Municipal Pension Plan

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

As Amended: March 12, 2026

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Section 1: Overview / Purpose

1.1 The purposes of this Statement of Investment Policies and Procedures (the "Statement" or "SIPP") are:

(i) To ensure compliance with the British Columbia *Pension Benefits Standards A*ct, as amended from time to time or replaced ("PBSA"), the *Pension Benefits Standards Regulation* ("PBSR"), which requires a written statement of investment policies and procedures, as well as the *Income Tax Act*.

(ii) To set investment guidelines and direction for the British Columbia Investment Management Corporation ("BCI") that are consistent with the investment policies and objectives established by the Municipal Pension Board of Trustees (the "Board") for the Municipal Pension Plan (the "Plan").

(iii) To provide objectives, policies and principles for the management of the assets of the Municipal Pension Fund (the "Fund").

(iv) To set investment performance objectives and other criteria to be used by the Board to review and evaluate the investment results of the Fund.

1.2 The Plan is continued and maintained under the Municipal Pension Plan Joint Trust Agreement ("JTA") and the Municipal Pension Plan Rules (the "Rules"). The purpose of the Plan is to provide pension benefits to eligible employees of a local government, hospital or other health employer, school district, college, social service agency or other employer in British Columbia.

1.3 The Board is responsible for the administration of the Plan and of this Statement. The members of the Board are the trustees of the Fund.

1.4 The Board is responsible for ensuring that all investments of the Fund are managed prudently and in accordance with the PBSA, the PBSR, the *Income Tax Act* and this Statement.

1.5 The Board has adopted this Statement after considering the benefits obligations of the Plan and a risk profile that the Board believes to be appropriate.

1.6 The Board shall review and confirm or amend this Statement at least annually, but it can be amended at any time by a Board resolution.

BCI is required to have more detailed investment policies and procedures that detail their specific mandate, and they shall acknowledge that these policies and procedures conform to this Statement.

Section 2: Plan Structure and Funding / Plan Description

2.1 The Plan is a hybrid of a contributory defined benefit final average earnings pension plan and negotiated cost arrangements for providing contingent inflation adjustments. It is funded by Plan member and employer contributions and investment returns. Benefit entitlement is based on the provisions of the JTA and the Rules.

2.2 The Plan is not subject to solvency tests but is required to meet the going concern funding requirements of the PBSA or PBSR, as they existed prior to the amendments made December 31, 2019.

2.3 The Rules establish three accounts for the Plan: a Basic Account, an Inflation Adjustment Account, and a Supplemental Benefits Account.

2.3.1 The “Basic Account” provides the non-indexed portion of the pension and any cost-of-living increases that have been granted, based on the provisions in the JTA and the Rules.

2.3.2 Following the December 31, 2015 actuarial valuation, a notional Rate Stabilization Account (“RSA”) was set up in the Basic Account. The RSA may grow with interest and surplus based on the provisions in the JTA, subject to a maximum limit in the Board’s funding policy. Separate accounting records will continue to record the balances and transactions in each account. The actuarial valuation does not consider the RSA when assessing the funded status of the Basic Account or the required contribution rates. At subsequent valuations, the balance in the RSA will be drawn down to the extent needed to keep the required Basic contribution rates unchanged.

2.3.3 The “Inflation Adjustment Account” was established in 1982 and provides cost-of-living increases for retired members. The Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members, from investment income earned on its own assets, and from any valuation actuarial excesses that are transferred from the Basic Account in accordance with the Joint Trust Agreement. However, this is not a guaranteed benefit and contributions to the Inflation Adjustment Account are insufficient to provide full inflation protection indefinitely.

The increases may not exceed i) the annual increase in the Consumer Price Index ("CPI") as at the previous September 30, and ii) the sustainable limit on the amount of cost-of-living adjustments ("COLA") periodically set by the Board and are subject to availability of funds in the Inflation Adjustment Account.

2.3.4 The "Supplemental Benefits Account" does not hold any investment funds.

2.3.5 Effective January 1, 2010, the Basic Account and Inflation Adjustment Account are managed as a single account for investment purposes. However, separate accounting records will continue to record the balances and transactions in each account.

2.4 The SIPP should be reviewed in light of the funding policy and the most recent actuarial valuation to ensure that the asset allocation is consistent with the Plan's overall objectives. The Board meets the investment objectives through an asset liability study, generally completed following each actuarial valuation report and ongoing monitoring between studies. This process includes a review of investment objectives and risks and determines the asset allocation framework.

