Canadian stocks other than investments referred to in 1 to 12 above	0.0%	-
14. Non-Canadian stocks other than investments referred to in 1 to 12 above	50.0%	Y
15. Canadian bonds and debentures other than investments referred to in 1 to 12 above	22.5%	Y
16. Non-Canadian bonds and debentures other than investments referred to in 1 to 12 above	7.5%	Y
17. Investments other than investments referred to in 1 to 16 above	10.0%[1]	Y

[1] Refers to the long term target allocation to Direct Infrastructure

The minimum rating for target investment allocations of fixed income assets in these investment categories are as follows:

Credit Rating Agency	**Rating – Bond Market Securities**	**Rating – Money Market Securities**
DBRS	BBB	R-2 (middle)
Fitch Ratings	BBB-	F-3
Moody's Investors Services	Baa3	P-3
Standard & Poor's	BBB-	A-3

7.3 The Short-Term Investment Vehicle will be invested in a money market pooled fund.

7.4 Cash and Cash Equivalents may also be held from time to time on a short-term, temporary basis or as defensive reserves within the portfolios for each asset class at the discretion of each Manager within the constraints prescribed by that Manager's mandate. For the purposes of the previous section, such Cash and Cash Equivalents shall be included in that respective asset class.

7.5 In addition to routine rebalancing as a result of cash flow activity, rebalancing of asset weights will be triggered periodically when asset mix weights deviate outside the above normal allocation (long term allocation once phase-in period is initiated). If the asset mix deviates outside the above permissible ranges at the end of any quarter, the Administrator shall take the following corrective action to bring the asset mix back within the permissible range as soon as practicable.

Asset class value moves outside of range:

Trigger 1: The market value of one or more asset classes moves above its permissible range ceiling:

(i) The asset class out of compliance is rebalanced downward, halfway back to its long term allocation.

(ii) Assets are transferred in a way that attempts to rebalance the remaining asset classes (excluding real assets) halfway back to their respective long term allocation.

Trigger 2: The market value of one or more asset classes moves below its permissible range floor:

(i) The asset class out of compliance is rebalanced upward, halfway back to its target mix.

(ii) Assets are transferred in a way that attempts to rebalance remaining asset classes (excluding real assets) halfway back to their respective long term allocation.

The Administrator may also take action to bring the asset mix closer to the Normal Allocation at any time.

Section 8 – Portfolio Diversification and Constraints

8.1 The portfolio may be invested in pooled funds. As pooled funds are managed in accordance with the pooled fund's guidelines, they cannot be directly subject to the guidelines enunciated here. It is the responsibility of Management, the Pension Committee and the Financial Planning and Investment Committee to ensure, prior to investing in the pooled fund, that the pooled fund's guidelines are consistent with the spirit of this policy.

8.2 (a) The Administrator shall ensure that the diversification requirements in each Manager's Mandate or Investment Policy, in combination with the amount of assets allocated to each Manager or Pooled Fund, are consistent with the limits outlined in this Section.

(b) Unless otherwise indicated, all percentages used in this Section shall be calculated

(i) using market values at the time; and

(ii) including any exposure gained through the use of Derivatives.

8.3 Further constraints are documented in the Act. For greater certainty, in respect of the Fund and except as permitted under the Act:

(a) No more than 10% of the market value of the Fund or any Pooled Fund shall be invested in any one entity or group; and

(b) The Fund or any Pooled Fund shall not acquire securities of a corporation to which are attached more than 30% of the votes that may be cast to elect the directors of any corporation.

8.4 In respect of the Equity portfolio of the Fund:

(a) All holdings shall be listed on a public exchange or convertible or exchangeable into such securities.

(b) Neither the Manager nor the Funds may take part in the management of any business in which the Funds invest.

(c) Holdings shall be diversified by company, region, industry, currency and country; however, consideration may be given to the relative sizes of economic activity and stock market capitalization.

(d) In respect of any Canadian income trust and Canadian real estate investment trust, unless the unit of such trust is held within a Pooled Fund and the agreements governing the Pooled Fund state that the investors in that Pooled Fund cannot be held personally liable for the obligations of the trust or the trustee, such trust:

(i) must be a reporting issuer under the applicable securities legislation in Canada;

(ii) must be governed by the laws of a province that limits the liabilities of unit holders by statute; and

(iii) the agreements governing any such trust must state that beneficiaries cannot be held personally liable for the obligations of the trust or the trustee.

(e) Any interest in a partnership must be as a limited partner and not as a general partner.

(f) Not more than 10% of the Global Equity portfolio shall be invested in companies having market capitalization, including closely held shares, below $1 billion (USD).

