TEACHERS' PENSION PLAN

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

As Amended: July 1, 2026

TABLE OF CONTENTS

Section 1: Overview / Purpose 2

Section 2: Plan Structure and Funding / Plan Description 3

Section 3: Plan Governance 3

Section 4: Asset Allocation 6

Section 5: Asset Class Policies 8

Section 6: Use of Derivative Instruments 11

Section 7: Use of Leverage and Permitted Borrowing 12

Section 8: Performance Objectives and Reporting 13

Section 9: Risk Management 15

Section 10: Valuation of Assets 16

Section 11: Responsible Investing and Voting Rights 16

Section 12: Conflict of Interest and Code of Ethics 17

Section 13: Implementation 18

APPENDICES

Appendix A: Participating Pooled Funds

Appendix B: Asset Class Policies – Legislative Constraints

Appendix C: Investment Beliefs

Section 1: Overview / Purpose

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

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

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

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

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

1.2 The Plan is continued and maintained under the Teachers' Pension Plan Joint Trust Agreement ("JTA") and the Teachers' Pension Rules (the "Rules"). The purpose of the Plan is to provide pension benefits to plan members in accordance with the benefit provisions of the JTA and the Rules.

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

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

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

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

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

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

Section 2: Plan Structure and Funding / Plan Description

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

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

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

2.3.1 The "Basic Account" provides the non-indexed portion of the pension and any cost-of-living adjustments that have been granted to active and retired members, based on the provisions in the JTA and the Rules.

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

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

Section 3: Plan Governance

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

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

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

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

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

As provided in Section 1.6, the Board annually reviews and updates its Statement.

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

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

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

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

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

BCI:

- is an agent of the Board, and is responsible for day-to-day investment management of the Fund;
- ensures the Fund is managed in accordance with this Statement and the directions of the Board;
- hires and manages contract arrangements with the Custodian and other external providers of related services (e.g., external managers and data service providers) on behalf of the Board and as trustee of pooled funds. BCI's oversight of external public equity managers includes their hiring, monitoring and termination; analysis of their results, processes, organizational changes; and client needs. Legal obligations are set out in Investment Management Agreement with each external equity manager;
- is responsible for fulfilling all reporting requirements outlined in Section 8 of the Statement; and
- has a role that goes beyond that of a typical fund manager, effectively functioning as the Board's internal investment staff. This is set out in greater detail in the Board's Funds Investment and Management Agreement with BCI.

Custodian:

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

Auditor:

- audits the Plan's financial statements in accordance with existing legislation and Canadian Accounting Standards; and
- provides an opinion on the financial statements.

Actuary:

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

British Columbia Pension Corporation ("Pension Corporation")

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

Section 4: Asset Allocation

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

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

4.1.2 Tactical asset allocation focuses on short-term conditions and attempts to increase investment return through opportunistic shifts in the portfolio's asset class weighting. Tactical asset allocation decisions depend on shorter-term market conditions and, as such, are delegated to BCI. However, these asset allocation shifts must be within the policy ranges specified by the Board in this Statement. Asset mix rebalancing is useful to ensure that the Fund's desired risk exposure is maintained over the long term.

4.1.3 The Board identified the following risk tolerance levels during the Asset-Liability Review completed in 2025:

- A total contribution increase of no more than 2%; and
- Provide sufficient liquidity to enable the Plan to meet all its obligations as they become due, with a target Liquidity Coverage Ratio ("LCR")[1] of at least 15 months and a risk tolerance of at least 12 months.