Section 3: Risk Appetite

3.1 The Board's investment objectives are to:

- Maintain a fully funded Basic Account so that contributions are paid at the entry age normal cost
- Provide sustainable cost-of-living increases
- Provide sufficient liquidity to enable the plan to meet all its obligations as they become due

3.2 At least once every three years the Board, with professional support from BCI, conducts an Asset-Liability Review ("ALM"). This process includes a review of investment objectives and risks and determines the asset allocation framework for the next period.

3.3 The Board's risk appetite is expressed via the following key investment objectives and associated risk measures:

- Less than 20% probability of contribution increases greater than 1%
- Greater than 80% probability of the RSA reaching target level
- Less than 25% probability of the COLA cap being reinstated after being lifted
- Forecasted Liquidity Coverage Ratio ("LCR") of at least 12 months

Section 4: Plan Governance

4.1 In accordance with the JTA, the Board has 16 members with equal representation from Plan members and the employers. The parties required by section 4.1 of the JTA to appoint Trustees may also appoint an alternate Trustee for each member of the Board.

4.2 The Board is responsible for the management of the Fund and the establishment of the investment policies. The Board has a legal obligation to invest in the best financial interest of the beneficiaries of the trust.

4.3 The Board's Investment Committee has delegated authority to make changes that are within Appendix A and are consistent with the Statement, including authorizing a pooled fund or benchmark name change, but not including approving a new pooled fund or new benchmark.

4.4 BCI and the Plan Administrative Agent (British Columbia Pension Corporation) are agents of the Board. They must act in accordance with the direction and policies of the Board, subject to their fiduciary duty to the Plan beneficiaries and in the case of BCI, other pooled funds participants.

4.5 The Fund is managed by BCI and other investment management firms contracted through BCI. In all cases, BCI and other investment managers shall comply with this Statement, their internal policies, as well as the relevant laws and regulations governing pension fund management in the respective jurisdiction.

4.6 The following outlines the roles and responsibilities of parties involved with the Plan:

BCI:

- is an agent of the Board, and is responsible for day-to-day investment management of the Fund;
- ensures that the Fund is managed in accordance with this Statement and the directions of the Board;
- hires and manages contract arrangements with the Custodian and other external providers of related services (e.g., external managers, data service providers, etc.) on behalf of the Board;
- is responsible for fulfilling all reporting requirements outlined in the Investment Reporting Framework ("IRF") pursuant to the Funds Investment and Management Agreement ("FMA"); and
- has a role that goes beyond that of a typical fund manager, effectively functioning as the Board's internal investment staff. This is set out in greater detail in the FMA with BCI.

Custodian:
- is responsible for fulfilling all their duties as outlined in their service agreement with BCI;
- fulfills the regular duties of a Custodian as required by law.

Auditor:
- audits the Plan's financial statements in accordance with existing legislation and Canadian accounting standards; and
- provides an opinion on the Plan's financial statements.

Actuary:
- is responsible for assessing the financial status of the Plan, including the adequacy of contribution rates;
- fulfills the regular duties of an Actuary as required by law.

British Columbia Pension Corporation ("Pension Corporation"):
- is an agent of the Board and is responsible for ensuring that contributions and payments are made in accordance with the Plan rules;
- prepares financial statements, annual reports and other Plan documents;
- maintains accounting records for the Basic Account and the Inflation Adjustment Account;
- establishes and manages contracts with external administrative service providers on behalf of the Board; and
- has a role that goes beyond that of a typical administrative agent, effectively functioning as the Board's internal staff. This is set out in greater detail in the Board's Service Agreement with Pension Corporation.

Section 5: The Board's Investment Beliefs

5.1 Clear investment governance and decision-making structures are critical to Plan success.

5.1.1 The activities that have the greatest potential impact on meeting the Plan's objectives should be the key focus of the Board.

5.1.2 The Plan's objectives along with its benefit and funding policies drive the investment policies and risk management of the Fund.

5.1.3 The Plan has a long-term investment horizon and the Fund must be managed accordingly to meet its objectives.

5.2 The Fund is most effectively managed as a whole, rather than a number of individual components.

5.2.1 The long-term strategic asset mix is the primary determinant of the Fund's risk and return.

5.2.2 Deviations from the Fund's target asset mix can be used to improve the likelihood of achieving Plan objectives.

5.2.3 Taking investment risk is essential for meeting the Plan's goals, provided there is conviction the investment risk is appropriately rewarded in the long term and is effectively measured and managed.

5.3 When considering an investment strategy, a broad range of implementation options should be considered to ensure alignment with the Fund's overall goals.

5.3.1 Diversification across the total Fund will reduce risk without compromising Plan objectives and is a prerequisite to prudent fund management.

5.3.2 The Plan's long-term horizon allows it to take advantage of value creation opportunities in less liquid assets in order to meet its objectives, provided Fund liquidity is appropriately managed.

