TEACHERS' PENSION PLAN

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

As Amended: October 1, 2024

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APPENDICES

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 Act*, 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 Teachers' Pension Board of Trustees (the "Board") for the Teachers' Pension Plan (the "Plan").

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

(iv) To set forth 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 Teachers' Pension Plan Joint Trust Agreement ("JTA") and the Teachers' Pension Plan Rules (the "Rules"). The purpose of the Plan is to provide pension benefits to plan members in accordance with the benefit provisions of the JTA and the Rules.

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 Plan and 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 benefit obligations of the Plan and the risk profile that the Board believes to be appropriate and the maturity of the Plan.

Due to the maturity of the Plan, the Board is more risk averse than it would be for a less mature plan.

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

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

Section 2: Plan Structure and Funding / Plan Description

2.1 The Plan is a combination 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. 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 as these requirements existed prior to 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 adjustments that have been granted to active and retired members, based on the provisions in the JTA and the Rules.

2.3.2 The Inflation Adjustment Account ("IAA") was established in 1982 and provides cost of living increases for retired members. The IAA is funded through a portion of ongoing contributions from employers and members, from investment income earned on its own assets, and from excess interest earnings in the Basic Account. Increases to pension payments are not guaranteed but may be provided each January 1 in accordance with the cost-of-living adjustment provisions of the Plan. These cost-of living adjustments are based on the increase in the Canada Consumer Price Index ("CPI") as at the previous September 30, subject to availability of funds in the IAA. The Board annually considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions-in-pay.

2.3.3 The "Supplemental Benefits Account" has not been addressed by this Statement because it does not hold any investment funds.

Section 3: Plan Governance

3.1 In accordance with the JTA, the Board has 10 members with equal representation from Plan members and the employers.

3.2 The Board is responsible for the administration of the Plan and the management of the Fund. Specifically, the Board has the responsibility to establish a written statement of the investment policies and procedures. The Board has a legal obligation to act in the best financial interest of the beneficiaries of the trust and exercise a high standard of care in protecting the Fund and its assets. This must override all other considerations.

3.3 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.

3.4 The Board meets quarterly with BCI to review performance and discuss investment issues. In addition, the Board appoints trustee members to the Interplan Investment Committee which meets with BCI at least three times per year, and there are from time to time ad hoc meetings between the Board and BCI to pursue investment issues.

The reports set out in Section 8 are reviewed by the Board or committee of the Board.

As provided in Section 1.6, the Board performs an annual review and updating of its Statement.

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

The Board considers BCI performance annually as part of its Governance Review process.

The Board has conducted a comprehensive Risk Management Review, which included an assessment of BCI's risk management activities. This review will be revisited annually, and a comprehensive Risk Management Review will be undertaken periodically.

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

3.6 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 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 and as trustee of pooled funds. BCI's oversight of external public equity managers includes their hiring, monitoring and termination. Oversight of external public equity managers includes an analysis of results, processes, organizational changes, and client needs. Legal obligations are set out in BCI's Investment Management Agreements with each external equity manager;
- is responsible for fulfilling all reporting requirements outlined in Section 8 of the Statement; 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 Board's Funds Investment and Management Agreement with BCI.

Custodian:

- responsible for fulfilling all their duties as outlined in their service agreement with BCI; and
- 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 financial statements.

Actuary:

- responsible for assessing the financial status of the Plan, including the adequacy of contribution rates; and
- 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 contributions and payments are made in accordance with the Rules;
- prepares financial statements, annual reports, and other Plan documents;
- 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 4: Asset Allocation

4.1 Meeting the pension benefits promise is the primary objective of the Board. Stabilizing the contribution rates for members and employers and providing CPI-level increases on the sustainable indexing basis are additional objectives of the Board. The Board's risk appetite is expressed through its investment objectives and corresponding risk tolerance levels. To achieve these objectives, the Board has adopted the following long-term asset mix and allowable ranges shown in Section 4.2.

4.1.1 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.

4.1.2 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. Asset mix rebalancing is useful to ensure that the Fund's desired risk exposure is maintained over the long term.