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

4.2 Policy asset mix, policy ranges, and benchmarks for the Fund, effective February 1, 2026, are:

Asset Class[2]	Policy Range (%)		Long-Term Policy Asset Mix (%)	Benchmarks
	Minimum	Maximum		
Short Term[3]	-	8	2	50% Canadian: FTSE Canada 91 Day T-Bill Index 50% US: ICE BofA US 3-month T-Bill Index
Government Bonds[3,4]	15	33	25	80% FTSE Canada All Government Bond Index, plus 20% FTSE Canada Short Term Government Bond Index
Credit[3,5,6]	9	28	20	12.5% Investment Grade: ICE BofA US Corporate Index, hedged to the Canadian dollar plus 12.5% High Yield: ICE BofA BB-B US Cash Pay High Yield Constrained Index, hedged to the Canadian dollar plus 50% Morningstar LSTA US Leveraged Loan 100 Index, hedged to the Canadian dollar plus 25% ICE BofA 1-3 Year US Corporate Index, hedged to the Canadian dollar + 60 bps
Fixed Income Sub-total	**23**	**58**	**47**	
Developed Market Equities[7]	3	30	12	20% S&P/TSX Composite Index, plus 80% MSCI World ex-Canada Net Index
Emerging Market Equities[8]	-	5	2	MSCI Emerging Markets Net Index
Private Equity[6,,9]	8	20	13	MSCI ACWI Net Index + 200 bps
Equity Sub-total	**15**	**50**	**27**	
Real Estate[3,6,10]	10	30	20	25% [50% Investment Grade: ICE BofA 1-3 Year US Corporate Index, hedged to the Canadian dollar plus 50% High Yield: ICE BofA 1-3 Year BB-B US Cash Pay High Yield Constrained Index, hedged to the Canadian dollar + 25 bps] plus 75% [Cost of Capital of 6.8% in nominal Canadian dollar terms]
Infrastructure and Renewable Resources[6,9]	7	21	16	Cost of Capital of 6.5% in nominal Canadian dollar terms
Real Assets Sub-total	**17**	**50**	**36**	
Other[11]	0	5	0	N/A
Sub Total	**100**	**115**	**110**	
Portfolio Leverage[12]	**0**	**-15**	**-10**	
Total Portfolio	**100**	**100**	**100**	

[2] Refer to Participating Pooled Funds table (Appendix A) for asset classification by pool.
[3] For performance measurement purposes, the benchmark proportion within the asset class will be set to actual due to the phased implementation of private market assets.
[4] The Government Bonds asset class includes Short Term Government Bonds and Government Bonds.
[5] The Credit asset class includes Corporate Bonds and Private Debt.
[6] Due to the illiquid nature of these assets, the upper limit may be exceeded on a temporary basis. BCI will use cash flow to rebalance as soon as it is practical.
[7] Developed Market Equities includes Canadian and Global Equities and may include exposure to emerging markets.
[8] Emerging Market Equities may include exposure to developed markets.
[9] In addition to equity, investments may include debt (other than that held in the private debt strategies).
[10] Real Estate includes Real Estate Equity and Real Estate Debt (Mortgages).
[11] "Other" includes strategies or investments that do not correspond to the listed asset classes. Refer to Appendix A.
[12] Assets held within The Funding Program will be benchmarked against their respective asset class benchmarks.

4.3 The Board recognizes that an appropriate implementation period is required to transition to the new policy asset mix identified in Section 4.2.

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

4.5 The Fund may be invested in the pooled funds listed in Appendix A, segregated funds, mutual funds, unit trusts, limited partnerships and similar vehicles, provided that they conform to this Statement. Despite any other provision of this SIPP, the Board agrees to participate in the Principal Credit Fund and the Global Partnership Fund.

4.6 The Fund may loan its securities, or participate in pooled funds that lend securities provided that:

- The loan is secured by collateral that has a market value at least equal to or greater than the market value of the loaned securities;
- the securities lending agent provides an indemnity for losses relating to a borrower failing to return securities on loan;
- the loan and collateral are valued daily on a "mark-to-market" basis; and
- the loan and collateral meet the terms and conditions of BCI's Securities Lending Program.

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

Section 5: Asset Class Policies

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

5.1 *Short-Term Policies*

5.1.1 Short-term includes money market instruments and bonds with a typical term to maturity of 15 months or less.

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

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

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

5.2 *Government Bonds and Credit Policies*

5.2.1 Government Bonds include fixed income securities issued or guaranteed by the Government of Canada, Canadian provinces or municipalities, Canadian government-related entities, or the Government of the United States, and Canadian dollar denominated fixed income securities issued or guaranteed by sovereign governments or supranational entities.

Credit shall consist of, without limitation, international and domestic corporate bonds, convertible bonds, equities, senior and subordinated debt, private debt, asset-backed commercial paper and securities, exchange traded funds, and fixed income derivatives (e.g., futures, options, swaps).