5.3.3 Investing in active strategies can be used to both mitigate risk and add value in less efficient markets, or where BCI has a competitive advantage.

5.3.4 The diversification benefits of foreign currency exposure should be weighed against the implications to funding status and contribution rate volatility to determine optimal hedging requirements. Additionally, shorter-term market conditions may provide opportunities to mitigate risks and add value through active currency management.

5.3.5 Leverage can be used to improve the likelihood of achieving the Plan's objectives by reducing the risk of an underlying investment strategy, reducing portfolio volatility through increasing portfolio diversification and providing an additional source of liquidity, provided there is conviction the investment risk is appropriately rewarded in the long term and is effectively measured and managed.

5.3.6 Derivatives can be used to obtain desired exposures for the Fund for the purpose of risk management, liquidity and counterparty management, transactional efficiency and as a feature of value-added investment strategies, provided there is conviction the investment risk is appropriately rewarded in the long term and is effectively measured and managed.

5.3.7 Costs need to be effectively managed so that a greater proportion of the investment returns passes through to the Plan and enhances its long-term sustainability.

5.4 Environmental, social and governance matters make a difference.

5.4.1 Companies and other entities in which the Fund invests that take environmental, social and governance (“ESG”) matters into account have less risk and generate long-term value for investors compared to those with less robust practices.

5.4.2 Social, environmental and economic sustainability help the plan fulfill its financial obligations to members and beneficiaries. A cohesive society, healthy environment, sustainable economy and fair financial markets are necessary to generate adequate long-term returns across the portfolio.

5.4.3 It is consistent with the Board’s fiduciary duty to invest in the best financial interest of members and beneficiaries that investment decisions consider wider stakeholder views and good corporate citizenship.

5.4.4 Climate change is a long-term material systemic risk to the Plan and an investment opportunity. Implementing actions to mitigate climate change and transition towards a low-carbon world will safeguard the global economy, protect the financial system, and ensure better market outcomes, all of which are in our beneficiaries’ best financial interest. Aligning our actions with the goal of achieving net zero greenhouse gas emissions by 2050 through stewardship, the selection and management of assets, and advocating for appropriate public policies will benefit the Plan.

Section 6: Asset Allocation

6.1 To achieve the Board’s investment objectives, the Board has adopted the following long-term asset mix and allowable ranges shown in section 6.3.

6.1.1 Policy asset allocation is set by the Board and establishes the general framework for managing the Fund. This includes determining ranges for the debt and equity portions of the portfolio, as well as general ranges for individual asset classes (e.g., bonds). Policy asset allocation also establishes the amount of discretion provided to BCI and establishes the total fund market benchmark.

6.1.2 Tactical asset allocation focuses on short-term conditions and attempts to increase investment return through opportunistic shifts in the portfolio's asset class weighting.

Tactical asset allocation decisions depend on shorter term market conditions, and, as such, are delegated to BCI. However, these asset allocation shifts must be within the policy ranges specified by the Board in this Statement.

6.2 The Board believes that BCI is in the best position to make the decision on the weightings between active and passive strategies and has delegated this decision to BCI.

6.3 Long-term policy asset mix, policy ranges and benchmarks for the Fund are:

Asset Class[1]	Policy Range		Long-term Policy Asset Mix	Benchmarks
	Minimum	Maximum		
Short Term[2]	0	7	2	50% FTSE 91 Day T-Bill Index & 50% 3-Month US Treasury Bill Index
Bonds	11	30	22	FTSE Canada Universe All Government Bond Index
Credit[2,3,4]	4	21	15	20% BofAML US Corporate Index (Hedged) & 20% BofAML BB-B US Cash Pay High Yield Constrained Index (Hedged) & 60% S&P/LSTA U.S. Leveraged Loan 100 Index (Hedged)
Fixed Income Sub-total	**25**	**47**	**39**	
Public Equity[5]	7	37	22	10% S&P/TSX Composite Index 70% MSCI World ex-Canada Net Index 20% MSCI Emerging Markets Net Index
Private Equity[4,6]	10	20	16	MSCI All Country World Net Total Return Index + 2%
Equity Sub-total	**28**	**51**	**38**	
Real Estate[2,4,7,8]	15	29	23	15% Real Estate Debt: 50% Investment Grade: ICE BofAML 1-3 year U.S. Corporate Index (CAD Hedged), & 50% High Yield: ICE BofAML1-3 year BB-B US Cash Pay High Yield Constrained Index (CAD Hedged) + 25 bps & 85% Real Estate Equity: 6.8% Nominal Return
Infrastructure and Renewable Resources[4,8]	7	18	15	6.5% Nominal
Real Assets Sub-total	25	45	38	
Other[9]	0	5	0	Not applicable
Leverage[10]	0	-20	-15	Liability: Realized cost of Financing
TOTAL	**100**	**100**	**100**	

