THE PUBLIC SERVICE GROUP INSURANCE FUND

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

JANUARY 1, 2021

TABLE OF CONTENTS

SECTION 1 – PURPOSE

1.1 This statement of investment policies and procedures (the “Policy”) applies to the group life insurance benefits financed by The Public Service Group Insurance Fund (the “Fund”) established by the Public Servants Insurance Act (the “Act). The Public Servants Insurance Act provides group life insurance for public servants or certain classes of public servants or for such public servants and their dependents (the “Plan”). The Civil Service Superannuation Board (the “Board”) is responsible for the administration of the Fund and the group insurance policies agreed to by representatives of the employees and the employers participating in the Fund as set out in insurance policies between the Government of the Province of Manitoba and the insurance company.

1.2 The Board, administers the Act under the supervision of the Minister of Finance, and is comprised of employee and employer representation plus a Chairperson appointed by the Government of the Province of Manitoba.

1.3 This Policy establishes investment principles and guidelines giving particular consideration to the type of Fund, its characteristics and its financial obligations**,** and defines the management structure and monitoring procedures adopted for the ongoing operation of the Fund. This Policy will be reviewed not less than annually by the Board in accordance with Article 13.

1.4 The Board, the Investment Committee, all staff of the investment division of the Board and all investment managers and other agents and advisors providing services in connection with the investment of the assets of the Fund shall accept and adhere to this Policy. References to a “Manager” in this Policy means either an investment professional on staff with the Investment Division of the Board and/or an external manager appointed by the Board, as the context requires.

1.5 A copy of this Policy and any amendments to it from time to time shall be delivered within 60 days to the Actuary for the Fund, the custodian, any agent employed by the CSSB who has anything to do with the administration of the Plan or in the administration and investment of the assets of the Fund (including Managers) and any other person or entity entitled to it

SECTION 2 – ADMINISTRATOR

2.1 The Board administers the Act and has ultimate responsibility for the prudent investment of the Fund. The Board is responsible for all aspects of the investment of the Fund, including developing and maintaining an investment policy, establishing and maintaining an investment manager structure, and monitoring investment results.

2.2 The authority for investment decisions has been delegated by the Act to the Investment Committee.

2.3 The Board may adopt regulations that establish the delegated responsibilities and powers and the corresponding delegates. In the case of delegation regarding any aspects of this Policy, the reference to the Board or Investment Committee herein shall be interpreted as a reference to the appropriate delegate.

SECTION 3 - FUND OVERVIEW

3.1 The Fund receives contributions for all members except those employees who are disabled or paid-up. These contributions are used to help finance benefits. The Board remits the agreed upon premiums to the insurer underwriting the insurance protection, and invests all amounts retained in the Fund for the liabilities and reserves in respect of employees. All credits and debits are charged to the appropriate part of the Fund.

3.2 The adequacy of the rates of contributions paid to the Fund by the members and employers for the Employee's Group Life Plan, the Accidental Death and Disablement Plan, and the Dependents' Group Life Plan are monitored by periodic Actuarial Valuations of the Fund.

3.3 The insurance protection is underwritten by the Insurer (Great-West Life). Administration of the Policy is handled by the Insurer. For each policy year, a refund or deficit is determined by the Insurer in respect of the experience of each Plan for that year. The net credits (premiums and interest on net cash flow) and debits (claims, charges for aggregate risk transfer protection, high pooling risk transfer protection, and retention charges) to the experience account for the period under review determine the excess or deficit for the policy year for each Plan. Any excess, which exists as a result of favourable claims experience, is refunded to the policyholder; any deficit is carried forward to the following policy year. Interest is added to any excess from the end of the policy year to the date the refund is paid by the Insurer. Interest is charges on any deficit from the end of the policy year to the date the deficit is recovered as a result of a subsequent excess.

3.4 The long-term cost of providing benefits is directly related to the return achieved by the Fund and the anticipated benefit level. Because the level of contributions is influenced by the Fund's investment return, the members have a direct interest in the Fund's investment performance.

3.5 The ongoing funded status of the Fund is also affected adversely or favourably by numerous non-investment factors including, inflation, mortality rates and benefit changes.

