

WorkSafeBC Pension Plan

STATEMENT OF INVESTMENT  
POLICIES AND PROCEDURES

As amended: March 1, 2025

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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 Act*, as amended from time to time or replaced (“PBSA”), the *Pension Benefits Standard 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 pension committee (the “Pension Committee”) of the WorkSafeBC Pension Plan (the “Plan”). Members of the Pension Committee are appointed by the Workers’ Compensation Board (the “Board”).
  - (iii) To provide objectives, policies and principles for the management of the assets of the WorkSafeBC Pension Fund (the “Fund”).
  - (iv) To set forth investment performance objectives and other criteria to be used by the Pension Committee to review and evaluate the investment results of the Fund.
- 1.2 The Plan is established and maintained through an Order-in-Council, under the *Workers’ Compensation Act*, dated January 11, 1996. The Plan is administered under the *WorkSafeBC Pension Plan Rules* (the “Rules”). The purpose of the Plan is to provide retirement benefits to employees of the Workers’ Compensation Board.
- 1.3 The Board is responsible for the administration of the Plan. The Pension Committee is responsible for this Statement.
- 1.4 The Pension Committee 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. Responsibilities of the Pension Committee are set out more completely in the *Pension Committee Terms of Reference*, effective October 21, 2016.
- 1.5 The Pension Committee has adopted this Statement after considering the benefit obligations of the Plan and a risk profile that the Pension Committee believes to be appropriate.
- 1.6 The Pension Committee will review and confirm or amend this Statement at least annually, but it can be amended at any time by a resolution of the Pension Committee. The Board is responsible for approving amendments to the policy asset mix and policy ranges, following recommendations from the Pension Committee.
- 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 pension plan and plan rules for providing contingent inflation adjustments. It is funded by Plan member and employer contributions. Benefit entitlement is based on the provisions of the Rules.
- 2.2 The Plan is subject to the solvency provisions and the going concern funding requirements of the PBSR.
- 2.3 The Plan establishes two accounts for the Fund: a Basic Account and an Inflation Adjustment Account.
  - 2.3.1 The Basic Account provides the non-indexed portion of the pension, based on the provisions in the Rules.
  - 2.3.2 The Inflation Adjustment Account 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 excess investment earnings in the Basic Account. However, this is not a guaranteed benefit. The increases are based on the annual increase in the Consumer Price Index ("CPI") as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account.

**Section 3: Plan Governance**

- 3.1 The Board is responsible for the administration of the Plan. In accordance with the Rules, the Board can appoint up to three individuals to be members of the Pension Committee. The Pension Committee is responsible for developing the investment policies, establishing the investment manager structure, and monitoring investment results.
- 3.2 The Pension Committee has the responsibility to develop a written statement of the investment policies and procedures for the Fund. The Pension Committee has a legal obligation to act in the best financial interest of the beneficiaries of the Plan 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 Plan. They must act in accordance with the direction and policies of the Pension Committee, subject to their fiduciary duty to the Plan beneficiaries, and, in the case of BCI, other pooled funds participants.
- 3.4 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.

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

BCI:

- is an agent of the Pension Committee 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 Pension Committee;
- 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 Pension Committee;
- 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 Pension Committee's internal investment staff. This is set out in greater detail in the Funds Management Agreement with BCI.

Custodian:

- response 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 Plan's financial statements.

Actuary:

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

WorkSafeBC Human Resources Division:

- responsible for assisting WorkSafeBC employees with all pension-related issues and inquiries;
- responsible for the initial enrollment of new employees who are eligible to participate in the Plan;
- organizes pension and retirement planning education for employees; and
- coordinates the Pension Committee meetings.

British Columbia Pension Corporation ("Pension Corporation"):

- is an agent of the Pension Committee and is responsible for ensuring contributions and payments are made in accordance with the Plan Rules;
- prepares financial statements, annual reports, and other Plan documents;
- establishes and manages contracts with external administrative service providers on behalf of the Pension Committee; and
- has a role that goes beyond that of a typical administrative agent, effectively functioning as the Pension Committee's internal staff. This is set out in greater detail in the Plan's Service Agreement with Pension Corporation.

