UNIVERSITY OF BRITISH COLUMBIA

FACULTY PENSION PLAN

Statement of Investment Policies and Goals

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Section 1 Purpose

1.1 This Statement of Investment Policies and Goals (the "Policy") applies to the assets held in the pension trust fund (the "Fund") in respect of the University of British Columbia Faculty Pension Plan (the "Plan"). The purpose of the Policy is to formulate those investment principles and guidelines which are appropriate to the needs and objectives of the Plan, and to define the management structure and monitoring procedures adopted for the ongoing operation of the Fund. The Objectives of the Plan and the Statement of Investment Beliefs for the Plan are attached as Appendix A.

1.2 This Policy may be changed or modified at any time by the Plan's Board of Trustees (the "Trustees"). If relevant, any such change shall be promptly communicated to the investment manager (the “Manager”) or managers (the "Managers") appointed by the Trustees.

1.3 It is understood that all investments under the Plan are subject to legislative requirements under the <u>Pension Benefits Standards Act of British Columbia</u> (“PBSA”), <u>Income Tax Act (Canada)</u> (“ITA”) and Plan requirements contained in the Policy.

1.4 Any Manager or other agent or advisor providing services in connection with the investment of the Fund shall accept and adhere to this Policy and to the Manager mandate and contract, subject to any exceptions referenced in the individual Manager mandate or contract.

Section 2 Administration

2.1 The Trustees are the Plan administrator, and have ultimate responsibility for the prudent investment of the Fund. From time to time, the Trustees may create ad hoc committees to deal with specific Plan issues.

2.2 The Trustees shall have the responsibility for:

1) reviewing and monitoring and, when necessary, making changes to the administrative operations of the Plan;

2) setting investment policies and procedures regarding return objectives, risk parameters and asset allocation for the Plan;

3) selection and termination of Managers;

4) monitoring investment performance of Managers and the overall Plan;

5) establishing Fund options for Plan members ("Members"); and

6) ensuring Policy compliance of the Plan.

2.3 All investments shall be maintained within legal limitations for pension plans registered under PBSA, and in such a manner as meets the legal requirements under ITA.

2.4 All of the Plan's fees and expenses, including administration, operating expenses, third party recordkeeper and service providers and investment management fees are charged to the Pension Fund.

Section 3 Return/Risk Considerations

3.1 The Plan is a defined contribution arrangement designed to provide retirement benefits for eligible academic and administrative executive staff of the University.

3.2 At retirement, or at the option of the Member up until any date thereafter permitted by law, a Member's accumulated account can be transferred to an external financial institution or remain in the Plan. Members have a direct exposure to risk in the investment return of the Fund, as their retirement benefit will depend on the return earned by the accounts, the amount of the contributions and the returns available upon retirement.

3.3 Given that investment objectives may differ for each Member depending on their individual characteristics such as age, tolerance for risk and other investment savings, the Plan offers Members the choice of the following six investment funds plus Guaranteed Investment Certificates (“GICs”) (the “Funds”):

1) Balanced Fund

2) Fossil Fuel Free Equity and Bond Fund

3) Canadian Equity Fund

4) Foreign Equity Fund

5) Bond Fund

6) Short Term Investment Fund

7) Guaranteed Investment Certificates (GICs)*

* GICs are available with maturities of 1, 2, 3, 4 or 5 years.

The Balanced Fund is the default option for those Members who do not make an investment selection.

3.4 The Funds consist of investments in the asset classes outlined in Sections 5.2 through 5.10. The following are the underlying benchmarks for each of these asset classes:

Asset Class	Benchmark
Canadian equities	S&P/TSX Composite Index
Global Equities	MSCI ACWI ex Canada (Net Dividends) Index (C$) MSCI World ex Canada (Net Dividends) Index (C$)
Global Low Volatility Equities	MSCI World ex Canada Minimum Volatility (Net Dividends C$) Index
Bonds	FTSE TMX Canada Universe Bond Index FTSE Canada All Corp Bond Index Bloomberg U.S. Agg. (CAD)
Real Estate	Consumer Price Index (Canadian)
Infrastructure	Consumer Price Index (Canadian)
Short term fixed income	FTSE TMX Canada 91-day Treasury bill Index
Guaranteed Investment certificates	A competitive rate within the GIC industry, Federal Government interest rates and other pertinent data

The risk exposure (as measured by the standard deviation of quarterly returns over a 4-year period) for each asset class is approximately the same as that of the underlying benchmark with the exception of real estate, infrastructure and GIC's.

The risk of each of the Funds is measured by the standard deviation of quarterly returns over a 4-year period. For the Balanced Fund, Fossil Fuel Free Equity and Bond Fund, Canadian Equity Fund, Foreign Equity Fund and Bond Fund, these risks are compared by the Plan's performance measurement provider to the risks of similar funds. These Funds are expected to be at, or below, the median risk level of comparable funds. Risk level for the Short-Term Investment Fund is not measured, as it is invested in a low risk pooled fund. Risk level of the GICs are not measured as this risk metric is not relevant when the investment is held to maturity.

3.5 General descriptions of the structure, historical returns and risks associated with the Funds shall be communicated to the Members by the Trustees to facilitate informed decisions relative to personal characteristics and investment objectives.