3.6 The relationship between the government (Employer Advisory Committee) and its employees (Employee Liaison Committee) as it pertains to this Fund can be viewed as a partnership in which both parties have an interest in maximizing investment returns within appropriate risk parameters. This common interest results from the government as an employer wishing to have an up-to-date insurance Plans for its employees and from the employees' natural desire to improve benefits and/or minimize their costs. In the discussions between the Employee Liaison Committee and the Employer Advisory Committee regarding the benefit improvements to the Plan, the financial standing of the Fund as determined by the Actuary provides the objective determinant of any benefit improvements and any increased contributions.

3.7 In recognition of the Plans' characteristics, an average degree of risk in terms of short-term variability of returns may be tolerated in the Fund's investment in pursuit of longer term returns for the Fund.

3.8 The Board and the Investment Committee have a fiduciary responsibility to ensure the Fund's assets are invested to obtain the highest possible return commensurate with acceptable levels of risk. As such, non-financial considerations concerning investment opportunities cannot preclude the fiduciary obligation to seek the highest risk adjusted return. The Board is of the opinion that socially responsible corporate behaviour (encompassing, environmental, social and governance policies and procedures) in their operations may reduce the risk to long-term corporate profitability and investment performance.

SECTION 4 – PERMITTED CATEGORIES OF INVESTMENTS

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

(a) common stocks, convertible debentures, share purchase warrants, depository receipts of Canadian or non-Canadian corporations or preferred securities and writing covered call options

(b) bonds, debentures, notes or other debt instruments (including asset-backed securities, mortgage-backed securities and hybrid debt instruments) of governments, government agencies, or corporations

(c) securities, whether debt or equity, public or private companies

(d) natural resource properties or participation rights

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

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

(g) term deposits or similar instruments issued or unconditionally guaranteed by trust companies or banks

(h) cash, or money securities issued by governments, government agencies or corporations

(i) mutual, pooled or segregated funds or other investment funds or participating debentures or shares of corporations and limited partnerships which may invest in any or all of the above instruments or assets subject to the pooled funds or investment funds.

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

(k) units in real estate investment trusts and income trusts

(l) investments or participation rights in venture capital;

(m) securities of a real estate corporation, resource corporation or investment corporation (all as defined in the PBSR Investment Regulations) subject to compliance with this Policy and applicable law;

(n) limited partnerships which invest in the debt or equity of private companies or private placements in the debt or equity of governments, government entities or corporations.

(o) real estate.

4.2 Derivative instruments (i.e. financial instruments that derive their value by contractual relationships to other specific investments) may be employed to bridge the Fund's investment exposure, replicate the investment performance of a recognized market index on a non-leveraged basis or for other purposes deemed appropriate by the Investment Committee provided:

(a) the underlying investments would be permissible under this Policy

(b) their use will not create a net leveraged position for the Fund

(c) the derivative strategy has been specifically approved by the Investment Committee.

Further, the portion of the Fund's investment exposures that is related to, or affected in any way by, derivative instruments shall not exceed 20% of the Fund at current market value.

Notwithstanding the foregoing, the use of forward currency contracts (with financial institutions that satisfy the credit standards of this Policy with respect to cash equivalents or fixed income investments) or the purchase of futures or options contracts (that are regularly traded on a recognized public exchange where market prices are readily available) in order to manage the currency risk inherent in investing a portion of the Fund outside of Canada is explicitly permitted.

Further in conjunction with the use of foreign currency contracts, the use of Repurchase Agreements ("Repo") is permitted. A Repo is a transaction whereby PSGIF transfers the custody of a bond holding to a counterparty bank in exchange for cash with the explicit agreement to repurchase the bond at the same price from the counterparty at an agreed upon expiry date plus interest. Repos allow for a flexible, low-cost, and safe way to manage cash for short periods of time and for cost minimization purposes. The cash raised from a Repo can only be invested in short-term investments as defined by Section 6.6.

Repurchase Agreements (Repos) and Reverse Repurchase Agreements (Reverse Repos) shall, in total, be limited to $150 million, not have a term longer than 95 days per agreement and the maximum amount allowed per dealer is $50 million.

4.3 The Fund may not invest in commodities or derivative instruments related thereto, or in collectibles.

4.4 No investment shall be made which is not permitted by the Act.

4.5 The Fund shall not, directly or indirectly, be invested in securities of a listed person as defined by the United Nations Suppression of Terrorism Regulations, or loaned to or used for the benefit of such a person.