4.1.3 The Board identified the following risk tolerance levels during the Asset-Liability Review completed in 2022:

- A basic account contribution increase of no more than 2%; and
- Provide sufficient liquidity to enable the Plan to meet all its obligations as they become due, with a target Liquidity Coverage Ratio ("LCR")[1] of at least 15 months.

[2] The *Liquidity Coverage Ratio* represents the ratio of liquidity supply over demand and measures the ability to fulfill payment obligations over the following year, under the assumption of stressed market conditions. It is expressed in months.

4.2 Policy asset mix, policy ranges and benchmarks for the Fund, effective April 1, 2023 are:

Asset Class[1]	**Policy Range (%)**		**Long-Term Policy Asset Mix (%)**	**Benchmarks**
	Minimum	**Maximum**		
Short Term[2]	-	8	2	50% Canadian: FTSE 91 Day T-Bill Index 50% US: ICE BofA US 3-month T-Bill Index
Government Bonds	15	33	25	FTSE Canada Universe All Government Bond Index
Credit[2,3,4]	3	25	18	25% BofAML US Corporate Index (Hedged) 25% BofAML BB-B US Cash Pay High Yield Constrained Index (Hedged) 50% S&P/LSTA US Leveraged Loan 100 Index (Hedged)
Fixed Income Sub-total	**22**	**55**	**45**	
Developed Market Equities[5]	3	30	13	20% S&P/TSX Composite Index 80% MSCI World ex-Canada Net Index
Emerging Market Equities[6]	-	8	2	MSCI Emerging Markets Net Index
Private Equity[4,7]	8	20	13	MSCI All Country World Net Index + 200bps
Equity Sub-total	**16**	**52**	**28**	
Real Estate[2,4,8]	12	32	22	20% [(50% 1-3 year BofAML US Corporate Indexed (CAD Hedged) + 50% 1-3y BofAML BB-B US Cash Pay High Yield Index (CAD Hedged)) + 25bps] 80% Nominal Cost of Capital of 6.8%
Infrastructure and Renewable Resources[4,7]	6	20	15	Nominal Cost of Capital of 6.5%
Real Assets Sub-total	**18**	**50**	**37**	
Other[9]	0	5	0	N/A
Sub Total	**100**	**115**	**110**	
Portfolio Leverage[10]	**0**	**-15**	**-10**	
Total Portfolio	**100**	**100**	**100**	

Table Notes:

1 Refer to Participating Pooled Funds table (Appendix A) for asset classification by pool.
2 For performance measurement purposes, the benchmark proportion within the asset class will be set to actual due to the phased implementation 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 will use cashflow to rebalance as soon as is practical.
5 Developed Market Equities includes Canadian and Global Equities and may include exposure to emerging markets.
6 Emerging Market Equities may include exposure to developed markets.
7 In addition to equity, investments may include debt (other than that held in the private debt strategy).
8 Real Estate includes Real Estate Equity and Real Estate Debt (Mortgages).
9 "Other" includes strategies or investments specifically approved by the Board that do not correspond to the listed asset classes. Refer to Appendix A.
10 Assets held within The Funding Program will be benchmarked against their respective asset class benchmarks.

4.3 The Board recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in Section 4.2. This implementation timeframe is reflected in Section 8.4 for the purpose of the performance measurement framework.

4.4 If any liquid asset class moves outside of its policy range at any time, BCI shall notify the Board of the breach at or before the next meeting of the Board, and outline the steps taken to bring the Fund's asset mix back into compliance.

4.5 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.

4.6 The Fund may loan its securities, or 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.

4.7 The total asset mix may sum to greater than 100 per cent as a result of the inclusion of leverage at the Fund level. For performance measurement purposes the liability benchmark is equal to the realized cost of financing such liabilities.

Section 5: 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 the constraints imposed by the PBSA, the PBSR and the *Income Tax Act*, as outlined in Appendix B.

5.1 ***Short-Term Policies***

5.1.1 Short-term includes money market instruments and bonds with a term to maturity of 15 months or less, unless it is a callable bond which has a high probability of being called within 15 months.

5.1.2 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.