Section 4 Permitted Categories of Investments

4.1 Subject to other provisions of this Policy, the assets of the Funds may be invested in any or all of the following asset categories and sub-categories of investments. These investments may be obligations or securities of Canadian or foreign entities.

1) common stocks, American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs"), American Depository Securities ("ADSs"), International Depository Receipts ("IDRs"), convertible debentures or preferred securities;

2) listed unit trusts or REITS subject to the restriction that such trusts are governed by legislation limiting the liability of the unit holders;

3) bonds, debentures, mortgages, notes or other debt instruments of governments, government agencies, or corporations;

4) private placements, whether debt or equity, of governments, government agencies or corporations;

5) securities, whether debt or equity, of private companies;

6) mortgage loans;

7) investment or participation rights in venture capital;

8) real estate, whether purchased directly, or through closed or open-end pooled funds, or through participating debentures or shares of corporations or partnerships formed to invest in real estate for pension funds;

9) infrastructure, whether purchased directly, or through closed or open-ended pooled funds, or through participating debentures or shares of corporations or partnerships formed to invest in infrastructure for pension funds;

10) natural resource properties or participation rights whether purchased directly, or through closed or open-end pooled funds, or through participating debentures or shares of corporations or partnerships formed to invest in natural resources properties for pension funds;

11) options, financial or currency forwards or futures, warrants or share rights, exchange-traded funds, or other derivative instruments subject to the constraints in Section 4.3;

12) guaranteed investment contracts or equivalent of insurance companies, trust companies, banks or other eligible issuers, or funds which invest primarily in such instruments;

13) annuities, deposit administration contracts or other similar instruments regulated by the Canadian and British Insurance Companies Act (Canada) or comparable provincial law, as amended from time to time;

14) term deposits or similar instruments issued or unconditionally guaranteed by trust companies or banks;

15) cash, or money market securities issued by governments, government agencies or corporations; and

16) mutual, pooled or segregated funds and limited partnerships which may invest in any or all of the above instruments or assets.

4.2 Unless specifically approved elsewhere in this Policy, the Funds may not be invested in categories of assets excluded from Section 4.1, including but not limited to investment in: commodities, precious metals or collectibles. A Manager shall not invest in securities that would result in the imposition of a tax on the Fund under the Income Tax Act (Canada) unless they receive prior written permission from the Trustees.

4.3 With the exception of the real asset managers and the fixed income managers with portfolios which include exposure to global bonds ("Core Plus fixed income managers and managers of fixed income enhancement strategies"), derivative positions may only be used for defensive purposes, to equitize cash, or to replicate securities or strategies that are consistent with the fund's investment objective and risk and return profile. The use of derivative instruments which would be contracted on a leveraged basis is prohibited (except for the real estate and infrastructure funds).

The following uses of derivative instruments for defensive purposes are permitted:

1) Covered put and/or call options with respect to publicly traded securities that are held in the portfolio;

2) The Manager of an index portfolio may utilize fully backed (i.e. non- leveraged), derivative strategies designed to replicate the performance of specific market indices; and

3) Currency futures contracts and forward contracts whose use is restricted to reducing risk as part of a currency hedging strategy.

For the Core Plus fixed income funds and fixed income enhancement strategies (fixed income funds), acceptable derivative instruments include futures, options, swaps (including long and short credit default swaps and contract for differences swaps) and forwards. Leverage is not allowed in the fixed income funds, so the maximum allocation to derivatives is 100% of the portfolio being managed. To avoid leverage, fixed income funds may cover forward and derivatives exposure in a manner consistent with the coverage requirements of Section 18-f of the U.S. Investment Company Act of 1940 (the

“Segregated Asset Rule”). The Segregated Asset Rule allows investment companies to aggregate the exercise value of all net derivatives and forward transactions when measuring forward obligations. Derivatives may be used for efficient portfolio management purposes that include adjusting existing portfolio or security risk characteristics and taking active positions to implement the investment strategy. Derivatives traded on organized exchanges or the over-the- counter (“OTC”) market are permissible.OTC counterparties must have a minimum credit rating of A- from a recognized rating agency (or similar credit worthiness as determined by the Manager).

The Core Plus fixed income managers and fixed income enhancement managers will provide to the Trustees a monthly or a quarterly report on their derivatives exposures and any short positions.

The real estate and infrastructure managers may manage legal, tax or currency risk through the use of derivatives. When a swap or an option contract is entered into with an external counterparty (e.g., a financial institution), the counterparty will 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 Trustees. Forward contracts are restricted to financial institutions having a credit rating of A- or higher by S&P or an equivalent credit rating from another credit rating agency.

4.4 While specific restrictions are reflected in the individual Manager’s mandates or Pooled Fund Profiles, the following restrictions also apply:

1) no one equity holding shall represent more than 10% of the voting shares of a corporation; and

2) except for federal bonds and provincial bonds having at least an A credit rating, no more than 10% of a Manager’s bond portfolio may be invested in the bonds of a single issuer and its related companies.

4.5 While the guidelines in this Policy are intended to guide the management of the Funds, it is recognized that, due to the use of pooled funds, there may be instances where there is a conflict between this Policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate. The Manager will review this Policy against the pooled fund’s investment policy and provide a written description to the Trustees of where the pooled fund’s investment policy is non-compliant with this Policy.