SECTION 5 – ASSET ALLOCATION & EXPECTED RISK AND RETURN

5.1 Based upon the characteristics of the Fund described in Section 3, the Board has determined, on the recommendation of the Investment Committee, that the policy allocation and ranges as set out below best achieve the objective of the Fund to secure the Plans' benefits and to earn a reasonable return on investments. Over the long-term, the allocation should approximate the "normal" percentages (the Policy Mix). The actual asset mix shall be maintained within the ranges set out in clause 5.6.

5.2 The Policy Mix was adopted by the Board on the recommendation of the Investment Committee after evaluating alternative mixes relative to the primary objective of the Fund, other financial criteria and practicality of implementation given prevailing market conditions. Factors taken into account included the expected range of capital market returns in the future and the risk tolerance of the Board.

5.3 The investment policy requires a long-term focus to ensure future Plans' liabilities can be met.

The Fund's investment policy has the following objectives:

A. To ensure the Fund has sufficient assets to meet future benefit obligations.

B. To optimise the risk/return relationship among Fund investments.

C. To generate sufficient cash flow to meet benefit payments.

5.4 The primary objective is to achieve a return over and above the following asset mix benchmark over a 4-year rolling time period:

Asset Class	Representative Index	Weight
Cash & Cash Equivalents	FTSE/TMX 91 Day Cdn. T-Bill Index	1 %
Fixed Income	FTSE/TMX Universe Bond Index	13.84%
	FTSE/TMX Long Term Bond Index	6.66%
Canadian Equities	S&P/TSX Composite	11.5 %
U.S. Equities	55% S&P 500 Total Return/ 25% iShare Core US S&P 500 ETF (IVV)/ 10% iShares Russell Mid-Cap ETF/ 10% S&P 500 Low Volatility High Dividend	17.5%
International Equities	Morgan Stanley Capital International World Index ex U.S. & Canada	23%
Real Estate	IPD Canadian Universe: Excluding Super Regional Malls & Grade A Offices	11.5%
Private Equity	3% New investments will use a benchmark of 0% for years 1 and 2 and for years 3 and onward will use the MSCI All World Index +2%.	
Private Credit	CSSF's Annual Actuarial Required Rate of Return	5%
Infrastructure	CSSF's Annual Actuarial Required Rate of Return	7%
		------- 100%

A secondary objective for the Fund is to achieve a long-term rate of return of nominal net 5% per annum. These objectives should be viewed as an average annual compound rate to be sought over a 4-year rolling time period.

5.5 The risk inherent in the investment strategy over a market cycle is three-fold. There is a risk that the market returns will not be in line with expectations. Another risk is that the expected added value of active management over passive management will not be realized over the time period prescribed in each Manager's mandate. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected return or even negative.

5.6 **Policy Allocation and Ranges:**

Component Asset Classes	**Percentage of Fund at Market Value**		
	Normal	**Range**	
	Allocation	**Minimum**	**Maximum**
Fixed Income			
Bonds(1)	20.5%	15%	30%
Cash & Cash Equivalents (2)	1%	0%	5%
Total Fixed Income	**21.5%**	**15%**	**35%**
Equities - Public			
Canadian Equities (3)	11.5%	5%	15%
U.S. Equities (4)	17.5%	12%	22%
International Equities (4)	23%	18%	28%
Total Equities – Public	**52%**	**35%**	**65%**
Alternatives			
Real Estate (5)	11.5%	7%	17%
Private Equity (6)	3%	0%	8%
Private Credit (7)	5%	0%	10%
Infrastructure (8)	7%	0%	12%

Total Alternatives	**26.5%**	**10%**	**35%**

(1) Debt securities of Canadian or non-Canadian issuers including mortgages and Real Return bonds with over one-year term to maturity eligible for investment by insurance funds as Canadian content.

(2) Cash or liquid fixed-income investments with term to maturity of one year or less and variable rate securities.

(3) Common shares, convertible debentures, preferred shares, income trusts, miscellaneous equities or similar instruments issued by Canadian corporations.

(4) Common shares, convertible debentures, preferred shares or similar instruments of non-Canadian corporations.

(5) Primarily income-producing real estate properties in Canada.

(6), other resource properties and non-listed equity investments

(7) Non-listed issues of debt such as corporates, real estate financing, infrastructure financing, lease financing

(8) Primarily large-scale assets/project that are fundamental to a modern industrialized economy. Examples include pipelines, roads, bridges, tunnels, schools, hospitals and other government related services.