Equity securities in the Principal Credit Fund and Investment Grade Private Credit Fund[13] derived from the conversion of fixed income securities, related derivatives, or restructuring of the original credit investment will immediately be reviewed to determine whether to sell the security immediately or hold to sell at a more appropriate time.

5.2.2 Publicly traded fixed income securities from issuers, other than securities by a federal or provincial government within Canada and securities held within the Corporate Bond Fund or Principal Credit Fund, when purchased must be rated BBB- or higher by S&P or have an equivalent credit rating from another credit rating agency. If any holdings are downgraded to below the approved credit standard, BCI will immediately review the downgraded security and will have discretion with respect to the sale of any affected security or termination of any affected derivative contract.

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

5.3 *Public Equity Policies*

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

[13] Investment Grade means an investment that has a credit rating of "BBB-" or better by Standard & Poor's or an equivalent credit rating from another rating agency or from BCI's internal Investment Risk team for investments that are not publicly rated.

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

5.4 *Private Equity Policies*

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

5.5 *Real Estate Policies*

5.5.1 Real estate equity investments may include participation in externally managed funds (e.g., limited partnerships), direct real estate holdings, and/or securities (including debt securities) of real estate companies. Besides traditional real estate asset investments, the program may include alternatives and real estate-related investments, such as property technology companies and businesses ancillary to real estate and real estate investments (e.g., real estate investment management and service companies).

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

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

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

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

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

5.6.1 Infrastructure and Renewable Resource investments consist of tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics that provide an attractive match with pension liabilities.

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

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

Section 6: Use of Derivative Instruments

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

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

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

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

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

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

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

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

6.4 When entering into a new Over-the-Counter ("OTC")[14] derivatives transaction, BCI's direct Derivatives Counterparties must be financial institutions rated "A-" or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency. Notwithstanding the restriction above, new OTC derivatives transactions with a downgraded (below A-) Counterparty are permitted if such transactions would fully or partially offset an existing exposure with the Counterparty, leading to a reduction in BCI's net exposure.

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

Section 7: Use of Leverage[15] and Permitted Borrowing

7.1 The use of leverage involves borrowing against assets to amplify exposures for a given amount of capital.

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

7.3 Leverage will be used in accordance with policy asset mix set out in section 4 of the Statement and may be employed at the Fund level and within pooled funds as consistent with BCI's pooled fund policies.

7.4 The long-term policy asset mix includes leverage that can be created through the funding program pool by utilizing (i) secured borrowing such as repurchase agreements and/or (ii) the issuance of unsecured debt. Other forms of leverage could be created within the various pooled funds utilizing other sources such as derivatives (as outlined in section 6) or embedded leverage.

7.5 When using leverage, consideration should be given to associated risks including liquidity, counterparty, and operational.

7.6 The use of leverage is tested against the Plan's current and/or projected liabilities to assess whether funding obligations are met under a range of potential outcomes, including downside scenarios.

7.7 Periodic reporting is required for leverage. The reported metrics provide details on the various forms of leverage (e.g. asset mix, financial, and economic) and the associated risks to ensure compliance with the limits set out in Section 4 of the Statement and BCI's pooled fund policies.

7.8 BCI may use longer-term borrowing achieve clients' desired leverage.

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

[15] **Asset mix leverage** is equivalent to portfolio leverage in the policy asset mix and involves leverage taken created through participation in the Funding Program Pool. **Financial leverage** included asset mix leverage, plus other forms of recourse debt and secure funding. **Economic leverage** includes financial leverage, plus various off-balance sheet exposures (e.g., synthetic leverage via leverage derivatives activities).

Due to the illiquid nature of some of these instruments, asset class policy limits may be breached on a temporary basis. BCI will rebalance as soon as is reasonably practical.

Section 8: Performance Objectives and Reporting

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

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

(ii) the benchmark portfolio's rate of return, which is the rate of return that would have been achieved if the Fund had held its policy asset mix and each asset class had earned the return of their respective benchmark as outlined in 4.2.

The Board has adopted a foreign currency hedging policy that aligns with the hedging parameters of the BCI pooled funds in which the Plan is invested.