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

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

5.2 ***Government Bonds and Credit Policies***

5.2.1 Government Bonds include fixed income securities issued or guaranteed by the Government of Canada, Canadian provinces or municipalities, Canadian government-related entities, or the

Government of the United States, and Canadian dollar denominated fixed income securities issued or guaranteed by sovereign governments or supranational entities.

Credit shall consist of, without limitation, international and domestic corporate bonds, convertible bonds, equities, 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 in the Principal Credit Fund derived from the conversion of fixed income securities or related derivatives will immediately be reviewed to determine whether to sell the security immediately or hold to sell at a more appropriate time.

5.2.2 Publicly traded fixed income securities from issuers, other than securities 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 holdings are downgraded to below a BBB- rating, BCI will immediately review the downgraded security and determine whether to sell this security immediately or hold to sell at a more appropriate time.

5.2.3 The Government Bond Fund and the Short Term Bond Fund must be managed within ± 20 percent of the duration of their respective performance benchmarks.

5.3 ***Public Equity Policies***

5.3.1 Equity investments consist of common and preferred shares, common stock equivalents, income trusts, exchange traded funds, depository receipts, and equity derivatives (e.g., futures, options, equity swaps).

5.3.2 Investments in equity private placements are permitted as part of the public equity allocation policy limits as set out in Section 4.2.

5.4 ***Private Equity Policies***

5.4.1 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.

5.5 ***Real Estate Policies***

5.5.1 Real estate equity 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.

5.5.2 Real estate equity investments will be well diversified by property type, property location, and property risk.

5.5.3 No debt will be assumed or created if, as a result, it caused the debt to market value of the real estate equity portfolio to exceed 55 percent.

5.5.4 The real estate debt portfolio will 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 of all participants in the BCI QuadReal Real Estate Debt Program (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 such program. All mortgage loans must be eligible investments under the PBSA and PBSR.

5.5.5 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 BCI QuadReal Real Estate Debt Program.

5.6 ***Infrastructure and Renewable Resources Policies***

5.6.1 Infrastructure and Renewable Resource investments 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.

5.6.2 Infrastructure investments typically include physical assets that provide essential services such as utilities and transportation systems.

5.6.3 Renewable Resource investments will typically consist of timberland, farmland, and energy production assets such as wind and solar.

Section 6: Use of Derivative Instruments

6.1 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) Their use through participation in the Global Quantitative Active Equity Fund, The Funding Program and the Global Partnership Fund.

6.2 All derivative uses are to be structured to ensure that the aggregate amount of market exposure of the Fund does not increase as a result of derivative transactions, except as expressly permitted by the Pooled Fund Product Descriptions for the Global Quantitative Active Equity Fund, The Funding Program and the Global Partnership Fund.

6.3 Derivatives include: forward contracts, futures, options, and swaps. The above derivatives can have equities, fixed income, interest rates, and currencies as underlying instruments.

6.4 When entering into a new Over-the-Counter ("OTC")[1] derivatives transaction, BCI's direct Derivatives Counterparties must be financial institutions rated "A-" or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency. Notwithstanding the restriction above, new OTC derivatives transactions with a downgraded (below A-) 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.

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

[1] Over-the-Counter derivatives (or OTC derivatives) are derivatives contracts that are traded directly between BCI and derivatives counterparties without going through a central clearing counterparty, exchanges, or any other intermediary.

Section 7: Use of Leverage[1] and Permitted Borrowing

7.1 Leverage may be used for the purpose of managing risk and/or returns. Leverage magnifies actual returns beyond those experienced by the underlying securities, both on the upside and downside.

7.2 The use of leverage involves borrowing against assets to make additional purchases.

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

7.4 Borrowing is permissible if supported, or covered, by appropriate liquid assets.

7.5 The Fund's use of leverage may result in commitments for which the Fund could retain liability even upon withdrawal, within pooled funds as consistent with BCI's pooled fund policies.