5.7 Cash and money market instruments may be held from time to time as short-term investment decisions or as defensive reserves within the portfolios for each asset class at the discretion of the Managers within the constraints prescribed by their mandates.

SECTION 6 – DIVERSIFICATION

6.1 Risk of price fluctuations within asset classes, and the uncertainty of future economic and investment scenarios, dictate that prudent diversification be undertaken through investment in asset classes whose expected return correlations provide overall risk reduction for the Fund.

6.2 Within each asset class, the Chief Investment Officer shall ensure that a prudent level of diversification is maintained, subject to the following limits based on market value.

6.3 Investment opportunities in Manitoba, Canada will be given preference over those in other Provinces or other countries, all other factors being equal.

6.4 **Conventional Bonds**

In respect of the conventional bond content of the Fund:

(a) All bond investments will be investment grade (BBB- or higher) at the time of purchase.

(b) Purchase of non-investment grade (less than BBB-) requires Investment Committee approval.

(c) Quality standards for bond investments shall be as follows:

Quality Standards for Conventional Bond Investments (Total All Issuers)	
Debt Rating	Maximum %
A- or higher	No Limit
Less than A-	20%

All debt ratings refer to the ratings of Standard & Poor's, Dominion Bond Rating Service or Moody's unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used. In the case of split rated securities, the average credit rating will be used as defined under rule 4.4 in the FTSE TMX Canada Universe Rating Methodology. Investments shall be diversified appropriately among industry groups.

If a bond holding is downgraded to below investment grade (lower than BBB-), it will be reported to the Investment Committee and reported as out of compliance. If the bond holding is not sold once it is downgraded to below investment grade, the Investment Committee must be presented with a plan for its continued holding or eventual disposition.

(d) Not more than 10% of the Bond Portfolio shall be invested in any single issuer that is rated A- or higher.

(e) Not more than 5% of the Bond Portfolio shall be invested in any single issuer that is rated below A-.

(f) Securities in the Bond Portfolio denominated in currencies other than the Canadian dollar, whether swapped or unswapped, shall be limited to 10% of the Bond Portfolio.

(g) The maximum investment in Mortgage-Backed/Asset-Backed (MBS/ABS) securities or those secured by real estate shall be 20% of the

Bond Portfolio. MBS securities shall be classified as Government of Canada exposure if the mortgages underlying the security are insured by an agency of the Government of Canada or if the security is guaranteed by the Government of Canada or one of its agencies. ABS securities shall be classified as corporates.

(h) All securities in the Bond Portfolio shall be readily marketable.

(i) The allowable modified duration range of the Bond Portfolio is the benchmark modified duration plus or minus 3.5 years. As of December 31, 2020, the benchmark modified duration was 10.84 years.

6.5 Real Return Bonds

Real return bonds are debt instruments whose coupon interest and/or principal are adjusted for inflation. Given the limited range of coupons and current small float in Canada that restricts their liquidity; real return bonds shall not comprise more than 20% of the market value of the fixed income portion of the Fund.

6.6 Short-Term Investments

(a) Any short-term portion of the Fund or of an equity or debt portfolio shall be invested in readily marketable securities with a term to maturity of no more than one-year, variable rate securities or held in cash.

(b) All short-term investments shall be rated at least A-2, or better by S&P and shall be selected from a list of borrowers approved by the Investment Committee up to the maximum amounts approved for each borrower.

6.7 Equities

In respect of the total equity content of the Fund (being comprised of Canadian equities, U.S. equities and international equities,) and including any cash reserves:

(a) Not more than 10% of the outstanding shares (i.e. total capitalization) shall be invested in the common shares, preferred shares or other equity issues of any one corporation.

(b) Canadian equity investments shall be diversified appropriately among industry groups.

(c) Non-Canadian holdings shall be broadly diversified by region, country and industry and shall exclude non-traded investments.

(d) No single holding shall represent more than 10% of any single Manager's portfolios of holdings managed on behalf of the Fund.

(e) Not more than 9% of the market value of the Fund may be invested in the International Equity Pooled Fund. The Board shall monitor, or cause to be monitored, the contents of such pooled fund for its degree of compliance with the policies and principles in this Policy, and may make or cause to be made such changes as are deemed appropriate to meet the objectives of this Policy

6.8 Investments may be made in the above asset classes either directly, or by holding units of pooled or segregated or other investment funds investing in one or more of the asset classes. The Board shall monitor, or cause to be monitored, the contents of such pooled or other investment funds in which the Fund holds an investment for their degree of compliance with the policies and principals in this Policy, and may make or cause to be made such changes in their choice of pooled funds or other investment funds as are deemed appropriate to meet the objectives of this Policy.