1. Refer to the plan's Investment Report for asset classification by pool.
2. The benchmark proportion within Short Term, Credit and Real Estate will be set to actual due to the illiquid nature of private market assets.
3. The Credit asset class includes Corporate Bonds and Private Debt.
4. Due to the illiquid nature of these assets, the upper limit may be exceeded on a temporary basis. BCI shall use cashflow to rebalance as soon as is practical and shall continue to report any breach of the policy ranges in the quarterly compliance report.
5. Public Equities include Canadian, Global and Emerging Market Equities.
6. In addition to equity, Private Equity investments may include debt.
7. Real Estate includes Real Estate Equity and Real Estate Debt (Mortgages).
8. Major currency exposures from these programs are not hedged.
9. "Other" includes strategies or investments specifically approved by the Board that do not correspond to the listed asset classes. Refer to the Investment Report.
10. Assets held within the Funding Program will be benchmarked against their respective asset class benchmarks.

6.4 The Board recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in section 6.3. This implementation timeframe is reflected in section 7.3 for the purpose of the performance measurement framework.

6.5 The Fund may be invested in the pooled funds listed in Appendix A, segregated funds, mutual funds, unit trusts, limited partnerships, and similar vehicles, provided that they conform to this Statement. Despite any other provision of this SIPP, the Board agrees to participate in the Principal Credit Fund and the Global Partnership Fund. Investment in the absolute return, direct investment and co-investment portion of the Global Partnership Fund are not to exceed 10% of the Total Fund.

6.6 BCI may loan the Fund's securities, or the Fund may participate in pooled funds that lend securities provided that:

- the securities lending agent provides an indemnity for losses relating to
- a borrower failing to return securities on loan;
- lent securities are indemnified by the securities lending agent;
- the loan and collateral are valued daily on a "mark-to-market" basis;
- the collateral consists of highly liquid and marketable securities under normal market conditions; and
- the loans meet the terms and conditions of BCI's Securities Lending Program.

6.7 The total of the long-term asset mix class allocations (excluding leverage) may sum to greater than 100 per cent as a result of the inclusion of leverage at the Fund level.

Section 7: Performance Objectives

7.1 The long-term (10 years) investment objective of the total fund is to meet or exceed, net of all expenses incurred in the investment process, the following benchmarks:

(i) the annual rates of return used in the actuarial report (CPI + 3.5 percent and 6.25 percent nominal); and

(ii) total fund benchmark: the rate of return that would have been achieved if the Fund had held its policy asset mix and each asset class had earned the return of their respective benchmark as outlined in 6.3.

7.2 For the liquid assets, the short-term investment objective (5 years) is to earn the rate of return, net of all expenses incurred in the investment process, assuming that each liquid asset class had earned the return of its respective benchmark as outlined in 6.3.

7.3 For actively managed strategies, the primary short-term investment return objective is for the rate of return, net of all expenses incurred in the investment process, to exceed the respective benchmark over rolling 5-year periods. However, certain asset classes such as real estate, private equity, infrastructure and renewable resources do not lend themselves to good market indices, and it is more appropriate to evaluate their performance over longer periods such as 10 years.

The overall long-term strategic asset mix includes leverage, investments in private markets and investments in public markets with limited liquidity. The Board recognizes that an appropriate implementation period is required to transition to the strategic asset mix and to fully implement the long-term allocations.

The Board will provide BCI with an approved transition framework starting March 13, 2025.

Section 8: Asset Class Policies

The following asset classes are permitted to be held in the Fund, subject to the investment policies established below for each asset class and any applicable legal constraints, including the constraints imposed by the PBSA, the PBSR and the *Income Tax Act*, as outlined in Appendix B.

8.1 *Money Market Short-Term Policies*

8.1.1. Short-term holdings include money market instruments and bonds with a term to maturity of 15 months or less.

8.1.2. Corporate money market securities should be rated A-1(Low) or better by Standard & Poor's ("S&P") or have an equivalent rating from another credit rating agency.

8.1.3. Short term corporate bonds should be rated A- or higher by S&P or have an equivalent rating from another credit rating agency.

8.1.4. Up to 1 percent of short-term holdings can be in non-rated debt issued by financial institutions (e.g., credit unions).

8.2 Bonds and Credit Policies (Fixed Income)

8.2.1. Bonds include fixed income securities issued by municipalities, Canadian government-related entities, and non- Canadian government or supranational entities rated "BBB-" or better by Standard & Poor's or with an equivalent rating from another credit rating agency.