## **Section 4: Investment Beliefs**

- 4.1 The purpose of investing the Fund is to grow the asset base and to generate a cash flow to help satisfy the Plan's current and future payment obligations. As such, understanding the nature and variability of the Plan's liabilities is critical to devising an appropriate investment strategy.
- 4.2 The Plan has a long-term investment time horizon and the Fund is managed accordingly. It is extremely difficult to forecast short-term investment returns. However, over the long term, capital markets are more predictable and investors should receive additional compensation for taking investment risks. Therefore, it is expected that over the long term, equities will outperform debt instruments. In addition, as a long-term investor, the Plan can exploit different risk premia beyond equity risk to add value and/or improve diversification including illiquid investments. These propositions are supported by historical evidence.
- 4.3 Managing investment risks is just as important as generating returns. Maintaining a well-diversified portfolio is the cornerstone of the Fund's risk management program.
- 4.4 Active management generally entails higher costs than passive investing so active management should only be undertaken when there is a reasonable expectation of generating higher returns than a passive investment alternative for that asset class. The more efficient a market is, the more difficult it is for active managers to add value. The Pension Committee 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.
- 4.5 The Pension Committee recognizes the Fund's asset mix as the primary determinant of the risk and return of its investments, and this also has an impact on the costs of its investments. The Pension Committee and the Board have identified two types of asset allocation: policy and tactical.
  - 4.5.1 Policy asset allocation is set by the Board following recommendations from the Pension Committee 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.
  - 4.5.2 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.
- 4.6 The Pension Committee believes that environmental, social, and corporate governance ("ESG") matters affect investment performance over time. The Pension Committee expects companies to be responsible in their operations, adopt good standards of occupational health and safety, and effectively manage stakeholder relationships.

- 4.6.1 Companies that appropriately manage and improve ESG practices are better positioned to generate long-term value for investors.
- 4.6.2 Investors that integrate ESG matters into investment decision-making processes are able to better understand, manage and mitigate risks, and take advantage of opportunities associated with long-term investments.
- 4.6.3 Contributions in improving the integrity and sustainability of global capital markets create favourable economic conditions that benefit investors over the long term.

## **Section 5: Asset Allocation**

- 5.1 Meeting the pension benefits promise is the primary objective of the Pension Committee. Managing the volatility of contribution rates and providing non-guaranteed benefits are additional objectives of the Board. The Pension Committee's risk appetite is expressed through its investment objectives and corresponding risk tolerance levels. To achieve these objectives, the Board, following recommendations from the Pension Committee adopted the following long-term asset mix and allowable ranges.
- 5.2 The Pension Committee identified the following risk tolerance levels during the Asset-Liability Review completed in 2024:
  - Target a going concern funded status greater than 110% and solvency funded status greater than 100% with the aim of seeking to maintain an employer contribution rate of 7% subject to the application of the Funding Policy;
  - Provide sufficient liquidity to enable the Plan to meet all its obligations as they become due, with a target Liquidity Coverage Ratio<sup>1</sup> ("LCR") of at least 15 months; and
  - Provide 100% indexation.

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<sup>1</sup> 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.

- 5.3 Long-term policy asset mix and policy ranges for the Fund, effective March 1, 2025, are:

| Asset Class <sup>1</sup>                            | Policy Range (%) |           | Long-term Policy Asset Mix (%) |
|---|------------------|-----------|--------------------------------|
|   | Minimum          | Maximum   |                                |
| Short Term  | 0                | 7         | 2                              |
| Government Bonds                                    | 12               | 30        | 18                             |
| Credit  | 7                | 23        | 17                             |
| Real Estate Debt <sup>2</sup>                       | 0                | 8         | 5                              |
| <b>Total Fixed Income</b>                           | <b>30</b>        | <b>52</b> | <b>42</b>                      |
| Developed Equities                                  | 5                | 25        | 12                             |
| Emerging Markets                                    | 0                | 8         | 3                              |
| Private Equity <sup>2</sup>                         | 7                | 15        | 11                             |
| <b>Total Equity</b>                                 | <b>15</b>        | <b>40</b> | <b>26</b>                      |
| Real Estate <sup>2</sup>                            | 11               | 20        | 17                             |
| Infrastructure and Renewable Resources <sup>2</sup> | 9                | 18        | 15                             |
| <b>Total Real Assets</b>                            | <b>20</b>        | <b>38</b> | <b>32</b>                      |
| Other <sup>3</sup>                                  | 0                | 5         | 0                              |

<sup>1</sup> Refer to Participating Pooled Funds table (Appendix A) for asset classification by pool.

<sup>2</sup> Due to the illiquid nature of these assets, the upper or lower limit may be surpassed on a temporary basis. BCI will use cash flows to rebalance as soon as is practical.

<sup>3</sup> "Other" includes strategies or investments specifically approved by the Pension Committee that do not correspond to "the listed asset classes. Refer to Appendix A of the SIPP.