4.6 Each investment fund option is subject to the following investment constraints imposed by the Federal Pension Benefits Standards Act.

The quantitative rules in the PBSA Regulations include:

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

Section 5 Asset Allocation Guidelines

5.1 Diversification of investment risk between asset classes is provided through the asset allocation guidelines set out below. The long-term asset mixes of the Funds are established by the Trustees.

5.2 Balanced Fund
The long-term policy asset allocation for the Balanced Fund is as follows:

Percentage of fund at Market Value	**Current Policy**
Equity	
Canadian equities (1)	10%
Global equities (2)	33%
Debt	
Bonds (3)	37%
Cash (4)	0%
Real Assets	
Canadian Real estate (5)	4%
U. S Real estate (5)	4%
Global Real estate (5)	4%
Global Infrastructure (6)	8%

The assets of the Balanced Fund may be invested as per Section 4 Permitted Categories of Investments of this Policy. For further clarification these investments may include:

(1) Common stocks, convertible debentures, exchange-traded funds, unit trusts or preferred shares of Canadian corporations. Capitalization restrictions are as set out in Manager mandates and/or Pooled Fund Profiles. No more than 10% of this component to be represented by allowable unlisted securities or private placements.

(2) Common stocks, convertible debentures, exchange-traded funds, preferred shares, American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs"), American Depository Securities ("ADSs"), International Depository Receipts ("IDRs") of all Global corporations. All securities to be listed on a recognized stock exchange or regularly traded through an organized facility upon which market prices are readily available.

Maximum exposure to investments listed outside of those countries that form part of the investment managers' index benchmark are set out in the Manager mandates and/or Pooled Fund Profiles.

(3) Fixed income obligations of Canadian and non-Canadian issuers.

(4) Cash and short-term paper with a term to maturity of not more than fifteen months, having a credit rating of A-1 (low) or better or equivalent rating.

(5) Office, commercial, industrial and residential rental properties, hotels and undeveloped land located in Canada, U.S., and globally.

(6) Transport, renewable energy, utility, and digital data infrastructure assets located and operated globally.

5.3 Balanced Fund – Asset Allocation Review

Trustees review the asset allocation of the Balanced Fund at every meeting and determine when rebalancing is required. Trustees examine the percentage deviation of the asset allocation (of either the asset class or the individual manager) from the policy allocation and the potential costs of transferring the assets in determining when rebalancing is required. The asset allocation shown in Table 5.3 provides Minimum/Maximum ranges for each asset class component. The asset allocation of the Balanced Fund is to be maintained within the ranges shown in this table, unless the Trustees approve a specific variation. If an asset class weighting is persistently close to, but does not breech the minimum or maximum range, the Trustees will consider this in their decision on rebalancing.

Table 5.3 Balanced Fund – Asset Allocation

Asset Allocation Ranges			
Asset Class	**Policy Allocation**	**Asset Allocation**	
		Minimum	**Maximum**
Equity	43%	33%	53%
Canadian equity	10%	5%	15%
Total global equity	33%	26%	40%
Global low volatility	5%	3%	7%
Global equity	28%	23%	33%
Fixed Income	37%	29%	45%
Bonds	37%	29%	45%
Alternatives	20%	15%	25%
Real estate	12%	8%	16%
Infrastructure	8%	4%	12%
Total	100%		

5.4 Fossil Fuel Free Equity and Bond Fund

The long-term policy asset allocation for the Fossil Fuel Free Equity and Bond Fund is as follows:

Percentage of fund at Market Value	**Current Policy**
Equity	
Canadian equities (1)	15%
Global equities (2)	40%
Debt	
Bonds (3)	45%
Cash (4)	0%

The assets of the Fossil Fuel Free Equity and Bond Fund may be invested as per Section 4 Permitted Categories of Investments of this Policy. For further clarification these investments may include:

(1) Common stocks, convertible debentures, exchange-traded funds, unit trusts or preferred shares of Canadian corporations. Capitalization restrictions are as set out in Manager mandates and/or Pooled Fund Profiles. No more than 10% of this component to be represented by allowable unlisted securities or private placements.

(2) Common stocks, convertible debentures, exchange-traded funds, preferred shares, American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs"), American Depository Securities ("ADSs"), International Depository Receipts ("IDRs") of all Global corporations. All securities to be listed on a recognized stock exchange or regularly traded through an organized facility upon which market prices are readily available.
Maximum exposure to investments listed outside of those countries that form part of the investment managers' index benchmark are set out in the Manager mandates and/or Pooled Fund Profiles.

(3) Fixed income obligations of Canadian and non-Canadian issuers.

(4) Cash and short-term paper with a term to maturity of not more than fifteen months, having a credit rating of A-1 (low) or better or equivalent rating.

5.5 Fossil Fuel Free Equity and Bond Fund – Asset Allocation Review

Trustees review the asset allocation of the Fossil Fuel Free Equity and Bond Fund at every meeting and determine when rebalancing is required. Trustees examine the percentage deviation of the asset allocation (of either the asset class or the individual manager) from the policy allocation and the potential costs of transferring the assets in determining when rebalancing is required. The asset allocation shown in Table 5.5 provides Minimum/Maximum ranges for each asset class component. The asset allocation of the Fossil Fuel Free Equity and Bond Fund is to be maintained within the ranges shown in this table, unless the Trustees approve a specific variation. If an asset class weighting is persistently close to, but does not breech the minimum or maximum range, the Trustees will consider this in their decision on rebalancing.