6.8 **Private Equities**

In respect of the Private Equity content of the Fund:

(a) This component of private equity can include oil and gas properties, other resource properties and non-listed equity investments.

(b) Investments in private equity assets can be made in a diversified fund, limited partnership or by investing directly in assets by co-investing with partners.

(c) Excluding an investment in a Fund or Limited Partnership, no single investment in a private equity asset will represent more than 1% of the market value of the Fund measured at the time of the investment in such private equity asset unless approved by the Investment Committee.

(d) Not more than 8% of the market value of the Fund shall be invested in private equities.

6.9 Private Credit

In respect of the Private Credit content of the Fund**:**

(a) Well diversified portfolio mainly constituted by managers of limited partnerships with potential for co-investment in direct loans.

(b) Credit investments in non-listed private corporations (most typically mid-market), real estate financing, lease financing.

(c) Typically shorter term investments with the tenor of loans typically at 3 years and fund life of 7 years.

(d) Excluding an investment in a Fund or Limited Partnership, no single investment in a private credit loan will represent more than 1% of the total fund measured at the time of the investment.

6.11 **Real Estate**

In respect of the Real Estate content of the Fund, excluding mortgage investments:

(a) Properties shall be broadly diversified by property type and location with preference given to larger urban centres.

(b) A development project means a real estate investment that comprises the acquisition of land for the purpose of constructing one or more building(s) and improvements on the land or re-developing or re-purposing the land through substantial renovation of existing building(s) and improvements and/or new construction. The construction and/or renovations of the building(s) and improvements are intended to create further value to the real estate investment. An investment is no longer deemed to be a development project when it has been certified by the project architect as being substantially complete and 75% leased and or sold.

(c) For development projects where the fund owns a controlling interest then a fixed price general contract or fixed price sub contracts with a fixed project management contract for no less than 70% of project hard and soft costs with a reputable general contractor project manager and sub-contractors shall be utilized .All hard and soft construction costs shall be reviewed by a quantity surveyor (QS) prior to construction commencement for budget adequacy and construction draws. To the extent that a project exceeds a pre-approved budget and contingency prior to 50 % completion then an information item will be presented to the CIO. In the event that a contractor invokes a force majeure clause then the portfolio manager will inform the Investment Committee of the changes.

(d) In the event that the fund acquires lands to be held for future development or redevelopment which results in the successful repurposing, rezoning or densification of the property, an independent third-party appraisal shall be performed to determine market value.

(e) For development projects where the fund owns a controlling interest, assets shall remain at cost until such time as they have achieved substantial completion and occupancy (75% leased or sold). Following substantial completion and substantial occupancy an independent third-party appraisal shall be conducted.

(f) In the event that a development project has not achieved substantial occupancy (75% leased or sold) within one year of the project achieving substantial completion as determined by the Fund's QS, then a third-party appraisal shall be secured to determine its market value and the development project shall no longer be included in the calculation of development projects within the real estate portfolio.

For properties within funds, corporations, limited partnerships, or indirectly held wherein the fund holds a minority interest, the portfolio manager shall be permitted to use internally prepared values by the fund's Asset Manager for the properties on an annual basis.

(g) Cross collateralization of existing property held within the portfolio, guarantees, or subscription agreements for follow on equity of the legal entities that hold title to the properties within the portfolio, may be permitted as required by lenders for property financings for the purchase of property, redevelopment of new or existing property or development of property within the real estate portfolio .

(h) Investments in a single property shall be limited to 1% of the market value of total plan assets. In the event that a property exceeds this limit then it shall be regularized by way of information item presented to the Investment Committee.

(i) Investments shall be limited to holdings that are held through limited liability corporations or bare trustees and wherever possible shall be non-recourse to the Plan's real estate holding company.

(j) Financings or loans for properties held within the real estate portfolio may be utilized and at all times will be non-recourse to the Plan. The principal amount of all such financings within the portfolio shall not exceed 50% loan to value. Any requirements for collateral charges with lenders doing business with the fund shall not exceed 100% of the loan. The principal amount of any financings required and to be secured by a single property shall not exceed the lesser of 75% of the cost or appraised value of such property at the time that the mortgage is granted.