- 5.4 The Pension Committee recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in Section 5.3. This implementation timeframe is reflected in Section 8.3 for the purpose of the performance measurement framework.
- 5.5 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. Notwithstanding any other provision of this SIPP limiting investments of the Fund, investment of portions of the Fund in the Principal Credit Fund and Global Partnership Fund is permitted, provided such investments are made as part of and in compliance with the requirements set out in section 5.3 of this SIPP.
- 5.6 The Fund may loan its securities, or participate in pooled funds that lend securities provided that:
- as a minimum, the market value of collateral should be equal to 100 percent of the market value of the lent securities;
  - 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.



## **Section 6: 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 C.

### **6.1 Money Market Short Term Policies**

- 6.1.1 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.
- 6.1.2 As a general rule, 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.
- 6.1.3 Short-term corporate bonds should be rated A- or higher by S&P or have an equivalent rating from another credit rating agency.

### **6.2 Real Estate Debt Policies**

- 6.2.1 The 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 (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 BCI QuadReal Real Estate Debt Program. All mortgage loans must be eligible investments under the PBSA and PBSR.
- 6.2.2 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.

### **6.3 Fixed Income / Bond Policies**

- 6.3.1 Fixed income portfolios shall consist of international and domestic corporate bonds, convertible bonds, preferred shares, asset-backed commercial paper and securities, government debt 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.

- 6.3.2 Publicly traded fixed income securities from issuers, other than securities issued by governments within Canada and securities held within the Corporate Bond 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.
- 6.3.3 The Government Bond Fund and the Short Term Bond Fund must be managed within  $\pm 20$  percent of the duration of their respective performance benchmarks.

#### **6.4 Public Equity Policies**

- 6.4.1 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).

#### **6.5 Real Estate Policies**

- 6.5.1 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.
- 6.5.2 Real estate investments will be diversified by property type, property location, and property risk.
- 6.5.3 No debt will be assumed or created if, as a result, it causes the debt to market value of the real estate portfolio to exceed 55 percent.
- 6.5.4 No direct investment in real estate will be made without the benefit of a professional opinion regarding known or possible environmental contamination of the property.

#### **6.6 Private Equity Policies**

- 6.6.1 Private equity investments will typically consist of long-term equity investments that are made primarily outside of the public market. Investments may be made directly by BCI or indirectly through external managers. These are long-term commitments made on behalf of the Fund.

#### **6.7 Infrastructure and Renewable Resources Policies**

- 6.7.1 Infrastructure and Renewable Resource investments are 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 7: Use of Derivative Instruments**

- 7.1 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 Fund and the Global Partnership Fund.
- 7.2 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, with the exception of their use through participation in the Global Quantitative Active Fund and the Global Partnership Fund.
- 7.3 Derivatives include: forward contracts, futures, options, and swaps. The above derivatives can have equities, fixed income, interest rates, and currencies as underlying instruments.
- 7.4 When entering into an Over-the-Counter (OTC)<sup>2</sup> derivatives transaction directly 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 Pension Committee. Notwithstanding the language 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 counterparty risk.
- 7.5 The use of any additional derivative products other than that stated above will require the prior written consent of the Pension Committee.

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<sup>2</sup> Over-the-Counter derivatives (or OTC derivatives) are derivative contracts that are traded directly between BCI and derivatives counterparties without going through a central clearing counterparty, exchanges, or any other intermediary.

## Section 8: Performance Objectives and Reporting

- 8.1 The long-term (10 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 + 3.1 percent and 5.60 percent nominal); and
  - (ii) 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 Table 1 below.
- 8.2 The short-term (5 years) investment objective is the rate of return, net of all expenses incurred in the investment process, that would have been earned both by the total Fund, as well as the liquid assets of the Fund (i.e., excluding real estate, private equity, infrastructure, and renewable resources), under the assumption that each asset class had earned the return of its respective benchmark as outlined in Table 1 below.
- 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 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 Table 1 below.

Table 1

| Asset Classes                        | March 1, 2025 | Benchmarks   |
|--------------------------------------|---------------|--|
| Short Term <sup>1</sup>              | 2             | FTSE Canada 91 Day T-Bill Index & ICE BofA US 3-Month Treasury Bill Index weighted daily based on Money Market's actual daily exposures to CAD and USD       |
| Government Bonds                     | 18            | FTSE Canada All Government Bond Index  |
| Credit <sup>1,2</sup>                | 17            | 25% BAML US Corporate Index (Hedged)<br>25% BAML BB-B US Cash Pay High Yield Constrained Index (Hedged)<br>50% S&P/LSTA US Leveraged Loan 100 Index (Hedged) |
| Real Estate Debt                     | 5             | [50% 1-3 year BofAML US Corporate Indexed (CAD Hedged) + 50% 1-3y BofAML BB-B US Cash Pay High Yield Constrained Index (CAD Hedged)] + 25 bps                |
| Developed Equities <sup>3</sup>      | 12            | 25% S&P/TSX Composite Index<br>75% MSCI World ex-Canada Net Total Return Index   |
| Emerging Markets                     | 3             | MSCI Emerging Markets Net Total Return Index   |
| Private Equity                       | 11            | MSCI All Country World Net Total Return Index + 2%   |
| Real Estate                          | 17            | 6.8% nominal return  |
| Infrastructure & Renewable Resources | 15            | 6.5% nominal return  |
| Other <sup>4</sup>                   | 0             | Not Applicable   |