(g) Not more than 15% of the Global Equity portfolio shall be invested in countries not included in the MSCI World index.

(h) Not more than 5% of the portfolio shall be invested in unlisted securities or private placements.

8.5 The actual exposure of the Global Equity portfolio to foreign currencies may be varied, for each currency, between 0% and 100% (i.e., the investment manager will have discretion on the hedging percentage). This restriction must also recognize that it can be very difficult or prohibitively expensive to hedge certain emerging market currencies and, where that is the case, the exposure to such a currency may be 100% unhedged.

In respect of the Fixed Income portfolio of the Fund:

(a) All securities must be readily marketable.

(b) The portfolio should have an aggregate credit rating of at least A or equivalent.

(c) Up to 15% of the exposure to foreign currency may be unhedged.

(d) Securities rated below “BBB (low)” or equivalent may not comprise more than 20% of the portfolio.

(e) No more than 5% shall be invested in any one corporation or security with the exception of those issued or guaranteed by:

(i) the Government of Canada;

(ii) a province of Canada having at least an “A” rating; or

(iii) another developed market country whose debt is rated “A” or better.

(f) No more than 50% of the portfolio shall be invested in non-Canadian securities and no more than 15% of the portfolio shall be exposed to foreign currency risk (i.e., be left unhedged).

(g) No more than 70% of the portfolio shall be invested in corporate bonds and other equivalent credit sensitive securities.

(h) Asset-backed securities (ABS) and mortgage-backed securities (MBS) shall be rated first by a U.S. rating agency to ensure liquidity and shall be limited to no more than 10% of the portfolio. Ratings for ABS and MBS may be obtained from a Canadian rating agency only if a rating from a U.S. rating agency is unavailable.

(i) No more than 20% of the portfolio shall be invested in mortgages and all such mortgages shall rank as first secured mortgages and must not be subordinated to any other debt.

8.6 In respect of the Real Assets Portfolio of the Fund:

(a) The portfolio will be diversified by industry, company, region and country; however, due to the illiquid nature of these asset classes it may take time to build out this diversification.

8.7 Any use of Derivatives must be in accordance with a policy that has been specifically considered and approved by the Administrator whether done directly in the Fund or in a Pooled Fund. Pooled 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.

(a) Derivatives may be used only to:

(i) create an asset mix position within the ranges and among the asset classes set out in this Policy;

(ii) adjust the duration, currency and/or credit exposure of the Fixed Income portfolio within the ranges set out in this Policy;

(iii) replicate the investment performance of interest rates or a recognized capital market index;

(iv) increase the Fund's current revenue by selling covered calls;

(v) manage the currency exposure of foreign property; or

(vi) reduce risk as part of a hedging strategy.

In no event, may Derivatives be used to leverage the Fund. If derivatives are used as part of a hedging strategy, the investment manager will provide reporting on the performance of such derivatives at least quarterly.

(b) Derivatives may not be used to create exposures to securities which would not otherwise be permitted under this Policy or which would be outside the limits under this Policy had the exposure been obtained in the cash markets.

(c) All collateral held in connection with any Derivative shall comply with the requirements of this Policy for Cash Equivalents.

(d) The Administrator has delegated the monitoring of the Pooled Funds to its Investment Consultant (the "Consultant"), who will review and monitor the Derivative strategies in the Pooled Funds in terms of compliance and best practice. The Consultant will provide the Administrator with regular reports in this regard in accordance with its agreement with the Administrator.

(e) Any Manager investing in Derivatives must determine the market value of that Manager's exposures on a daily basis.

8.8 In respect of Cash Equivalents: With the exception of Cash Equivalents held within the Fixed Income portfolio, all Cash Equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

8.9 (a) For purposes of this Section, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

(b) If a security's credit rating falls below the required level after purchase, the Manager shall advise the Administrator immediately in writing and recommend a course of action for the Administrator's approval.

(c) Unrated securities will be assumed to fail the credit ratings referred to in this Section.

8.10 Other than in the case of Derivatives specifically permitted by this Policy, the Funds shall not purchase securities on margin or engage in short sales. Installment receipts may not be purchased unless Cash or Cash Equivalents equal to the unpaid purchase price are also held.

Section 9 – Loans and Borrowing

9.1 No part of the Fund shall be loaned to any party, other than by:

(a) purchasing securities which otherwise meet the requirements of this Policy for Fixed Income or Cash Equivalents; or

(b) lending securities indirectly through investment in Pooled Funds that lend their securities provided that a minimum collateral coverage of at least 100% of the current market value of the loaned securities is maintained at all times in Cash or high quality liquid securities defined in the lending agreement with the custodian of the Pooled Fund.