(k) Best efforts will be made to secure loan guarantees on a several basis. In the event that several guarantees are not permitted then the portfolio manager shall be entitled to enter into joint and several guarantees with joint venture partners who have similar financial strength to the fund. If the joint venture partner is deemed to be of a lesser financial strength, then the portfolio manager shall be permitted to enter into a joint and several guarantee provided that the joint venture agreement allows the fund to dilute the joint venture partner(s) in the event of default.

(l) Development projects shall not exceed 25% of the market value of the real estate portfolio as a whole.

(m) Non-Canadian holdings shall not exceed 25% of the market value of the real estate portfolio as a whole.

(n) A qualified independent appraiser shall appraise each income producing property at least every 3 years.

(o) Whenever possible best efforts shall be made to undertake a replacement reserve study once every ten years for all properties that are greater than ten years of age.

(p) The Investment Manager shall engage in third party management services for the economic and efficient operation of the Assets and use all reasonable commercial efforts to obtain a high standard of operating performance.

(q) The Investment Manager shall, have regard to prevailing real estate market conditions, dispose of real estate suitable for sale or other disposition.

(r) All funds and direct co-investments, which are priced in US dollars will be hedged back to Canadian dollars, following the quarter with which the investment was made.

6.12 **Infrastructure**

In respect of the total infrastructure content of the Fund:

(a) Infrastructure assets are illiquid and long-term in nature and generate stable and significant cash flows (6%-12% estimated yields).

(b) Infrastructure investing generally involves direct investments in inflation-sensitive assets that are monopolistic or have significant barriers to entry, have inelastic demand for services and usually have pricing and/or service levels that may be regulated by a government regulatory body.

(c) Infrastructure will not comprise more than 12% of the market value of the Fund measured at the time of any investment in an Infrastructure asset.

(d) Investments in infrastructure assets can be made in a diversified fund or by investing directly in assets by co-investing with partners.

(e) Excluding an investment in a Fund or Limited Partnership, no single investment in an infrastructure asset will represent more than 1% of the market value of the Fund measured at the time of the investment in such infrastructure asset unless approved by the Investment Committee.

6.13 Investments may be made in the above asset classes either directly, or by holding units of pooled, segregated or mutual funds, or other investment funds, investing in one or more of the asset classes. The Board shall monitor, or cause to be monitored, the contents of such pooled or other investment funds in which the Fund holds an investment for their degree of compliance with the policies and principles in this Policy, and may make or cause to be made such changes in their choice of pooled or other investment funds as are deemed appropriate to meet the objectives of this Policy.

SECTION 7 – VALUATION OF INVESTMENTS

All investments are valued as per the Civil Service Superannuation Fund Investment Asset Valuation Policy dated December 10, 2020. The following is an excerpt from that Policy:

I. Fixed Income Investments

a. Short-term investments are valued at cost, which approximates market and short-term equivalents are valued at market by independent sources;

b. Bonds and debentures shall be valued at market by independent sources;

c. Index-linked mortgages are valued at amortized cost, which approximates fair value.

III. Equity Investments

a. Publicly traded equities shall be recorded at market prices as listed on the appropriate recognized stock exchange;

b. Pooled equity funds are valued at market by the external manager based on the fair value of the underlying assets;

c. Stock splits shall be regarded as a purchase (or sale in the case of a reverse split) of additional shares at no cost

d. Stock dividends shall be regarded as a purchase of additional shares at a cost as reported by the custodian, and shall increase the number of shares held in the investment;

e. Investments in convertible securities, stock warrants, stock options and rights shall be classified as the underlying type of security.

IV. Other Investments

a. Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties;

b. Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.

c. Venture capital, Infrastructure, and Private credit investments through Funds and Limited Partnerships are based on values established by the external managers or at cost where no valuation has been prepared. All Funds and Limited Partnerships and the corresponding valuations are audited annually. All co-investment valuations follow the valuations of the Fund or Limited Partnership that the co-investment resides with.

V. Foreign Currency Translation

a. The fair value of investments denominated in foreign currencies shall be translated into Canadian dollars at the exchange rate in effect at year end and the resulting change shall be included in the change in fair value of investments (unrealized gains or losses);

b. Revenue and expense transactions shall be translated into Canadian dollars at the exchange rate prevailing on the dates of the transactions (except for any foreign currency translation related to the acquisition of investments) and are included in investment income or change in fair value of investments (realized gains or losses) or administrative expenses at the translated amounts.