Refer to Participating Pooled Funds table (Appendix A) for asset classification by pool

- For performance measurement purposes, the benchmark proportion within the asset class will be set to actual weights due to the difficulty in rebalancing private market assets.
- The Credit asset class includes Corporate Bonds and Private Debt.
- The Developed Equity asset class includes Canadian and global equities.
- "Other" includes strategies or investments specifically approved by the Pension Committee that do not correspond to the listed asset classes. Refer to Appendix A.

- 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.  
BCI will provide the Pension Committee with quarterly reports on the performance of the Fund. These quarterly 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;
  - 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.
- 8.6 The Pension Committee 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.
- 8.7 At least annually, BCI will provide comprehensive reporting outlining the performance of the Fund. This 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.
- 8.8 BCI will advise the Pension Committee quarterly of the diversification of the real estate debt and real estate pools in which the Fund participates, and advise the Pension Committee annually of the diversification of the private equity pools in which the Fund participates.
- 8.9 Notwithstanding section 8.6, real estate may not be valued quarterly due to cost and complexity of valuation. At least once a year, BCI will provide the Pension Committee with a report on the domestic and international real estate programs in which the Fund participates.
- 8.10 Notwithstanding section 8.6, 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 Pension Committee with a report examining the performance of the pools in which the Fund participates.

- 8.11 BCI will inform the Pension Committee of any substantial change in the investment policy underlying any pooled fund in which the Fund is invested.

## **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 Leverage may be employed in the Realpool Program, BCI QuadReal Real Estate Debt Program, Global Quantitative Active Fund and Global Partnership Fund, to the extent expressly permitted by the Pooled Fund Descriptions for such pooled funds.
- 9.3 The Pension Committee 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. In the event an overdraft beyond day-to-day portfolio and cash management purposes is experienced in the Fund's accounts (i.e., in excess of 5 business days or 3% of the Fund), BCI will promptly notify WorkSafeBC and will report details to the Pension Committee at its next meeting.

## **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.

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 external managers, in accordance with standard industry practices. These values will be reviewed by BCI.

## **Section 11: Responsible Investing & 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 Pension Committee 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 section 4.6 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. The Pension Committee expects BCI to encourage companies and its investment managers to identify practical and realistic solutions to ESG risks and recognize that introducing good governance and operational practices takes time. As significant ESG risks vary between asset classes, regions, sectors, and companies, we expect this approach and strategy to be adapted as appropriate for the investment.
- 11.4 In keeping with the Pension Committee's fiduciary responsibilities and framework, the Pension Committee believes that ESG issues can affect investment performance to varying degrees across companies, sectors, regions, asset classes and through time. In this regard, the Pension Committee supports the UN-led Principles for Responsible Investment, introduced in April 2006 (<https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>).
- 11.5 The Pension Committee delegates the Plan's 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 Pension Committee 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 Canada, and/or 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, be transparent about their practices, risks, and opportunities, meet all environmental regulations and seek to reduce their operational impact on the environment, 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.

- 11.6 Public policy and financial market regulation have important impacts on long-term investment returns. The Pension Committee expects that BCI, 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.
- 11.7 BCI will provide the Pension Committee with copies of its Proxy Voting Guidelines and at least once a year the Pension Committee will review BCI's voting record.

## **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 Pension Committee 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 Pension Committee 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 Pension Committee 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 *Pension Benefits Standards Regulations, 1985* (Canada) (the "Federal Regulations"). The term "related party" has the meaning given in Schedule III of the Federal Regulations. 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 13: Implementation***

The Pension Committee has decided to implement the investment policy through investments managed by BCI in accordance with section 5.

The pooled funds in which the Pension Committee has agreed to participate are listed in the attached Appendix A.