7.6 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 8: Performance Objectives and Reporting

8.1 The long-term (30 years) investment objective of the Fund is to meet or exceed, net of all expenses incurred in the investment process:

(i) the annual rates of return used in the actuarial report (CPI + 3.25 percent and 5.75 percent nominal); and

(ii) the benchmark portfolio's rate of return, which is 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 4.2.

8.2 The volatility of the Fund's rate of return over 5-year periods, as measured by standard deviation, is expected to be less than the volatility of the benchmark portfolio's rate of return.

8.3 The primary investment return objective of individual asset classes is for the rate of return, net of all expenses incurred in the investment process, to meet or exceed the respective benchmarks over 5-year periods. Certain

[1] **Asset mix leverage:** the leverage created through the funding program pool. **Funding leverage:** the leverage created through the funding program pool and the recourse debt related to the pooled funds.

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 benchmarks used for each asset class are listed in 4.2.

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 implement the long-term allocations.

As a temporary measure, during this transition phase, private market assets will increase incrementally each year and public market assets will have temporary offsetting higher allocations. During this time the minimum and maximum ranges around the asset classes may be wider to facilitate the transition to the strategic mix. When the transition to the strategic mix is completed, or near completion, the ranges around the benchmark weights may be reduced.

The Board will provide BCI with an approved benchmark transition framework effective April 1, 2023.

8.4 The returns of the Fund are calculated using market values derived from independent pricing sources. Returns are time-weighted so that cash flows have a minimal effect on return numbers. All income is included on an accrued basis. Return calculations are in accordance with industry standards. This includes using internal rates of return for private equity and similar type investments.

8.5 The return from foreign benchmarks applicable to asset classes will be calculated in Canadian dollar terms on an unhedged basis.

8.6 Each quarter BCI will provide the Board with reports on the performance of the Fund. These reports will include the following information:

- net cash flows;
- Fund values;
- investment returns for the total Fund and individual pooled funds as well as all stated benchmarks;
- portfolio leverage;
- signed compliance certificate confirming compliance with this Statement;
- key changes in investment personnel;
- investment strategy for the next quarter; and
- investment management fees (including external manager fees, custodial, legal, and audit fees).

The compliance certificate will report any breaches of this Statement as well as any material breaches of BCI's internal pooled fund policies.

8.7 The Board will compare the pooled fund's investment performance relative to the appropriate benchmark, and where appropriate will compare actively managed asset classes to a universe of managers with similar mandates, at least once a year. It is recognized that manager universe comparisons must be interpreted with caution as there can be key differences in the nature of the portfolios (e.g., size) included in the universe. BCI will advise the Board quarterly of the portion of total public equities and of each equity asset class that are managed under active, indexed, and enhanced indexed strategies. BCI will advise the Board quarterly of the return of each equity asset class relative to its policy benchmark.

8.8 Once a year, BCI will provide a more comprehensive report outlining the performance of the Fund. This annual review will include an attribution analysis. Attribution analysis quantifies the impact of specific active management decisions (including security selection and tactical asset allocation) for the Fund relative to its benchmark. The report will also include a comparison of the volatility of the Fund's rate of return over a 5-year period, as measured by standard deviation, against the volatility of the benchmark portfolio's rate of return.

8.9 BCI will advise the Board quarterly of the diversification of the real estate equity and real estate debt pools in which the Fund participates, and advise the Board annually of the diversification of the private equity pools in which the Fund participates.

8.10 The Pooled Fund Product Descriptions provide a detailed explanation of the valuation of each investment. Any material change to the Pooled Fund Product Descriptions is reported to the Boards.

8.11 Notwithstanding Section 8.7, real estate equity may not be valued quarterly due to cost and complexity of valuation. At least once a year, BCI will provide the Board with a report on the real estate programs in which the Fund participates.

8.12 Notwithstanding Section 8.7, Private Equity, Infrastructure, and Renewable Resources investment programs are valued less frequently than liquid assets due to the cost and complexity of valuation. At least once a year, BCI shall provide the Board with a report examining the performance of the pools in which the Fund participates.

8.13 BCI will inform the Board of any substantial change in the investment policy underlying any pooled fund in which the Fund is invested.