Table 5.5 Fossil Fuel Free Equity and Bond Fund – Asset Allocation

Asset Allocation Ranges			
Asset Class	**Policy Allocation**	**Asset Allocation**	
		Minimum	**Maximum**
Equity	55%	45%	65%
Canadian equity	15%	10%	20%
Global equity	40%	30%	50%
Fixed Income	45%	35%	55%
Canadian Universe Bonds	45%	35%	55%
Total	100%		

5.6 Canadian Equity Fund

The long-term policy allocation for the Canadian Equity Fund is as follows:

Percentage of fund at Market Value	**Current Policy**
Canadian equities (1) *	100%

**This number refers to the description provided in Section 5.2*

The assets will consist of the same Canadian equity securities that are held in the Balanced Fund.

5.7 Foreign Equity Fund

The long-term policy allocation for the Foreign Equity Fund is as follows:

Percentage of fund at Market Value	**Current Policy**
Global equities (2) *	83%
Global Low Volatility equities (2) *	17%

**These numbers refer to the description provided in Section 5.2*

The assets will consist of the same foreign equity securities that are held in the Balanced Fund, but in the proportions outlined above.

5.8 Bond Fund

The long-term policy allocation for the Bond Fund is as follows:

Percentage of fund at Market Value	**Current Policy**
Bonds (3) *	100%

** This number refers to the description provided in Section 5.2*

The assets will consist of the same fixed income obligations that are held in the Balanced Fund.

5.9 Short Term Investment Fund

The Short-Term Investment Fund is invested in a Canadian pooled money market fund which invests in short term debt securities (maximum term of 15 months) that are issued, insured, or guaranteed by, a government, or are corporate debt securities, including commercial paper.

5.10 Guaranteed Investment Certificates ("GICs")

The GICs are available in maturities of 1, 2, 3, 4 and 5 years. The GICs are guaranteed by the issuer (i.e. Sun Life).

Section 6 Fund Objectives

6.1 For each Fund option (except the Short-Term Investment Fund and Guaranteed Investment Certificates) the objective is to achieve a return equal to the relevant composite index for all asset classes in the Fund, plus an added value, and at a risk exposure roughly equivalent to the combination of the benchmark indices for all asset classes. Risk is measured as the standard deviation of absolute returns, as well as tracking error. The return and risk assessment are to be based upon a four-year moving average. Individual Manager mandates and Pooled Fund Profiles, specify risk and return objectives, including value added targets before fees and relative performance ranking targets, commensurate with the Manager's style and that Manager's role in the overall asset class.

6.2 The objective of the Short-Term Investment Fund is to provide a rate of return in excess of the FTSE TMX Canada 91-day Treasury Bill index.

6.3 The objective of the GICs with varying maturities will be to achieve rates of return that match the quoted yield to maturity for each term of GIC held.

Section 7 Investment Managers

7.1 Managers shall be appointed by the Trustees, when satisfied as to the Managers' suitability and competence to act as agents for the Fund. Managers are selected based on the following five criteria: performance, product, people, philosophy and process. Managers are evaluated regularly by the Trustees based on these criteria and the Trustees shall make any Manager changes, from time to time, as are deemed in the best interest of the Fund and its beneficiaries. The “Criteria for Selection, Retention and Replacement of Investment Managers” is attached as Appendix C.

7.2 Managers will:

1) invest the assets of the Funds in accordance with this Policy;

2) notify the Plan in writing of any significant changes in the Manager’s philosophies and policies, personnel or organization;

3) reconcile their own records with those of the custodian, at least monthly;

4) meet with the Trustees as required and provide written reports regarding past risk and return, future strategies, and other issues; and

5) submit compliance reports each quarter as outlined in Section 9.2 of this Policy.

7.3 Each Manager will invest according to their mandate, or in the case of pooled funds, according to a pooled fund policy statement. These mandates and policy statements will specify diversification requirements, benchmarks, permitted investments, etc.

Section 8 Valuation of Investments

8.1 Investments in pooled funds shall be valued according to the unit values published either daily, monthly or quarterly by the pooled fund manager. Other investments shall be valued at their market value when that is available from regular public trading.

8.2 If a market valuation of an investment is not available from public trading, then a fair value, according to generally accepted industry valuation procedures, shall be used. Unless otherwise approved by the Trustees, for equities and bonds, the average of bid and asked price from two major investment dealers, at least every calendar quarter will be used. For real estate and infrastructure, a certified written appraisal from a qualified independent appraiser, at least every two years, will be used. Interim appraisals prepared by the real asset managers will be acceptable.

Section 9 Monitoring

9.1 The Trustees shall:

1) review the assets and net cash flow of the Funds on a regular basis;

2) review the current economic outlook and investment philosophy of the Managers;

3) review the current asset mix, and take any action necessary to ensure compliance with this Policy; and

4) receive and consider information on the investment performance of the Managers and the Funds.