By participating in a particular pooled fund, the Pension Committee acknowledges that they have reviewed the pooled fund's internal investment policy and find 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 Pension Committee and, subject to the pooled portfolio rules, the Pension Committee will decide whether they wish 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 WorkSafeBC Pension Plan's Investment Report

| <i>Asset Class Categories Under Section 5.3</i> | <i>Eligible Pooled Funds</i>                            |
|---|---|
| <b>Short Term</b>                               | <i>Canadian Money Market Fund (ST1)</i>                 |
|   | <i>Canadian Money Market Fund (ST2)</i>                 |
|   | <i>US Dollar Money Market Fund (ST3)</i>                |
|   | <i>US Dollar Money Market Fund (ST4)</i>                |
| <b>Government Bonds</b>                         | <i>Government Bond Fund</i>                             |
|   | <i>Short Term Bond Fund</i>                             |
| <b>Credit</b>                                   | <i>Corporate Bond Fund</i>                              |
|   | <i>Principal Credit Fund</i>                            |
| <b>Real Estate Debt</b>                         | <i>BCI QuadReal Real Estate Debt Program</i>            |
| <b>Developed Equities</b>                       | <i>Indexed Canadian Equity Fund</i>                     |
|   | <i>Active Canadian Equity Fund</i>                      |
|   | <i>Active Canadian Small Cap Equity Fund</i>            |
|   | <i>Active U.S. Small Cap Equity Fund</i>                |
|   | <i>Indexed EAFE Equity Fund</i>                         |
|   | <i>Active Asian Equity Fund</i>                         |
|   | <i>Active European Equity Fund</i>                      |
|   | <i>Indexed Global Equity Fund</i>                       |
|   | <i>Global Quantitative Active Equity Fund</i>           |
|   | <i>Active Global Equity Fund</i>                        |
|   | <i>Global Partnership Fund</i>                          |
|   | <i>Thematic Public Equity Fund</i>                      |
| <b>Emerging Markets Equities</b>                | <i>Indexed Emerging Markets Equity Fund</i>             |
|   | <i>Active Emerging Markets Equity Fund</i>              |
| <b>Private Equity</b>                           | <i>Private Equity Program</i>                           |
| <b>Real Estate</b>                              | <i>Realpool Program</i>                                 |
| <b>Infrastructure and Renewable Resources</b>   | <i>Infrastructure &amp; Renewable Resources Program</i> |

**APPENDIX B<sup>1</sup>****Member and Employer Contributions**

| Contributor | Contribution  |
|-------------|---|
| Employees   | <p><u>Basic Account Contributions:</u></p> <p>5.5 percent of the member's salary that does not exceed the year's maximum pensionable earnings (YMPE).; and,</p> <p>7.0 percent of the member's salary over the YMPE.</p> <p><u>Inflation Adjustment Account Contributions:</u></p> <p>1.0 percent of member's salary.</p> |
| Employer    | <p><u>Basic Account Contributions:</u></p> <p>5.5 percent of the member's salary that does not exceed the year's maximum pensionable earnings (YMPE); and,</p> <p>7.0 percent of the member's salary over the YMPE.</p> <p><u>Inflation Adjustment Account Contributions:</u></p> <p>1.0 percent of member's salary.</p>  |

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<sup>1</sup> Effective January 1, 2016.

## APPENDIX C

## Statutory Framework

| Act / Document  | Investment Policy Implications   |
|---|--|
| <i>Workers' Compensation Act</i> , Order-in-Council dated January, 1996   | Establishes and maintains WCB's Pension Plan.<br><br>The WCB Board of Directors can appoint three individuals to be members of the Pension Committee to manage the Plan. Authority to invest the Fund has been delegated to the Chief Investment Officer of BCI.         |
| <i>Public Sector Pension Plans Act</i>                                    | Establishes the Pension Corporation and BCI. Provides the governance structure and the legal authority of BCI.   |
| <i>Pension Benefits Standards Act</i> (B.C.)                              | Requires the registration of pension plans, sets out complex and detailed provisions in a number of areas including permissible investments. Employs the prudent person rule and requires that the Fund be invested in the best financial interest of the beneficiaries. |
| Schedule III of the <i>Pension Benefits Standards Act</i> , 1985 (Canada) | Establishes permitted investments for a pension plan under both federal and provincial legislation.  |
| <i>Income Tax Act</i> (Canada)  | Requires registration of pension plans to obtain preferred tax treatment and sets out complex and detailed provisions limiting the type and extent of benefits which may be paid. Provides tax-exempt status for pension fund investments.                               |
| B.C., Ontario, and U.S. Securities Acts                                   | Various Securities Legislation   |
| <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i> . | Establishes records that must be obtained on opening accounts.   |