9.2 Money shall not be borrowed on behalf of the Plan and the Plan's assets shall not be pledged or otherwise encumbered in respect thereof, except:

(a) for the payment of refunds, benefits or administration costs of the Plan to the extent that such borrowing is limited to the lesser of:

(i) the aggregate of such disbursements in any one month; and

(ii) the amount of that year's current service contribution receivable but not yet received; and

(iii) that the term of the borrowing does not exceed 90 days.

(b) for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management.

Section 10 – Valuation of Investments

10.1 Investment in marketable securities shall be valued by the Custodian no less frequently than monthly at their market value at that time.

10.2 Investments in Pooled Funds holding publicly traded securities shall be valued according to the unit values published by the Managers. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

10.3 Annuities will be valued by the Plan actuary in a manner consistent with the assumptions used for determining the Plan liabilities.

10.4 If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than quarterly. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time.

Independent expert appraisal of each such non-traded investment shall be obtained by or for the Administrator under the following schedule:

Non-traded individual investment as % of Fund at market value	Minimum frequency of appraisal
Less than ½%	Not required
½% to 2%	3 years
2% or more	1 year

Section 11 – Related Party Transactions

11.1 Definition of Related Party

For the purposes of this Policy, “Related Party” has the meaning given in the Act, but for greater certainty includes:

(a) the University;

(b) a member of the Pension Committee;

(c) an officer, director or employee of the University;

(d) a person responsible for holding or investing the assets of the Plan, or any officer, director or employee thereof;

(e) an association or union representing employees of an employer participating in the Plan, or an officer or employee thereof;

(f) an employer who participates in the Plan, or an employee, officer or director thereof;

(g) a Member of the Plan;

(h) the spouse or a child of any person referred to in any of paragraphs (b) to (g);

(i) an affiliate of the University or of an employer participating in the Plan;

(j) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (h);

(k) an entity in which a person referred to in paragraph (a), (b), (c) or (f), or the spouse or a child of such a person, has a substantial investment;

(l) an entity that was a Related Party within the criteria referred to in paragraphs (a) to (k) within the preceding twelve months; or

(m) an entity that the administrator of the Plan or any person acting on the administrator’s behalf knows will become a Related Party within the criteria referred to in paragraphs (a) to (k); but

(n) excludes the Custodian, the government of Canada or a province in Canada.

11.2 Related Party Transactions

a) The Plan shall not enter into a transaction with a Related Party, unless:

(i) the transaction is made for the operation or administration of the Plan under terms and conditions that are not less favourable to the Plan than market terms and conditions and such transaction does not involve the making of loans to, or investments in, the Related Party; or

(ii) the transaction is nominal or immaterial to the Plan, and, for this purpose, such transactions will be considered nominal or immaterial if they are held within a Pooled Fund, selected by a Manager acting independently and constitute in the aggregate less than 5% of the market value of that Pooled Fund.

In addition the prohibition to entering into transactions with a Related Party does not apply to investments:

(I) in an investment fund (as that term is defined in Schedule III to the *Pension Benefits Standards Regulations* (Canada)) or segregated fund in which investors other than the Administrator and its affiliates may invest and that complies with the requirements set out in Sections 9 and 11 of Schedule III to the *Pension Benefits Standards Regulations* (Canada);

(II) in an unallocated general fund of a person authorized to carry on a life insurance business in Canada;

(III) in securities issued of fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;

(IV) in a fund composed of mortgage-backed securities that are fully guaranteed by the Government of Canada, the government of a province, or an agency of either one of them;

(V) in a fund that replicates the composition of a widely recognized index of a broad class of securities traded at a marketplace (as that term is defined in the Pension Benefits Standards Regulations (Canada)); and

(VI) that involve the purchase of a contract or agreement in respect of which the return is based on performance of a widely recognized index of a broad class of securities traded at a marketplace (as that term is defined in the *Pension Benefits Standards Regulations* (Canada)).

Section 12 – Environmental, Social and Governance Factors

12.1 The Administrator is cognizant of its fiduciary responsibility to make prudent decisions in the best interests of the Plan beneficiaries. This responsibility requires that there be an appropriate balance between the need to seek long-term investment returns to help secure promised pensions for all members of the Plan and the need for those returns to be delivered in as stable a manner as possible to limit downward impact (given the nature and behavior of the investment markets).