9.2 The Trustees shall monitor the performance of each Manager. Such monitoring will include, but not be limited to, regular meetings as scheduled by the Trustees, quarterly reports from the Managers, quarterly reports from a performance measurement service comparing the Manager's performance to that of their peers, and ongoing evaluation of performance relative to standards appropriate to the Manager's mandate. Each Manager shall provide a quarterly compliance report, signed by their Compliance Officer, reporting on the fund's compliance with their mandate, or, in the case of pooled funds, with the pooled fund policy statement. In the event that the Manager is not in compliance, the Manager is required to detail the nature of non-compliance and to recommend a course of action to remedy the situation.

9.3 The Trustees shall ensure that the appropriate safeguards are in effect in the administrative operation of the custodian, Managers or other plan advisors to comply with the legislative requirements under PBSA, ITA and the Policy.

9.4 The Managers are expected to comply at all times and in all respects with the Code of Ethics and Standards of Professional Conduct adopted either by the CFA Institute or the U.S. Securities and Exchange Commission (if applicable) or by the Manager's Corporate Code of Ethics Policy, if their Policy is deemed acceptable by the Trustees.

Section 10 Conflicts of Interest

10.1 Anyone involved directly or indirectly with the Plan's investments shall immediately disclose to the Secretary of the Plan or Chair of the Board any actual or perceived conflict of interest that could be reasonably expected to impair, or could be reasonably interpreted as impairing, his/her ability to render unbiased and objective advice to fulfill his/her fiduciary responsibility to act in the best interests of the Funds.

This standard applies to the University and to its employees, to the Trustees, as well as to all agents employed by the Plan (the "Affected Persons"). An "agent" is defined to mean a company, organization, association or individual, as well as its employees who are retained by the Plan to provide specific services with respect to the investment, administration and management of the assets of the Plan.

10.2 It is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted upon notification to the Plan.

10.3 No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the employee deals with in the course of the performance of their duties and responsibilities for the Plan.

10.4 It is incumbent on any Affected Person, who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Secretary of the Plan or the Chair of the Board immediately. The Board in turn, will decide what action is appropriate under the circumstances. No Affected Person who has or is required to make a disclosure as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure, unless otherwise determined permissible by unanimous decision of the Board. The disclosure of a conflict of interest, the name of the individual declaring the conflict and the manner in which the conflict was resolved will be recorded in the minutes of the Board.

10.5 No part of the Fund shall be loaned to any faculty member or employee of the University or any legal person owned or controlled by any of the aforementioned or any person prohibited by Schedule III of the Pension Benefits Standards Regulations ("Schedule III") except in accordance with stated investment policies and in accordance with Schedule III.

10.6 The Trustees shall be satisfied that an appropriate policy regarding conflicts of interest exists and is followed by any Manager appointed by the Trustees. The Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to each Manager.

10.7 Each Manager shall adopt a policy on soft dollar usage and materially comply with the CFA Institute's Soft Dollar Standards and report annually to the Trustees on soft dollar usage.

Section 11 Related Party Transactions

11.1 The Plan administrator shall not, directly or indirectly, lend monies of the Plan to a related party, invest monies of the Plan in the securities of a related party or enter into a transaction with a related party on behalf of the Plan unless:

1) the transaction is required for the operation or administration of the Plan; the terms and conditions of the transaction are no less favourable than market terms and conditions; and the transaction does not involve the making of loans to, or investments in, the related party; or

2) the value of the transaction is nominal or the transaction is immaterial (i.e. less than 1% of the Plan's assets) to the Plan; or

3) the transaction is permitted as an exception under section 17(2) or 18 of Schedule III.

In assessing whether a transaction is nominal or immaterial to the Plan, the combined value of all transactions with the same related party must be considered (i.e. two or more transactions with the same related party shall be considered a single transaction). Restrictions on transactions with related parties (i) apply to any person that the Plan administrator, or person acting on the Plan administrator's behalf, knows will become a related party to the Plan and (ii) shall continue to apply for 12 months after a person ceases to be a related party to the Plan. The fulfilment of an obligation under the terms of any transaction, including the payment of interest on a loan or deposit, is part of the transaction and not a separate transaction.

A "related party" is defined in Schedule III and includes the Plan administrator or any person who is an employee of the University. It also includes Managers and their employees, a union representing employees of the University, a Member of the plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. A related party does not include government or a government agency, or a bank, trust company or other financial institution that holds the assets of the Plan, where that person is not the Plan administrator.

A "transaction" is defined in Schedule III, but for greater certainty includes: (i) the making of an investment in securities; (ii) the taking of an assignment of or otherwise acquiring, a loan made by a third party; (iii) the taking of a security interest in securities or a hypothec on securities; and (iv) any modification, renewal or extension of a prior transaction; but does not include a payment of pension benefits or other benefits, a transfer of pension benefit credits or a withdrawal of contributions from a plan.

Section 12 Loans

12.1 Loans to any person, partnership or association shall be limited to eligible investments as described in Section 4.1, subject to the restrictions in Section 10 and to the prohibitions in Schedule III.

12.2 The Managers responsible for investment decisions shall assess the solvency of borrowers and adequacy of collateral for loans by reference to published credit ratings and/or by their own analysis. The Manager's analysis should include all material factors relevant to assess the ability of the borrower to repay the loan, to discharge interest obligations on the specified payment dates and to survive periods of financial adversity. New investments may not be made in debt obligations which are in default of principal or interest.