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

8.3 The primary investment return objective of individual asset classes is for the rate of return, net of all expenses incurred in the investment process, to meet or exceed the respective benchmarks over 5-year periods. Certain asset classes (e.g., real estate, private equity, infrastructure, and renewable resources) do not lend themselves to good market indices, and it is more appropriate to evaluate their performance over longer periods, such as 10 years. The benchmarks for each asset class are listed in 4.2.

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

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

8.4 The returns of the Fund are calculated using market values derived from independent pricing sources. They are time-weighted so that cash flows

have a minimal effect on return numbers. All income is included on an accrued basis. Return calculations are in accordance with industry standards. This includes using internal rates of return for private equity and similar type investments.

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

8.6 Each quarter BCI will update the Board on the performance of the Fund and related information, including the following:

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

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

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

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

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

the Fund participates.

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

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

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

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

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

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

Section 9: Risk Management

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

Risks to these objectives include economic and demographic factors, and a variety of investment risks (e.g., asset returns; market, liquidity, credit, currency, counterparty, and concentration risk; leverage). The primary tool for managing these risks over the medium to long term is the Asset-liability Review, which considers the following in setting the investment strategy:

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

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

elements:

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

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

Section 10: Valuation of Assets

10.1 As a general rule, all investments should be priced based on external sources. However, in some cases, obtaining

market pricing may be prohibitively expensive (e.g., certain illiquid investments such as real estate and private equity). These assets will be valued less frequently but at least once a year.

10.2 Any assets that cannot be marked-to-market on a regular basis (e.g., real estate and private equity) shall have their value determined in accordance with the valuation policies established by the managers, in accordance with standard industry practices. These values will be reviewed by BCI.

Section 11: Responsible Investing and Voting Rights

11.1 At all times, this policy will be conducted within the framework of fiduciary responsibility. It will therefore be implemented in a manner that supports

the efficient investment of the Fund to achieve its investment return objectives, which are in the best financial interests of the Plan's current and future beneficiaries.

11.2 ESG matters are important to evaluate within the framework of fiduciary responsibility. The Board has a duty to understand environmental, social and governance ("ESG") issues and to manage these ESG issues through its oversight of BCI. BCI integrates ESG issues into decision-making processes as governed by its *ESG Governance Policy*.

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

11.4 The Board delegates its voting rights to BCI. Voting rights will be exercised in the best financial interests of the Fund. BCI shall vote proxies in accordance with BCI's Proxy Voting Guidelines. The Board expects BCI to use its position as a fiduciary and universal owner to use proxy voting and shareholder engagement to encourage companies to focus on long-term value creation and manage ESG risks. As an active and engaged investor, BCI expects and encourages the companies within its portfolio to comply with the laws of the jurisdiction within which they operate; aspire to align their practices and adhere to international standards; apply best practices for corporate governance and be transparent about their practices, risks, and opportunities; meet all environmental regulations and seek to reduce their operational impact on the environment; and, be responsible in their operations, adopt good standards of occupational health & safety, and effectively manage stakeholder relationships. BCI's engagement activities are based on strategic ESG priorities and, as a result, ESG matters are addressed to the extent that they influence risk and return.

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

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

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

Section 12: Conflict of Interest and Code of Ethics

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

BCI employees, contractors, secondees, interns and board of directors (the "Covered Parties") are subject to *BCI's Code of Ethics and Professional Conduct* (the "BCI Code"). The BCI Code establishes standards that are at least as stringent as the CFA Institute's Asset Manager Code of Professional Conduct. The BCI Code includes a comprehensive and thorough conflict of interest policy (i) prohibiting Covered Parties from using their knowledge of the Fund's investments, or of investment decisions made on behalf of the Fund, to benefit anyone other than the Fund, and (ii) requiring applicable Covered Parties to make disclosure if they, or any person over whom they have influence, may be reasonably thought to materially benefit by an investment of the Fund or by an investment decision made on behalf of the Fund. BCI will advise the Board of any material changes to the BCI Code.