SECTION 8 – INVESTMENT MANAGER STRUCTURE

8.1 Competent professional internal or external investment Manager(s) shall be appointed by the Board, on the recommendation of the Investment Committee, when satisfied as to their suitability and competence to act as agents for the Fund. The Investment Committee, with the concurrence of the Board, shall also make any Manager changes from time to time as are deemed in the best interest of the Fund and its beneficiaries. To be considered for appointment, an external investment Manager should have a suitable investment approach, demonstrated financial stability, low turnover of personnel, capacity to undertake the account, performance record of at least two years and relevant experience and expertise.

8.2 Assets of the Fund shall be allocated by the Investment Committee among the Managers in a structure considered appropriate to implement the overall Fund asset allocation in accordance with this Policy. With each Manager (including any internal manager on staff with the Board), the Investment Committee shall approve a set of guidelines (the "Mandate") within which the Manager is expected to operate, including discretion limits, diversification and quality standards, and performance expectations, and the Manager will be required to agree to such Mandate The Investment Committee shall ensure that the diversification requirements in each Manager’s Mandate, in combination with the amount of assets allocated to each Manager, are consistent with the Policy in respect of the Fund as a whole. As such, to the extent that there is a conflict between a Manager’s Mandate and this Policy, the Manager shall be expected to adhere to the Mandate.

SECTION 9 – CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

9.1 A conflict of interest, whether actual or perceived, is defined for the purposes of this Policy as any event in which a participating employer, the Board, an employee of the participating employer, any Manager or delegate, the custodian, or any other related party of the Board, may benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund, or in respect of any aspect of the administration of the Plan by the Board. The Board adopts the definition of “related party” in the PBSR Investment Regulations.

9.2 Should a conflict of interest arise, the party in the actual or perceived conflict, or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the Fund administrator. Any such party will thereafter abstain from decision-making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Board.

9.3 No part of the Fund shall be loaned to or invested in the securities of (a) any employee of the Board or of a participating employer (b) any Board member (c), or any legal person owned or controlled by any of the aforementioned, ; (d) any other related party of the Board; or (e) any person that ceased to be a related party of the Board less than 12 months prior to the proposed loan or investment

The Board will also not enter into any transaction related to the administration of the Fund or the Fund with any related party unless: (i) it is under terms and conditions that are not less favourable to the Fund than market terms and conditions, and it does not involve the making of loans to, or investments in, the related party; or (ii) the value of the transaction (or of all transactions if there is more than one) with such related party is immaterial to the Plan.

9.4 The Board will also not enter into any transaction related to the administration of the Plan or the Fund with any related party unless: (i) it is under terms and conditions that are not less favourable to the Plan than market terms and conditions, and it does not involve the making of loans to, or investments in, the related party; or (ii) the value of the transaction (or of all transactions if there is more than one) with such related party is immaterial to the Plan.

9.5 The Board has adopted a Professional Conduct Policy dated January 2004 regarding conflicts of interest and related party transactions. The Professional

Conduct Policy, as well as this Policy, shall be applicable to all of the Board's staff (including in the Investment Division) as well as all external Managers appointed by the Investment Committee. In addition, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to all professional staff of the Investment Division and all such external Managers.

9.6 The Board has adopted a 2004 Conflict of Interest and Standard of Conduct Guidelines for Members of the Investment Committee ("Guidelines"). Each member of the Investment Committee is bound by the Guidelines.

SECTION 10 – MONITORING

10.1 The Investment Committee shall meet at least quarterly to:

(a) review the assets and transactions and new cash flow of the Fund including a review of (i) exposures to any single corporation, investee or investment; (ii) exposures to groups of associated corporations, investees or investments, (iii) equity holdings; (iv) bond holdings by rating, and (v) investments in default

(b) review the current economic outlook and investment plans of the Managers, including to review for compliance with Mandates;

(c) review the current asset mix of the Fund and take any action necessary to ensure compliance with this Policy, and

(d) receive and consider statistics on the investment performance of the Fund.