8.2.2. Credit shall consist of international and domestic corporate bonds, convertible bonds, preferred shares, senior and subordinated debt, private debt, asset-backed commercial paper and securities, exchange traded funds, and fixed income derivatives (e.g., futures, options, swaps).

Equity securities derived from the conversion of fixed income securities or related derivatives are permissible investments and will immediately be reviewed to determine whether to sell the security immediately or hold to sell at a more appropriate time.

8.2.3. Publicly traded fixed income securities from issuers, other than securities issued by governments within Canada and securities held within the Corporate Bond Fund or Principal Credit Fund, when purchased must be rated BBB- or higher by S&P or have an equivalent credit rating from another credit rating agency. If any such holdings are downgraded to below a BBB- rating, BCI shall immediately review the downgraded security and determine whether to sell this security immediately or hold to sell at a more appropriate time.

8.2.4. Other than Short Term funds, the Funding Program, the Corporate Bond Fund, and the Principal Credit Fund, individual fixed income portfolios must be managed within ± 20 percent of the duration of their respective performance benchmark.

8.3 *Equity Policies*

8.3.1. Equity investments consist of common and preferred shares, common stock equivalents (such as, convertible debentures, convertible preferred shares, installment receipts, equity warrants, and share rights), income trusts, exchange traded funds, depository receipts, and equity derivatives (e.g., futures, options, equity swaps).

8.3.2. Private equity investments will typically consist of long-term debt or equity investments that are made primarily outside of the public market. These are long-term commitments made on behalf of the Fund.

8.4 *Real Estate and Real Estate Debt Policies*

8.4.1. Real estate investments consist of direct real estate holdings, units in real estate pooled funds, and real estate securities including trust units, shares in real estate companies, and debt.

8.4.2. Real estate investments shall be well diversified by property type, property location, and property risk.

8.4.3. No debt shall be assumed or created if, as a result, it causes the debt to market value of real estate portfolio to exceed 55 per cent.

8.4.4. No direct real estate investments will be made without a professional assessment of the properties' environmental condition.

8.4.5. The portfolio shall consist of a broad range of mortgage products, diversified by geographic location, type of mortgage, size of mortgage, and type of real estate. It may include direct mortgage loans and mortgage instruments (e.g., mortgage bonds) as well as real estate loans, real estate-related debt and equity investments, and equity interest in QuadReal. The aggregate exposure to equity investments (not including an equity interest in QuadReal) including preferred equity, and Structured Securities with a Structured Finance rating below BBB- by Standard & Poor's or an equivalent Structured Finance credit rating from another credit rating agency, may not exceed five percent of the net asset value of the Real Estate Debt Program. All mortgage loans must be eligible investments under the PBSA and PBSR.

8.4.6. No debt will be assumed or created if, as a result, the Leverage Ratio would exceed 40 percent of the gross asset value of the Real Estate Debt Program.

8.5 *Infrastructure and Renewable Resources Policies*

8.5.1. Infrastructure and Renewable Resource investments are eligible investments and consist of tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics that provide an attractive match with pension liabilities. Infrastructure investments typically include physical assets that provide essential services such as utilities and transportation systems.

Renewable Resource investments typically include timberland, farmland, and energy production assets such as wind and solar.

Section 9: Use of Derivative Instruments

9.1 The use of derivatives is only permitted for the following purposes:

(i) Synthetic Indexing - Passively investing in an attempt to replicate the returns of an index.

(ii) Risk Control - Managing interest rate, equity, credit, currency, legal or tax risk through the use of hedging strategies.

(iii) Lower Transaction Costs and Liquidity Management- Reducing the transaction costs on trading, custody and brokerage costs through use of index futures. Substituting one combination of securities for another with the same net exposure to market variables for the purposes of exploiting pricing inefficiencies.

(iv) Asset Mix Shifts - Reduce market movement and transaction costs of shifting asset weights or rebalancing by allowing instantaneous implementation of the shift through derivatives.

(v) To manage leverage at the pooled fund and total Fund level. Synthetic leverage can be created by utilizing derivative instruments.

(vi) Their use through participation in The Funding Program, Canadian and Global Quantitative Active Funds, and the Global Partnership Fund.

9.2 Derivatives include: exchange traded derivatives (futures and options) and over-the-counter (“OTC”) derivatives (forwards, and swaps). The above derivatives can have equities, fixed income, interest rates, and currencies as underlying instruments.