12.2 Procedure on Disclosure of Conflict of Interest

Covered Parties are required to report any actual or perceived conflict of

interest to BCI's Compliance Department. To protect the integrity of any ongoing conflict of interest investigation, BCI will make disclosure to the Chair of the Board, as applicable, upon completion of its internal compliance investigation.

Disclosure by BCI should also be made at the first Board meeting following disclosure to the Chair. BCI's obligation to disclose any actual or perceived conflict of interest is engaged whether any such conflict is identified by a Covered Party or through BCI's internal compliance investigations.

12.3 Related Party Transactions

The Plan shall not directly or indirectly enter into a transaction with, lend the moneys of the Plan to, or use the moneys of the Plan to hold an investment in, a related party that is prohibited under Schedule III of the federal Pension Benefit Standards Regulation, 1985 (the "Federal PBSR"). The term "related party" has the meaning given in Schedule III of the Federal PBSR. However, a transaction with, loan to, or investment in a related party to the Plan is permitted if the value is nominal or immaterial to the Plan. In assessing materiality of the transaction with, loan to, or investment in a related party, a value of 1% of the market value of the Plan assets is considered to be nominal. Two or more transactions with the same related party shall be considered a single transaction.

Section 13: Implementation

The Board has decided to implement the investment policy through investments managed by BCI in accordance with Sections 4 and 8. The pooled funds in which the Board has agreed to participate are listed in the attached Appendix A.

By participating in a particular pooled fund, the Board acknowledges it has reviewed the pooled fund's internal investment policy and finds it acceptable. If BCI makes any material change to the investment policy of a particular internal pooled fund listed in Appendix A, it will disclose the change to the Board and, subject to the pooled portfolio rules, the Board will decide whether it wishes to remain invested in that pooled fund.

APPENDIX A

Participating Pooled Funds

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

Asset Class Categories Under Section 4.2	*Eligible Pooled Funds*
Short Term	*Canadian Money Market Fund (ST1)*
	Canadian Money Market Fund (ST2)
	US Dollar Money Market Fund (ST3)
	US Dollar Money Market Fund (ST4)
Government Bonds	*Government Bond Fund*
	Short Term Bond Fund
	The Funding Program
Credit	*Corporate Bond Fund*
	Principal Credit Fund
	Investment Grade Private Credit Fund
Developed Market Equities	*Indexed Canadian Equity Fund*
	Active Canadian Equity Fund Active
	U.S. Small Cap Equity Fund Active
	European Equity Fund
	Indexed Global Equity Fund
	Indexed EAFE[16] Equity Fund
	Global Quantitative Active Equity Fund
	Active Global Equity Fund
	Global Partnership Fund
	Thematic Public Equity Fund
	Indexed Emerging Markets Equity Fund
Emerging Market Equities	*Active Emerging Markets Equity Fund*
Private Equity	*Private Equity Program*
Real Estate	*Realpool Program*
	BCI QuadReal Real Estate Debt Program
Infrastructure & Renewable Resources	*Infrastructure & Renewable Resources Program*
Other	

[16] Europe, Australasia, and the Far East.

APPENDIX B

Asset Class Policies – Legislative Constraints

Federal *Pension Benefits Standards Act,1985* Constraints

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

1.	Maximum investment in one company's securities	10% of the market value of the Fund[17]
2.	Maximum proportion of the voting shares of any company	30%

Income Tax Act and Canada Revenue Agency Constraints

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

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

[17] The 10% rule needs to be considered only at the time an investment is made

APPENDIX C

Investment Beliefs

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

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

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

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

Investment belief 1 – Governance

Good governance enhances the Plan's ability to achieve its mission.

Supporting principles:

- The Board's responsibility lies within its strategic decisions, including its mission, goals, risk tolerance, and asset mix.
- The Board delegates investment implementation decisions to BCI, which operates within the Board's investment goals, beliefs, and strategic decisions

Investment belief 2 – Investment Objectives

Investment decisions should consider the objectives of the Board. Meeting the pension benefits promise is the primary objective of the Board. Having a stable contribution rate for members and employers and providing CPI-level cost of living objectives of the Board. The Board's risk appetite is expressed through its investment adjustments are additional
objectives and corresponding risk tolerance levels.