12.3 Subject to the Trustees' direction, the Fund custodian may engage in domestic and foreign securities lending for the purpose of generating revenue for the Fund. Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian chartered banks. The amount of collateral taken for securities lending should reflect best practices in local markets, but should be at least 105% or such other percentage as reflects the best market practices in the local market in which the securities are being lent, under an enhanced indemnity arrangement. The market value relationship between collateral and securities on loan must be calculated at least daily. For equity loans, high quality, liquid equities may also be accepted as collateral.

In addition, if a Manager uses securities lending within a pooled fund, policies related to this program must be submitted to the Plan, as well as confirmation that these policies meet the Office of the Superintendent of Financial Institution's guidelines for securities lending.

Section 13 Borrowing

13.1 The assets of the Fund shall not be used as collateral for borrowing except for the purpose of covering a short-term contingency and such borrowing is for a period that does not exceed 30 days. Specifically, this does not prohibit mortgages/loans on real estate or infrastructure assets owned by the Fund or owned through real estate and infrastructure pooled funds.

Section 14 Voting Rights

14.1 The Trustees have the responsibility for either exercising voting rights acquired through Plan investments or delegating that responsibility to the Managers. In all cases, proxies will be voted in favour of Members' interests. Specifically, proposals that are expected to enhance investment value will be voted in favour and proposals that will reduce investment value will be voted against. If possible, on issues that have a significant material implication for the Plan, the Managers will consult with the Executive Director of Investments before voting. However, in the case of a pooled fund, proxies will be voted in accordance with the pooled fund guidelines in the best economic interests of all pooled fund participants.

Managers will report on their voting at least once a year to the Executive Director of Investments and will advise regarding their voting on any unusual items and items where they vote against management. Managers will disclose their voting policies and report on any changes to these policies.

Section 15 ESG Policy

15.1 Environmental, social, and governance ("ESG") factors are among the many factors that may impact the Plan's investment performance. In selecting Managers, consideration of ESG factors by the Manager as part of their investment process is an important criterion.

The Plan requires all of its investment managers to report on their respective investment strategies and processes on a regular basis, including how they incorporate ESG factors into their investment analysis.

Plan management keeps abreast of industry research and best practices in this area, and as such, it is expected that the Plan's ESG Policy will evolve over time.

Section 16 Policy Review

16.1 This Policy shall be reviewed at least annually, but otherwise whenever a major change is necessary. Such review may be caused by:

1) a fundamental change in the design of the Plan;

2) significant revisions to the expected long-term trade-off between risk and reward on key asset classes, normally dependent upon basic economic/political/social factors;

3) a significant shift in the financial risk tolerance of the Plan members;

4) shortcomings of the Policy that emerge in its practical application, or substantive modifications that are recommended to the Trustees by a Manager; and

5) applicable changes in legislation.

Appendix A

<u>Statement of Investment Objectives and Beliefs</u>

The two Investment Objectives of the Plan are:

A. To earn a total return on the Balanced Fund such that a 'typical' member would be able to achieve a reasonable income replacement ratio (i.e. 50% or higher) based on their final year's salary. This must be accomplished without the Plan taking on undue risk.

   Given that each Plan member has a unique set of personal circumstances, a 'typical' member will be defined as having at least 30 years of service, will be invested in the Balanced Fund option throughout their career, and will retire not before the age of 65 years. For members with less than 30 years of service at UBC, the same general objective will apply, but recognizing that the Faculty Pension Plan will form a part of a member's integrated retirement package, which will also include pension plans from previous employers and other savings.

B. To reduce the probability of a negative annualized three-year nominal return.

   This short-term objective quantifies the risk parameter noted in objective A, and is formulated in part to protect members who are close to retirement.

Statement of Investment Beliefs

1. Risk and Return

   In general, public investment markets are held to be efficient, hence it is not possible to consistently generate superior returns without taking additional risk. The degree of market efficiency will depend on the capital market or asset class being considered.

   Risk and return relationships are important to consider for longer term investing horizons, but are variable and extremely difficult to forecast over shorter periods. On average, over the long term, investors should receive additional compensation for taking investment risk; therefore, it is expected that equities will outperform fixed income over the long-term to compensate for their higher risk.

   Asset classes with restricted liquidity (such as real estate and infrastructure) are expected to provide higher returns and less volatility than traditional asset classes to compensate investors for this illiquidity.

2. Active versus Passive

   Investing in active versus passive strategies will be decided for each individual asset class, but we believe that good active management can provide a cost-effective means to achieve downside protection and add value.

3. Strategic Asset Allocation (long term allocation among asset classes)

   The most important factor in determining investment risk and return is the long-term strategic asset allocation decision.

   The method of determining the optimal asset allocation must also consider the level of benefits expected by members at retirement (objective A), and an acceptable level of risk (objective B).

   A disciplined approach to regular rebalancing to the strategic asset allocation policy is required to ensure overall portfolio risk does not drift above or below the intended level.

4. Tactical Asset Allocation (Market Timing)

   Added long-term value (net of fees) cannot be consistently achieved through active tactical asset allocation strategies.