9.3 When an OTC derivatives contract is entered into directly by BCI with an external counterparty (e.g., a financial institution), the counterparty shall have at least an A- credit rating by S&P or an equivalent credit rating from another credit rating agency, unless otherwise approved by the Board. If the credit rating of any counterparty falls below A-, BCI shall immediately review the downgraded counterparty and determine whether to terminate the derivative contract. This rating requirement does not apply to investments in external funds in which BCI is a passive investor. Notwithstanding the language above, new OTC derivatives transactions with a downgraded counterparty are permitted if such transactions would fully or partially offset an existing exposure with the counterparty, leading to a reduction in BCI’s net exposure.

9.4 The use of any additional derivative products other than that stated above shall require the prior written consent of the Board.

Section 10: Use of Leverage

10.1 Leverage will be used in accordance with the strategic asset mix set out in section 6 of the Statement and may be employed within pooled funds as consistent with BCI's pooled fund policies.

10.2 The purpose of using leverage is to increase the likelihood of meeting the Plan's objectives as defined in section 2 by providing additional sources of liquidity, returns and diversification.

10.3 Leverage may be employed at the Fund level and within pooled funds as consistent with BCI's pooled fund policies.

10.4 The long-term policy asset mix includes leverage that can be created through the funding program pool by utilizing (i) secured borrowing such as repurchase agreements. Other forms of leverage could be created within the various pooled funds utilizing other sources such as derivatives as outlined in section 9.

10.5 BCI should inform the Board of the approach used to employ leverage at the asset mix level and within the various pooled funds and the impact of such leverage on investment risks including liquidity and counterparty risk.

10.6 The Fund's use of leverage may result in commitments which the Fund would be required to satisfy as a condition of redemption of pooled fund units, as consistent with BCI's pooled fund policies.

10.7 BCI may use longer-term borrowing to achieve clients' desired leverage. Due to the illiquid nature of some of these instruments, asset class policy limits may be breached on a temporary basis. BCI will rebalance as soon as is reasonably practical.

Section 11: Risk Management

Managing investment risks is just as important as generating returns.

11.1 Maintaining a well-diversified portfolio is the cornerstone of the Fund's risk management program.

The Plan's investment strategy should be developed to achieve the objectives outlined in Section 3 Risk Appetite, while minimizing the likelihood that the associated risk tolerances are breached.

Risks to these objectives include economic and demographic factors, and a variety of investment risks (e.g., asset returns; market, liquidity, credit, currency, counterparty and concentration risk).

11.2 The primary tool for managing these risks over the medium to long term is the ALM, which considers the following in the course of setting the investment strategy:

- The Plan's characteristics and circumstances (e.g., liability profile, funding policy,
- demographics),
- The Plan's investment objectives and risks, and
- Capital market expectations.

11.3 Over the short to medium term, investment risks are managed per BCI's investment risk management framework, which includes the following elements:

- Integrated governance approach,
- Assignment of roles and responsibilities,
- Definition of key investment risks, and
- Associated measurement, monitoring, and reporting.

A fulsome description of BCI's investment risk management framework can be found in its reference document: Investment Risk Management Policy.

11.4 The Board's Enterprise Risk Management (ERM) Policy governs how the Board manages its key strategic risks. The Board has set up a risk register to monitor the Plan's risks. Given BCI's role in the management of the Plan's investments, the Board has delegated the responsibility for developing, monitoring, and managing an investment risk program to BCI. The Board's Investment Committee oversees BCI's management of investment risk by regularly reviewing risk and monitoring threshold (as noted in Section 11.1).

11.5 The Board, or Pension Corporation, shall inform BCI at least annually of anticipated liquidity requirements. The Fund shall maintain sufficient liquidity to meet its financial obligations as they come due in order to reduce the risk of having to liquidate assets at potentially unfavourable prices and to reduce the risk of the asset allocation of the Fund straying too far from the intended policy asset mix. These financial obligations include benefit payments, expenses, requirements to meet any private market capital calls, and the obligations to meet any collateral, margin or mark-to market requirements of derivatives or other contracts.

BCI will assess annually whether the liquidity profile of the Fund can reasonably accommodate the anticipated liquidity requirements, including under adverse scenarios, and report such findings to the Board. In order to make these assessments, BCI shall undertake periodic reviews of the Fund's liquidity profile, including under adverse scenarios. BCI may run a temporary overdraft for day-to-day portfolio and cash management purposes.

Section 12: Valuation of Assets

12.1 As a general rule, all investments should be priced based on external sources on an ongoing basis. However, in some cases, obtaining on-going market pricing may be prohibitively expensive (e.g., certain illiquid investments such as real estate and private equity). These assets shall be valued less frequently, but at a minimum, at least once a year.

12.2 Any assets that cannot be marked-to-market on a regular basis (e.g., real estate and private equity shall have their value determined in accordance with BCI's valuation policy which is aligned with standard industry practice.