The Administrator searches and selects the most appropriate investment managers for investing the assets of the Plan considering factors such as business, staff, historical performance and investment process, since the Administrator believes that those factors will contribute to higher investment returns in the long run and will serve to manage risk in the investment of the Plan assets. The Administrator does not place added emphasis on environmental, social or governance factors ("ESG factors") when selecting investment managers but does consider an investment manager's processes regarding ESG factors when appropriate as part of the overall consideration of the investment manager.

The Administrator recognizes that ESG factors can influence the risk and/or returns of certain investments. Where an investment manager's investment style and resources permit, the Administrator expects its investment managers to take all relevant factors into account, including ESG factors, to the extent any such factors can reasonably be expected to have a material effect on the relative risks of an investment or its projected returns. If an investment manager determines that ESG factors are relevant to the selection of an investment, the investment manager is responsible for deciding which techniques should be used to incorporate such ESG factors into the selection process. The Administrator expects its investment managers to disclose, on a regular basis, the investment manager's statement and practices regarding ESG factors, which may include whether the investment manager is a signatory to the United Nations Principles for Responsible Investment, whether the investment manager incorporates ESG factors into their investment decisions, how the investment manager votes on shareholder proposals relating to matters involving ESG factors, and whether the investment manager has staff dedicated to research regarding ESG factors. For the purposes of this Policy, the Administrator considers ESG factors to include a broad range of matters that may be integrated into investment selection processes.

Section 13 – Monitoring

13.1 The Administrator shall review on a regular basis, as needed, and at least once a year:

(a) the assets and net cash flow of the Fund;

(b) the current asset mix of the Fund;

(c) the investment performance and management of the Fund and each Manager relative to the objectives of the Policy, their individual Mandate or Investment Policy;

(d) portfolio holdings;

(e) the fees and expenses incurred in managing the Fund; and

(f) compliance with this Policy.

Following such review, the Administrator shall take such action as it deems prudent and appropriate.

13.2 The Administrator shall meet at least once every two years with each Manager to discuss investment performance, investment strategies, expected future performance and any changes in that Manager's organization, investment processes and professional staff.

13.3 The primary focus of performance assessment will normally be on a moving four-year basis, but performance over shorter time periods and the Manager's performance for other comparable accounts prior to appointment for the Fund may also be considered. The Manager will not necessarily be faulted for under-performing the agreed standard over short time periods. However, the Administrator may conclude that significant short-term under performance renders it unlikely that the performance standard can reasonably be achieved at an appropriate risk level over the remainder of a market cycle.

13.4 The Managers of the Fund shall provide to the Administrator each quarter confirmation that they are in compliance with their Mandates, this Policy or their Investment Policy or, if they are not in compliance, a report and explanation of any guidelines that have been breached.

13.5 The Administrator shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Members.

Section 14 – Voting Rights

14.1 The responsibility of exercising and directing voting rights acquired through the Fund's investments shall normally be delegated to the Manager, who shall be required at all times act prudently and in the best interests of the beneficiaries. The Manager shall be required to provide a copy of their voting rights policy to the Administrator.

14.2 The Manager shall be required to maintain a record of how the Fund's voting rights have been exercised and provide a copy of such record to the Administrator annually.

14.3 In case of doubt as to the best interests of the beneficiaries, the Manager shall be required to request instructions from the Administrator and act in accordance with such instructions.

14.4 The Manager shall be required to advise the Administrator and provide details in advance of the vote when the Manager has acquired on behalf of himself and his client's securities to which are attached 10% or more of the voting rights of that class of securities.

14.5 The Administrator reserves the right to direct, or override, the voting decisions of a Manager, if in its view such action is in the best interests of the beneficiaries.

14.6 It is recognized, however, that the above constraints and policy on voting rights may not be enforceable to the extent that part of the Fund is invested in Pooled Funds. Nonetheless, the Manager of a Pooled Fund shall be required to act prudently and in the interests of such Pooled Fund and its investors.

14.7 Any voting rights related to Pooled Fund units within the Fund shall be the responsibility of the Administrator, who shall vote in the best interests of the Plan's beneficiaries.

Section 15 – Policy Review

15.1 This Policy will be reviewed and affirmed each Plan Year, but otherwise whenever a major change is apparent or necessary. Such review may be prompted by:

(a) a change in the benefit design of the Plan;

(b) a revision to the expected long-term trade-off between risk and reward on key asset classes;

(c) a change in the basis for actuarial calculations, the membership/liability distribution, the contribution/expense expectation;

(d) a shift in the financial risk tolerance of the University;

(e) shortcomings of the Policy that emerge in its practical operation;

(f) modifications that are recommended to the Administrator by a Manager; or

(g) changes in applicable legislation.

15.2 Any amendment of this Policy will be filed with the Plan actuary within 60 days of such amendment.