Investment belief 3 – Investment Policy

The Fund's asset mix is the primary determinant of the risk and return of its

investments. Supporting principles:

- A long-term investment time horizon gives the Plan a competitive advantage.
    - *Over the long term, investors should receive additional compensation for taking investment risks as relationships between risk and return are more predictable.*
- Taking and managing risk is critical to achieving the Plan's long-term goals.
    - *In addition to quantitative measures of risk, the Board will factor in qualitative assessments of risk when developing investment policy.*

- The investment strategy should reflect the nature and variability of the Plan's liabilities, ensuring the ability to pay promised benefits by maintaining an adequate funding status.
    - Pension *liabilities have an inverse relationship with the valuation discount rate and will decrease if the discount rate rises, and vice versa.*

Investment belief 4 – Investment Structure

A well-diversified portfolio can improve portfolio risk and return characteristics.

Supporting principle:

- As a long-term investor, the Plan can access different risk premiums beyond equity risk to add value and/or improve diversification. Illiquid alternatives such as private equity, real estate, infrastructure, and private debt may be considered in this regard.

Investment belief 5 – Responsible Investing

At all times, the Board's approach to responsible investing is to be conducted within the framework of fiduciary responsibility.

Supporting principles:

- The Board's investment strategy should be implemented by BCI in a manner that supports the efficient investment of the Fund's assets to achieve investment return and risk objectives, which are in the best financial interest of the Plan's current and future beneficiaries.
- The Board recognizes that investing for non-financial impact is not consistent within the framework of fiduciary responsibility or an effective way to manage ESG issues.

Investment belief 6 – Responsible Investing

Considering environmental, social, and governance (ESG) matters while making investment decisions reduces financial risk and improves financial performance over the long term.

Supporting principles:

- ESG factors may affect investment performance over time and to varying degrees across companies, sectors, regions, and asset classes.
- The Board expects BCI to place a high priority on ESG issues in their selection of external managers and their own internal process.
- Active ownership is a more effective tool for seeking to initiate change and influence corporate practices than divesting of investments.

Investment belief 7 – Responsible Investing

Climate change is a significant long-term risk that impacts investment decisions.

Supporting principles:

- Members expect the Board to consider climate change in their approach to investment policy, with due consideration to the financial impact.
- The Board expects BCI to measure, monitor, manage, and regularly report to the Board on climate change risk. Specifically, the Board expects BCI to understand the global transition to a low-carbon economy and the impact of the transition on companies, industries, and countries. BCI should consider actions in its investment approach to

mitigate the risk of stranded assets in the Fund and identify investment-related opportunities.

Investment belief 8 – Implementation

Active management should only be undertaken when there is a reasonable expectation of generating higher returns net of fees and/or managing the investment risk.

Supporting principle:

- The weighing between active and passive strategies is delegated to BCI with the understanding that active management performance will be assessed against an agreed benchmark that considers the risk and return goals of the Plan and a relevant universe for similar mandates and revisited from time to time to assess BCI's decisions and evolving model.

Investment belief 9 – Implementation

Costs matter and need to be effectively managed to ensure a greater proportion of investment returns pass through the Plan to support the pension promise.

Supporting principles:

- The Fund's asset mix has an impact on the risk, returns, and cost of investment.
- The Board expects transparency of total costs from BCI, including information supporting the justification of decisions made in managing the investment portfolio.
- There is a reputation risk management aspect to cost control.

Investment belief 10 – Implementation

It is difficult to predict which asset class, style, region, or capitalization will consistently provide the best returns.

Supporting principles:

- The Board has delegated the decision on the structuring of the equity, bond, and alternatives portfolios to BCI, including decisions on:
    - Credit
    - Hedging
    - Internal vs external management
    - Investment style
    - Manager mandates – regions and market capitalization
- BCI will be accountable for their decisions and is expected to consider the costs and risk/return benefits, and liquidity implications of the approach they choose, to achieve optimal risk-adjusted net of fees results for the Plan.
- Currency risk from foreign investments shall be managed in the context of the overall liability profile of the Plan, also recognizing diversification benefits from unhedged foreign exposure.
- Rebalancing promotes a "buy low" and "sell high" approach, which can enhance long-term returns and manage risk.