Section 13: Responsible Investing and Stewardship

13.1 This section articulates the Board's approach to responsible investing. At all times, the Board's responsible investing approach is to be conducted within the framework of fiduciary responsibility. It shall therefore be implemented in a manner that supports the efficient investment of the Fund's assets to achieve investment return objectives, which are in the best financial interests of the Plan's current and future beneficiaries.

The Board has a duty to understand ESG issues and to manage these ESG issues through its oversight of BCI. BCI integrates ESG issues into its decision-making processes as governed by their ESG Governance Policy.

13.2 Pursuant to Section 5.4.1 and subject to Section 13.1, favorable consideration is to be given by BCI and its investment managers to investment opportunities that meet or exceed all environmental regulations and aspire to reduce their impact on the environment, apply best practices for corporate governance, promote diversity and inclusion, adopt good standards of safety and employee welfare, and are responsible in their operations by effectively managing relationships with suppliers, customers and communities.

13.3 In keeping with the Board's fiduciary responsibilities and framework, the Board believes that environmental, social, and corporate governance ("ESG") issues affect investment performance to varying degrees across companies, sectors, regions, asset classes and through time. The Board is committed to ensuring that ESG issues are incorporated into investment analysis and decision-making processes, and into our ownership policies and practices. The plan seeks appropriate ESG disclosure by the entities in which plan assets are invested, works collaboratively with like-minded investors and reports transparently.

13.4 Effective research, analysis and evaluation of ESG issues are a fundamental part of assessing the value and performance of an investment over the long-term.

13.5 The Board expects the companies and entities in which it invests to comply with relevant international and national standards, regulations and laws and uphold standards of responsible business conduct as outlined in the Global Compact, the International Labour Organization (ILO) Fundamental Principles and Rights at Work, the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights. The Board expects BCI to conduct enhanced due diligence of those companies, sectors and regions that face heightened risks from conflict and human and labour rights abuses.

13.6 The Board expects BCI to use their position as a fiduciary and universal owner to use proxy voting and shareholder engagement to encourage companies to focus on long-term value creation and manage ESG risks.

13.7 The Board delegates its voting rights to BCI and instructs BCI to act in the best financial interests of the Fund. BCI shall provide the Board with copies of its voting guidelines and at least once a year the Board shall review BCI’s voting record.

13.8 The Board believes that in most cases engagement is a more effective tool for seeking to initiate change to and influence corporate practices than exclusion. The Board expects BCI, as an active and engaged investor, to encourage the companies within its portfolio to i) apply good corporate governance practices; ii) effectively manage their business relationships; and iii) be responsible in their operations and treatment of employees, including sound human capital practices such as those supporting a diverse and inclusive workplace. The Board further expects that BCI’s engagement activities are based on strategic ESG priorities and, as a result, ESG matters are addressed to the extent that they influence risk and return of the Fund.

13.9 Public policy and financial market regulation have an important impact on long-term investment returns. The Plan or its agents individually or in collaboration with other investors will promote public policies that support the generation of adequate long-term investment returns and strengthen the fair and transparent regulation of financial markets.

Section 14: Conflict of Interest and Code of Ethics

14.1 Members of the Board are subject to the Municipal Pension Plan Trustee Code of Conduct, including the conflict-of-interest provisions contained in part V of the Code.

14.2 Because BCI and its investment managers are involved in the ongoing management of the Fund, they are required to have a more comprehensive and thorough conflict of interest policy. BCI shall make disclosure in accordance with section 14.3 if any of its employees or agents materially breach their internal conflict of interest guidelines.

14.3 Procedure on Disclosure of Conflict of Interest

Members of the Board shall disclose the nature and extent of their actual or perceived conflict of interest in accordance with part V of the Municipal Pension Plan Trustee Code of Conduct.

BCI shall disclose any conflict of interest in accordance with the provisions of its service agreement with the Board and its own conflict of interest policy referred to in section 14.2.

14.4 Related Party Transactions

The Plan shall not directly or indirectly enter into a transaction with, lend the moneys of the Plan to, or use the moneys of the Plan to hold an investment in, a related party that is prohibited under Schedule III of the federal *Pension Benefits Standards Regulations, 1985* (“Schedule III”). The term “related party” has the meaning given in Schedule III. However, a transaction with, loan to, or investment in a related party to the Plan is permitted if the value is nominal or immaterial to the Plan. In assessing materiality of the transaction with, loan to, or investment in a related party, a value of 1% of the market value of the Plan assets is considered to be nominal.

Section 15: Implementation

The Board has decided to implement the investment policy through investments managed by BCI, in accordance with section 6. The pooled funds in which the Board has agreed to participate are listed in the attached Appendix A.