5. Specialist Management Structure

   Assets will be managed on a separate asset class (specialist managers) basis rather than on a balanced fund basis (balanced fund managers). In this way, we can ensure adherence to the Plan's strategic asset allocation policy. In addition to conventional asset classes, the Plan will also consider investing in specialty products that invest in several different asset classes or several different global markets (either directly, through derivative instruments and/or through long/short investing), in order to improve the risk/return profile of the Plan.

   Since specialist managers are chosen and funds are apportioned among them according to the target strategic asset allocation, to avoid distorting that allocation, managers are expected to be fully invested, save prescribed cash holdings, within the domain of their asset class.

   Specialist managers will be added when financially viable.

6. Diversification

   Diversification within and across asset classes is a prerequisite to prudent pension fund management. While the criteria for diversification may vary by asset class, optimal diversification is expected to be a feature within each asset class. Moreover, when financially viable, diversification by capitalization (size), geographic location, sector, manager style, and investment manager will be encouraged.

   Given the imperfect correlation between different asset classes, diversification across asset classes may be used to decrease volatility of portfolio returns while maintaining expected return.

7. Investment Management

   Superior, cost effective management of the Plan's funds is achieved by hiring external professional investment managers with the requisite skill set.

8. Currency Hedging

   Foreign investment involves currency risk. There is no convincing evidence over the long term that value can consistently be added or volatility of the returns reduced with our equity exposure by actively hedging currency, and hedging currency is costly. Therefore, currency hedging will only be used in unique circumstances as determined by the investment manager, and up to pre-determined maximum amounts, as agreed between the Plan and the investment manager.

9. Performance Evaluation

   Various asset classes, investment styles, and investment managers outperform and underperform at various points in the economic cycle. Therefore, measurement of performance will be taken over periods of four years or longer.

   Performance of individual managers, asset classes, and all funds will be measured against both peer groups and relevant indices.

   Unsatisfactory performance must lead to a re-evaluation of all the reasons for the hiring of that manager to determine if and when the manager should be replaced.

10. Costs

    Administration costs, investment management fees, custodial fees and all other costs have a significant impact on long term results and will be carefully monitored and controlled.

11. Flexibility for Individual Circumstances

    We believe in providing flexibility for members to take into account their personal unique circumstances. Investment choice is provided to members in the form of sub funds. The same investment beliefs that are applied in constructing the Balanced Fund will be applied to the construction of the sub funds.

Appendix B

Investment Managers and Mandate

	Investment Managers	Mandate
1.	Connor Clark & Lunn Investment Management	Canadian Equity
2.	Leith Wheeler Investment Counsel	Canadian Equity
3.	Jarislowsky Fraser	Canadian Fossil Fuel Free Equity
4.	PH&N/RBC Global Asset Management	Canadian Fossil Fuel Free Equity
5.	Jarislowsky Fraser	Canadian Fossil Fuel Free Bonds
6.	PH&N/RBC Global Asset Management	Canadian Fossil Fuel Free Bonds
7.	PIMCO Canada Corp.	Core Plus Bonds[1]
8.	PH&N/RBC Global Asset Management	Core Plus Bonds[1]
9.	PIMCO Canada Corp.	Monthly Income Strategy[1]
10.	RPIA Global Fixed Income Corp.	Broad Corporate Bond Strategy[1]
11.	Black Rock, Inc. (formerly Barclays Global Investors)	Global Low Volatility Equity and Global Equity
12.	CBRE (formerly CBRE Caledon)	Global Infrastructure
13.	Brookfield	Global Infrastructure
14.	UBS Asset Management	Global Real Estate
15.	BentallGreenOak	Canadian Real Estate
16.	CBRE Global Investors	U.S. Real Estate
17.	MFS Investment Management	Global Equity
18.	Arrowstreet Capital LP	Global Equity
19.	Jarislowsky Fraser	Global Fossil Fuel Free Equity
20.	PH&N/RBC Global Asset Management	Global Fossil Fuel Free Equity
21.	Sun Life hired May 2012 for GICs and hired December 2015 for Money Market	Guaranteed Investment Certificates and Money Market

[1] *Allows for a percentage of non-Canadian bonds to be held.*

Funds Removed		
Manager	**Fund**	**Date**
BlackRock Inc.	Global Hedge Fund	Dec. 31, 2014
PCJ Investment Counsel	Canadian Equity	May 2016
bcIMC Management Corp	Money Market	December 2015
JP Morgan Asset Management	Global Equity	October 2017
State Street Global Advisors	Canadian Bonds	October 2019
QuadReal (BCI)	Canadian /Global Real Estate	October 2021
Alliance Bernstein	Bond Core Plus	June 2022
Guardian	Canadian Equity	October 2021 – June 2022
BlackRock Inc.	Canadian Bonds	June 2022