8.14 BCI will report to the Board on any changes to its securities lending policies.

8.15 The Board shall monitor BCI's performance and, if necessary, take steps as deemed appropriate to address any concerns. Concerns may include, but are not limited to, the following:

- performance results, which over a reasonable period of time, are below the objectives stated in Section 8;
- changes to BCI's or a sub-advisor's organization, investment personnel, or investment process, which might adversely affect the performance of the Fund;
- legal or regulatory proceedings against BCI or a sub-advisor; and/or
- failure to adhere to this Statement.

Section 9: Risk Management

9.1 The Plan's investment strategy should be developed to achieve the objectives outlined in the SIPP, 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; leverage). The primary tool for managing these risks over the medium to long term is the Asset-Liability Review, which considers the following in 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.

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.

9.2 The Board or Pension Corporation will inform BCI at least annually of anticipated liquidity requirements. The Fund will maintain sufficient liquidity to meet its financial obligations as they come due. Temporary overdraft is permitted for day-to-day portfolio and cash management purposes, if it is considered to be in the best financial interest of the Fund.

Section 10: Valuation of Assets

10.1 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 will be valued less frequently, but at a minimum, at least once a year.

10.2 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 the valuation policies established by the managers, in accordance with standard industry practices. These values will be reviewed by BCI.

Section 11: Responsible Investing and Voting Rights

11.1 At all times, this policy will be conducted within the framework of fiduciary responsibility. It will therefore be implemented in a manner that supports the efficient investment of the Fund to achieve its investment return objectives, which are in the best financial interests of the Plan's current and future beneficiaries.

11.2 ESG matters are important to evaluate within the framework of fiduciary responsibility. The Board has a duty to understand environmental, social and governance ("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*.

11.3 Pursuant to the Board's investment beliefs and subject to Section 11.1, favourable consideration is to be given by BCI and its investment managers to investment opportunities in corporations that meet or exceed all environmental regulations and aspire to reduce the impact of their operations on the environment, apply best practices for corporate governance, adopt good standards of safety and employee welfare, and are responsible in their operations by effectively managing relationships with suppliers, customers and communities.

11.4 In keeping with the Board's fiduciary responsibilities and framework, the Board believes that ESG issues can affect investment performance to varying degrees across companies, sectors, regions, asset classes and through time. In this regard, the Board supports the UN-led Principles for Responsible Investment, introduced in April 2006 (http://www.unpri.org/principles/). By applying these principles, the Board recognizes that effective research, analysis and evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the long term.

11.5 It is recognized that BCI is a signatory to the UN-led Principles for Responsible Investing, and as such, is expected to follow the organization's principles.

11.6 The Board delegates its voting rights to BCI. Voting rights will be exercised in the best financial interests of the Fund. BCI shall vote proxies in accordance with BCI's *Proxy Voting Guidelines*.

The Board expects BCI to use its 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. As an active and engaged investor, BCI expects and encourages the companies within its portfolio to comply with the laws of the jurisdiction within which they operate; aspire to align their practices and adhere to international standards; apply best practices for corporate governance and be transparent about their practices, risks, and opportunities; meet all environmental regulations and seek to reduce their operational impact on the environment; and, be responsible in their operations, adopt good standards of occupational health & safety, and effectively manage stakeholder relationships. 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.

11.7 At least once per year, BCI will provide the Board with the following:

- copies of its corporate governance guidelines;
- updates on BCI's views with respect to ESG issues; and
- details regarding any changes that were made to its shareholder engagement guidelines or proxy voting guidelines.

11.8 At least once per year, the Board will review BCI's voting record and shareholder initiatives.

Section 12: Conflict of Interest and Code of Ethics

12.1 BCI's *Code of Ethics and Professional Conduct*

BCI and all BCI officers and employees (the "Covered Parties") are subject to *BCI's Code of Ethics and Professional Conduct* (the "BCI Code"). The BCI Code establishes standards that are at least as stringent as the CFA Institute's Asset Manager Code of Professional Conduct. The BCI Code includes a comprehensive and thorough conflict of interest policy (i) prohibiting Covered Parties from using their knowledge of the Fund's investments, or of investment decisions made on behalf of the Fund, to benefit anyone other than the Fund, and (ii) requiring Covered Parties to make disclosure if they, or any person over whom they have influence, may be reasonably thought to materially benefit by an investment of the Fund or by an investment decision made on behalf of the Fund. An example of such a material benefit would be if an employee owned, or had a significant financial interest in, real estate property that was acquired on behalf of the Fund. BCI will advise the Board of any material changes to the BCI Code.