By participating in a particular pooled fund, the Board acknowledges that it has reviewed the pooled fund’s internal investment policy and finds it acceptable.
If BCI makes any material change to the investment policy of a particular internal pooled fund listed in Appendix A, they shall disclose the change to the Board

and, subject to the pooled portfolio rules, the Board shall decide whether it wishes to remain invested in that pooled fund.

Appendix A

Eligible Pooled Funds – Effective March 13, 2025

Asset Class Categories Under Section .3	Eligible Pooled Funds	Benchmark(s)
Short Term	Canadian Money Market Fund (ST1)	Canadian Overnight Repo Rate Average (CORRA)
	Canadian Money Market Fund (ST2)	FTSE Canada 91 Day T-Bill Index
	US Dollar Money Market Fund (ST3)	Secured Overnight Financing Rate (SOFR)
	US Dollar Money Market Fund (ST4)	ICE BofA US 3-Month Treasury Bill Index
Bonds	Government Bond Fund	FTSE Canada All Government Bond Index
	Short Term Bond Fund	FTSE Canada Short Term Government Bond Index
	The Funding Program	Asset benchmark = Actual Performance Liability benchmark = Realized Cost of Financing
Credit	Corporate Bond Fund	50 per cent Investment Grade: BAML US Corporate Index (CAD Hedged) plus 50 per cent High Yield: BAML BB-B US Cash Pay High Yield Constrained Index (CAD Hedged)
	Principal Credit Fund	S&P/LSTA U.S. Leveraged Loan 100 Index, 100% hedged in Canadian dollar terms
Public Equity	Indexed Canadian Equity Fund	S&P/TSX Composite Index
	Canadian Quantitative Active Equity Fund	n/a – fund suspended
	Active Canadian Equity Fund	S&P/TSX Capped Composite Index
	Active Canadian Small Cap Equity Fund	S&P/TSX Small Cap Index
	Indexed US Equity Fund	n/a – fund suspended
	Active US Small Cap Equity Fund	Russell 2000 Total Return Index
	Active European Equity Fund	Morgan Stanley Capital International (MSCI) Europe Net Index
	Active Asian Equity Fund	Morgan Stanley Capital International (MSCI) All Country Asia Pacific ex- Japan Net Index
	Indexed Global Equity Fund	MSC World ex-Canada Net Index
	Indexed Global ESG Equity Fund	n/a– fund suspended
	Global Quantitative ESG Equity Fund	MSCI World ex-Canada Net Index, Total Return
	Global Quantitative Active Equity Fund	MSCI World ex-Canada Net Index
	Active Global Equity Fund	MSCI World ex-Canada Net Index
	Global Partnership Fund	MSCI World ex-Canada Net Index
	Thematic Public Equity Fund	MSCI World ex-Canada Net Index
	Indexed Emerging Markets Equity Fund	MSCI Emerging Markets Net Index
	Active Emerging Markets Equity Fund	MSCI Emerging Markets Net Index
	Indexed EAFE[1] Equity Fund	MSCI EAFE Net Total Return CAD Index (unhedged)
Private Equity	Private Equity Program	PE Fund investments: MSCI All Country World Net Index plus 200 basis points Direct/Co-investments: Cost of Capital of 8.5%
Real Estate	Realpool Program	Cost of Capital of 6.8%
	BCI QuadReal Real Estate Debt Program	50% Investment Grade: BAML 1-3Y U.S. Corporate Index (CAD Hedged) plus 50% High Yield: BAML 1-3Y BB-B US Cash Pay High Yield Constrained Index (CAD Hedged) + 25 bps
Infrastructure and Renewable Resources	Infrastructure and Renewable Resources	Cost of Capital of 6.5%

Product Descriptions for each of the eligible pooled funds above are available upon request to the Municipal Pension Plan.

[1]*Europe, Australasia, and the Far East.*

Appendix B

Asset Class Policies – Legislative Constraints

Federal *Pension Benefits Standards Act, 1985* Constraints

The PBSR requires investments to be made in accordance with the federal *Pension Benefits Standards Regulations, 1985*, which include the following quantitative rules:

1.	Maximum investment in one company's securities	10% of the market value of the Fund
2.	Maximum proportion of the voting shares of any company	30%

Income Tax Act and Canada Revenue Agency Constraints

1. No money is to be borrowed by the Fund, except for the purpose of acquiring real property or occasionally for 90 days or less as provided in Income *Tax Regulation* 8502(i).

2. No prohibited investment (see *Income Tax Regulation* 8514) may be purchased, such as the securities of a participating employer, if the shares of that employer are not listed on one of the stock exchanges prescribed in *Income Tax Regulations* 3200 or 3201.