Funds Mandate Changes		
Manager	**Fund**	**Date**
BlackRock Inc.	U.S. Equity removed	September 2016
BlackRock Inc.	Global Equity (2 funds) added	September 2016
Arrowstreet LP	Global Equity added	October 2017
BlackRock Inc.	Real Return Bonds removed	June/July 2019
BlackRock Inc.	Domestic Universe Bonds added	June/July 2019
QuadReal/BCI	Domestic Real Estate Fund changed to Global Real Estate Fund	April 2019
CBRE Global Investors	U.S. Real Estate added	May 2020
Jarislowsky Fraser	Fossil Fuel Free Bond added	April 2020
Jarislowsky Fraser	Fossil Fuel Free Canadian Equity added	April 2020
Jarislowsky Fraser	Fossil Fuel Free Global Equity added	April 2020
UBS	Global Real Estate	October 2021
Guardian	Canadian Equity removed	October 2021- June 2022
AllianceBernstein	Bond Core Plus removed	June 2022
BlackRock	Domestic Bond Index removed	June 2022
PH&N/RBC Global Asset Management	Bond Core Plus added	June 2022
RPIA Global Fixed Income Corp.	Broad Corporate Bond added	June 2022
PIMCO Canada Corp.	Monthly Income Strategy added	June 2022
Arrowstreet LP	Global Equity World mandate changed to ACWI mandate (to include investments in Emerging Markets)	June 2022
Brookfield	Global Infrastructure added	July 2022

CBRE	Global Infrastructure added	July 2022
PH&N/RBC Global Asset Management	RBC Vision Fossil Fuel Free Bond added	January 2023
PH&N/RBC Global Asset Management	RBC Vision Fossil Fuel Free Global Equity added	January 2023
PH&N/RBC Global Asset Management	RBC Vision Fossil Fuel Free QUBE Low Volatility Canadian Equity added	January 2023

Appendix C

<u>Criteria for Selection, Retention and Replacement of Investment Managers</u>

The Trustees of the Plan will use the following set of criteria to select, retain and replace investment managers. Within each general criterion are a number of specific points. Managers are expected to adequately satisfy the criteria in these categories in order to be selected or retained; however, failure to satisfy a single category could result in a formal Manager Review and/or the replacement of a manager.

The judgment of the Trustees will determine when a manager's failings become sufficient to justify replacement. The ultimate objective is to provide Plan members with the highest possible return while controlling risk.

1. Performance

1) To be measured over a minimum of four years;

2) Absolute and Relative returns: The Trustees have a two-tiered policy in terms of the return benchmarks for the managers as follows: i) "Manager Objective" benchmarks, and ii) "Manager Review" benchmarks. The Manager Objective benchmarks represent the return benchmarks that the Trustees and the managers have agreed upon. The Manager Review benchmarks are benchmarks that, if not achieved, will place a manager onto On Watch ("OW") status immediately.

Absolute Return Benchmarks (Gross Returns)

<u>Asset Classes</u>	**<u>Manager Review Benchmarks</u>**
Canadian & Foreign Equity	0.5% value added
Bonds (Core Plus)	0.25% value added
Fixed Income Enhancement	0.5% value added
Real Estate	CPI plus 3%
Infrastructure	CPI plus 3%

Relative Return Benchmark	Top 60th percentile

The value-added amounts above are all in relation to the relevant index benchmark for each asset class as outlined in Section 3.4 of the Policy. The Relative Returns Benchmarks are against an appropriate universe of managers with similar mandates. If a manager fails to achieve one or more of the Manager Review benchmarks over a minimum of four years they will be placed On Watch. If a manager remains On Watch for six (6) months, or their performance is deemed substandard by the Trustees at any time, the Board must decide on the need for a formal in-depth review. If a manager remains On Watch for nine (9) months, a formal in-depth review of the manager must occur. The manager will be asked to fully explain the cause of their underperformance.

Upon completion of this formal review, the Trustees will decide upon the continuing status of the manager. An unfavourable review will lead to an "Unacceptable" rating and/or possible termination. With an Unacceptable rating a manager will be reviewed by the Trustees at each subsequent Board meeting to decide whether the manager should be terminated.

3) Risk: The risk exposure as measured by Standard deviation of quarterly returns should not materially deviate from that of the underlying benchmark index, except for Real Estate.

4) Risk: The tracking error of the quarterly returns versus the benchmark index should not be excessive, except for Real Estate.

5) If the investment manager has a passive mandate with an objective to just meet the relevant index return, then #2 above is not applicable. The managers' performance will be judged by how closely they track the applicable index benchmark return. Also, the real estate managers will not be judged by a Relative Return Benchmark given the lack of suitable peer universes in this asset class.

2. Product

1) The investment vehicle provided must fit the Plan's investment structure.

3. People

1) The managers must be suitably educated.

2) The firm's organizational structure must facilitate the manager's job of adding value to the Plan's portfolio by providing administrative and technical support.

3) Compensation/ownership structure should facilitate a management style which is in the best interest of the client

4) Growth and succession issues must be clearly addressed by the firm

5) The firm must provide the required communication services to the Trustees

6) There should be low turnover amongst the key portfolio managers

7) The firm's ownership should be stable

4. Philosophy

1) The manager's overall strategy of how to add value and control risk must be clearly understood by, and be acceptable to the Trustees

2) The philosophy must be maintained, especially in turbulent or difficult market periods

3) There must be a clear link between the manager's philosophy and the investment process

5. Process

1) The firm must ensure that a process exists to implement effectively all investment decisions;

2) The firm's decision-making process should be clear and acceptable to the Trustees; the firm must identify the nature and source of research used in the decision-making process.

3) Consideration of ESG factors by the Manager as part of their investment process is one of the criteria the Trustees will weigh in selecting and reviewing Managers.