12.2 Procedure on Disclosure of Conflict of Interest

Covered Parties are required to report any actual or perceived conflict of interest to BCI's Compliance Department. To protect the integrity of any ongoing conflict of interest investigation, BCI will make disclosure to the Chair of the Board promptly upon completion of its internal compliance investigation. This practice is consistent with the standard employed by BCI when reporting conflict of interest matters to its board of directors. Disclosure by BCI should also be made at the first Board meeting following disclosure to the Chair. BCI's obligation to disclose any actual or perceived conflict of interest is engaged whether any such conflict is identified by a Covered Party or through BCI's internal compliance investigations.

12.3 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 Benefit Standards Regulation, 1985 (the "Federal PBSR"). The term "related party" has the meaning given in Schedule III of the Federal PBSR. 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. Two or more transactions with the same related party shall be considered a single transaction.

Section 13: Implementation

The Board has decided to implement the investment policy through investments managed by BCI in accordance with Sections 4 and 8. 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 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, it will disclose the change to the Board and, subject to the pooled portfolio rules, the Board will decide whether it wishes to remain invested in that pooled fund.

APPENDIX A

Participating Pooled Funds

Current BCI Pooled Fund Benchmarks are found in the Consolidated Product Descriptions (CPD) on The Exchange, or the Detailed Performance Appendix of the Plan's Investment Report

Asset Class Categories Under Section 4.2	Eligible Pooled Funds
Short Term	Canadian Money Market Fund (ST1)
	Canadian Money Market Fund (ST2)
	US Dollar Money Market Fund (ST3)
	US Dollar Money Market Fund (ST4)
Government Bonds	Government Bond Fund
	Short Term Bond Fund
	The Funding Program
Credit	Corporate Bond Fund
	Principal Credit Fund
Developed Market Equities	Indexed Canadian Equity Fund
	Active Canadian Equity Fund
	Active Canadian Small Cap Equity Fund
	Active U.S. Small Cap Equity Fund
	Active European Equity Fund
	Active Asian Equity Fund
	Indexed Global Equity Fund
	Indexed EAFE[1] Equity Fund
	Global Quantitative ESG Equity Fund
	Global Quantitative Active Equity Fund
	Active Global Equity Fund
	Global Partnership Fund
	Thematic Public Equity Fund
Emerging Markets Equities	Indexed Emerging Markets Equity Fund
	Active Emerging Markets Equity Fund
Private Equity	Private Equity Program[2]
Real Estate	Realpool Program
	BCI QuadReal Real Estate Debt Program
Infrastructure and Renewable Resources	Infrastructure & Renewable Resources Program
Other	

1 *Europe, Australasia, and the Far East.*
2 *Effective January 1, 2025 or as determined by BCI's CEO/CIO*

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[1]
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.

[1] The 10% rule need only be considered at the time an investment is made.

APPENDIX C

Investment Beliefs

The Teachers' Pension Board of Trustees (board) oversees an investment portfolio for the benefit of its plan members, with the primary financial objective to ensure the long-term sustainability of the plan. This is dependent upon several factors, including the generation of sufficient returns over a long-term horizon.

The board's mission is "To fulfill the trust the Partners have placed on us by effectively and efficiently meeting the pension promise to provide retirement income to the plan members." The board's guiding principles describe how the board translates its mission into action. They comprise the lens through which the board makes decisions and takes action.

The board's investment beliefs and supporting principles act as a guide for making investment decisions by aligning the implementation of the investment portfolio around a common set of core views or beliefs. In turn, the Statement of Investment Policies and Procedures outlines the board's investment strategy and overall framework for managing plan assets.