10.2 The Investment Committee shall monitor the performance of each Manager (both on staff and external to the Board. Such monitoring shall include, but not be limited to, meetings approximately once every two years and ongoing evaluation of performance relative to standards appropriate to the Manager's Mandate. The Chief Investment Officer shall meet with each Manager on a more frequent basis and provide an evaluation to the Investment Committee. The Investment Committee shall also monitor the stability of each Manager, turnover of personnel, consistency of style, discipline in portfolio construction, and record of service.

10.3 Items requiring specific Investment Committee approvals are as follows:

(a) money market list

(c) Private (non-public) investments, except when the size of the investment is less than $50 million (USD), in which case, prior approval will not be required. A summary of all of these additional capital fundings, however, is required to be submitted to the Investment Committee as information.

SECTION 11 – LOANS AND BORROWING

11.1 No part of the Fund shall be loaned to any individual or related party unless the loan complies with Section 9 of this Policy.

11.2 The Chief Investment Officer and external Managers responsible for investment decisions shall assess the solvency of borrowers and adequacy of collateral for loans by reference to published credit ratings and by their own analysis. The 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 of an issuer in default of such obligations, or in arrears of principal or interest.

11.3 The Board shall not borrow money, and the Board shall not pledge or otherwise encumber any of the Fund's assets, except (i) to the extent that temporary overdrafts occur in the normal course of day-to-day portfolio management. (ii) the CIO and Internal Managers may use Repurchase Agreements, as it directly relates to cash management decisions related to a currency risk program, subject to constraints outlined and defined in Clause 4.2 and (iii) in the context of an approved securities lending program (see clause 11.4).

11.4 The Fund's custodian can loan Fund securities in accordance with a securities lending program and agreements with the custodian approved by the Board and with relevant legislation. The Board will periodically assess the securities lending program and the revenues received by the Fund to determine if the securities lending program should continue.

SECTION 12 – VOTING RIGHTS

12.1 The responsibility for exercising and directing voting rights acquired through the Fund's investments shall normally be delegated to the Chief Investment Officer and external Managers, who shall at all-time act prudently and in the best interest of the Fund and its beneficiaries. The Board adopted a Proxy Voting Policy and Guidelines in December/2013 to provide direction as to how it approaches voting and proxies for companies in which it is invested. These Guidelines are reviewed periodically by the Investment Committee. Each external Manager shall provide a copy of its proxy voting policy to the Board.

12.2 The Chief Investment Officer shall advise the Investment Committee and the Board and provide details when:

(a) the vote will be exercised contrary to the recommendation of the management of the company that issued the stock

(b) the vote is related to anti-takeover charter and bylaw amendments or shareholder rights

(c) the vote is related to a contentious and/or controversial issue

(d) the voting rights have been sub-delegated by the Chief Investment Officer or external Manager.

12.3 The Board reserves the right on the recommendation of the Investment Committee to direct, or override, the voting decisions if in its view such action is in the best interests of the Fund.

12.4 It is recognized, however, that the above constraints and policy on voting rights are not enforceable to the extent that the Fund is invested in pooled funds. Nevertheless, a pooled fund manager is expected to advise the Board if a breach of policy is likely to occur or has occurred.

SECTION 13 – POLICY AND MANAGER STRUCTURE REVIEW

13.1 This Policy shall be reviewed by the Board at least annually, but otherwise whenever a change is deemed by the Board to be necessary or advisable. Such review and reasons for a review shall take into account:

(a) a material change in the benefits provided by the Plan

(b) 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

(c) a major change in the actuarial calculation basis, the liability distributions, or the cash flows

(d) a significant shift in the financial risk tolerance of participating employers

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

(f) changes in applicable legislation.

13.2 The structure of the Investment Division and of the Board’s external Managers shall be reviewed by the Board at least annually, but otherwise whenever a major change is necessary. Such review and reasons for a review shall take into account:

(a) changes to this Policy, in particular the Policy Mix

(b) changes to key personnel within the Investment Division or amongst external Managers, or other material changes that impact the group of internal and external investment professionals providing services to or for the Fund

(c) a significant shift in the risk tolerance of particular employers

(d) changes to the cost-benefit trade-off of the structure

(e) new opportunities in the marketplace

(f) shortcomings of the structure that emerge in its practical application including due to changing mandates of external Managers or failure to adhere to approved Mandates

(g) changes in applicable legislation.

This Policy has been approved by the Civil Service Superannuation Board on the recommendation of the Investment Committee.