The objectives of the investment beliefs and supporting principles are to provide clarity of thought, combine individual perspectives into a common understanding and provide a basis to stay the course when most needed.

	Beliefs	Supporting Principles
Governance	Good governance enhances the Plan's ability to achieve its mission.	• The Board's responsibility lies within its strategic decisions, including mission, goals and risk tolerance • Recognizing the Board's goals and beliefs, investment implementation decisions are managed by BCI as delegated by the Board
Risk Management	Taking and managing risk is critical to achieving the Plan's long-term goals.	• Maintaining a well-diversified portfolio is the cornerstone of the Fund's risk management program • Risk cannot be defined in a single number, therefore, in addition to quantitative measures of risk, the Board will factor in qualitative assessments of risk when developing investment policy • Currency risk from foreign investments shall be managed in the context of the overall liability profile of the Plan, also recognizing diversification benefits from unhedged foreign exposure

		• Rebalancing is beneficial in reducing exposure to extreme market valuations and enhancing long term returns, while recognizing the need to manage different levels of liquidity within the portfolio
Risk Management	A long-term investment time horizon gives the Plan a competitive advantage and benefits the Fund if managed accordingly.	• Over the long-term, investors should receive additional compensation for taking investment risks • The Fund's asset mix is the primary determinant of the risk and return of its investments • As a long-term investor, the Plan can exploit different risk premia beyond equity risk to add value and/or improve diversification and as a board, open to Illiquid alternatives such as private equity, real estate, infrastructure and private debt being considered in this regard
ESG/Climate Change	Managing environmental, social and governance (ESG) matters lessens financial risk and financial performance performs better over the long term.	• ESG factors may affect investment performance over time and to varying degrees across companies, sectors, regions and asset classes • The Board expects BCI to place a high priority on ESG issues in their selection of external managers, and their own internal process • The Board recognizes that shareholder engagement is a more effective tool for seeking to initiate change and influence corporate practices than divesting of investments
	Climate change is a complex issue that will have a significant long-term impact.	• Members expect the Board to consider climate change in their thinking of and approach to investment policy, including strategies which focus on reducing the carbon footprint of the Plan, with due consideration to the financial impact • The Board expects BCI to consider climate change issues in their investment policy activities

Portfolio Management	Active management should only be undertaken when there is a reasonable expectation of generating higher returns.	• Active management performance will be assessed against an agreed benchmark and a relevant universe for similar mandates
		• The weightings between active and passive strategies is delegated to BCI with the understanding that:
		    ○ the value added by active managers is low when it comes to bonds and limited in U.S. equities;
		    ○ active management can add value in Canadian equities, international equities, global equities, and emerging market equities; and
		    ○ active management is preferred for the real estate, infrastructure, private debt, and private equity asset classes
		• Active management performance will be assessed against an agreed benchmark and a relevant universe for similar mandates and revisited from time to time to assess BCI's decisions and evolving model

	Costs matter and need to be effectively managed.	• The Fund's asset mix has an impact on the cost of investment • The Board expects transparency of total costs, including information supporting the justification of decisions made in managing the investment portfolio • There is a reputation risk management aspect to cost control • Over the long-term, investors should receive additional compensation for taking investment risks while at the same time. It is the Board's expectation that a greater proportion of investment return will pass on to the Plan
	Understanding the nature and variability of the Plan's liabilities is critical to devising an appropriate investment strategy.	• Pension liabilities have an inverse relationship with the valuation discount rate and will decrease if the discount rate rises, and vice versa

Portfolio Management	No one investment style, region, or capitalization will consistently produce higher returns, and it is not possible for the Board to predict which will outperform over a given period.	• It is not possible to predict which asset class will outperform another over a given period • The Board has delegated the decision on the structuring of the equity, bond and alternatives portfolios to BCI, including decisions on: ○ Manager mandates – regions and market capitalization ○ Investment style ○ Credit ○ Hedging ○ Internal vs external management • In all cases, BCI will be held accountable for their decisions and is expected to weigh up the costs and risk/return benefits, and liquidity implications of the approach they choose in order to achieve optimal risk-adjusted net of fee results for the Plan