UNIVERSITY OF GUELPH

Pension Plans

Statement of Investment Policies and Procedures

It is hereby certified by the undersigned that this Statement of Investment Policies and Procedures was adopted by the Board of Governors on:

Jan 22, 2020

Contents

1. BACKGROUND AND PURPOSE

1.1 This document constitutes the Statement of Investment Policies and Procedures (the "Policy") which outlines the investment policies and procedures applicable to the assets (the "Fund") in respect of Pension Plan for Non-Professional Staff (the "Plan") sponsored by the University of Guelph (the "University").

1.2 The purpose of this Policy is to formulate those investment principles, guidelines and monitoring procedures which are appropriate to the needs and objectives of the Fund, in a manner conforming to the applicable pension legislation as contained in the Ontario Pension Benefits Act and the regulations hereto (the "Act"). This Policy is supplementary to the rules contained in the Act.

1.3 The assets of the Plan are invested in common trusts with Pension Plan for Professional Staff and Retirement Plan and the three Plans may hold assets directly.

1.4 The Plan is registered with the Financial Services Commission (Registration # 0324632) of Ontario and with the Canada Revenue Agency (Tax ID T30194994).

1.5 As of October 1, 2018, the date of the last completed valuation, the subject plan is fully funded on a going-concern basis, statutory solvency and wind-up basis. Approximately 15% of the going-concern liabilities are in respect of active members.

1.6 The main features of the Plan are briefly described below:

(a) The pension is based on a formula utilizing a Member's final average earnings multiplied by total pensionable service, and includes post-retirement inflationary protection at a level of the Consumer Price Index for Canada (capped at 8.0%) minus 2.0% per annum.

(b) The Plan provides benefits to Members on retirement, death, total and permanent disability, and termination of employment. Benefit payments to pensioners are normally made monthly. Payments of pre-retirement death benefits and benefits on termination of employment are generally lump sum amounts. Benefit payments are made from the Fund.

(c) Member contributions are required and are deposited to the Fund on a monthly basis.

(d) The University is required to contribute at a level sufficient to finance the defined benefits within the funding requirements of the Act and the limitations of the Income Tax Act (Canada). The amount of these contributions is calculated from time to time, based on the advice of the Actuary retained by the University for such purpose. University contributions, and pension expense for financial statement purposes, are dependent on many aspects of the Plan's actual experience, including the Fund's investment return.

1.7 All investment and other operations of the Fund shall be governed by the Act.

2. GOVERNANCE

2.1 The University through its Board of Governors (the "Board") is the Administrator of the Plan in accordance with the Act.

2.2 The Board has established a governance structure and delegated to the Pensions Committee of the Board (the “Board Committee”) certain aspects of the Fund's operations as described in Section 3.

2.3 In fulfilling its responsibilities, the Board Committee may delegate to or otherwise utilize employees of the University (“Staff Members”) or committees such as the Investment Subcommittee (the “IS”) where appropriate. The Board Committee shall retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel.

2.4 The Board Committee may rely on independent experts for certain aspects of the Fund's operations where expert knowledge is required or desired or where a potential or actual conflict of interest exists.

2.5 Staff Members are employees of the University who may be asked to be involved with the management and the administration of the Plan in the course of their work.

2.6 The IS consists of members appointed by the Board of Governors to provide expert advice and oversight in regards to the investment responsibilities for the Fund.

2.7 All investments and assets of the Fund shall be held by the custodian (“Custodial Trustee”) who is appointed by the Board Committee. The Custodial Trustee shall be a trust company duly registered in Canada or an insurance company authorized to underwrite life insurance in Canada.

2.8 The Plan Auditor shall be the independent auditors appointed by the Board. The Plan’s financial statements shall be audited by the Plan Auditor at least annually.

3. RESPONSIBILITIES AND PROCEDURES

3.1 As administrator and sponsor of the Plan, the Board has responsibility for all aspects of the Fund’s operations. To fulfill their responsibility in the most prudent and appropriate manner, the Board has delegated to the Board Committee as specified below.

3.2 The Board Committee, as delegated in its capacity as the employer, shall be responsible for:

(a) appointing and/or replacing the actuary;

(b) reviewing and approving the actuary’s report and other reports that might be required of the actuary;

(c) reviewing any recommendations for changes to the funding of the Plan;

(d) reviewing any recommendations for changes to the text of the Plan;

(e) recommending to the Board any changes or amendments to the Plan; and

(f) reporting to the Board on its activities on at least an annual basis.

3.3 The Board Committee, as delegated in its capacity as the administrator, shall be responsible for:

(a) approving the Policy on an annual basis;

(b) approving the auditor's report on the Fund;

(c) appointing and monitoring the performance of the Custodial Trustee of the Plan;

(d) reviewing and confirming or amending delegated responsibilities on an annual basis;

(e) monitoring the IS;

(f) assuming all or part of the responsibilities of the IS in the event that it becomes dysfunctional for any reason or if it appears that it can no longer fulfill its responsibilities; and

(g) when it deems it necessary or when requested, reporting to the Board on the administration, supervision and control of the Plan and the Fund.

3.4 The duties and responsibilities of the Staff Members are as follows:

(a) overseeing the administration of the Plan, including but not limited to Plan amendments;

(b) overseeing the cash management of the Plan with a view to ensuring that sufficient cash will be available for the payment of the benefits;

(c) advising plan members of any changes to the Plan that may affect the members including retirees;

(d) ensuring that financial statements are prepared and audited on an annual basis;

(e) ensuring that actuarial valuations are prepared within the required frequency and approve the valuations;

(f) ensuring that all regulatory documents are filed on a timely basis;

(g) overseeing the Managers;

(h) monitoring third party service providers;

(i) reporting to the IS on investment performance;

(j) conducting periodic asset/liability studies;

(k) implementing the policy allocation as outlined in Section 6.1;

(l) implementing the rebalancing as described in Section 6.2;

(m) advising the Board Committee of any significant changes to the Plans, the Fund or the IS as they arise; and

(n) working in close collaboration with the IS and implement strategies and recommendations.

(o) In fulfilling their responsibilities, Staff Members may delegate activities relating to the duties listed above to external experts. Notwithstanding this delegation, staff shall remain responsible for, and shall be required to approve work done by others. In this regard, Staff Members are expected to delegate the activities only to suitable delegates, and review the work before approval.

3.5 The duties and responsibilities of the IS are as follows:

(a) reviewing and if necessary recommend changes in the Policy to the Board Committee and monitor the Plan and Fund characteristics that relate to the Policy on an annual basis;

(b) selecting, appointing and replacing when deemed necessary the external experts for the Fund including but not limited to: external investment managers and the independent measurement service;

(c) monitoring the external experts to the Fund in respect of their continuing suitability and performance;

(d) monitoring the investment performance and financial position of the Fund, as described in Section 11; and

(e) reporting to the Board Committee on its activities at least annually.

(f) In fulfilling its responsibilities, the IS may delegate any activities relating to the duties and responsibilities listed above to the Staff Members or to external experts. Notwithstanding this delegation, the IS shall remain responsible for, and shall be required to approve, work done by others. In this regard, the IS is expected to delegate the activities only to suitable delegates, and review the work and the process undertaken to complete the work before approval.

3.6 The duties and responsibilities of external investment managers are as follows:

(a) investing assets of the Fund, through the Custodial Trustee, in accordance with individual mandates pursuant to an agreement between that Manager and the University and in accordance with the requirements of the Policy;

(b) providing a signed quarterly compliance certificate attesting to compliance with the Policy;

(c) in making investments, at all times complying with applicable provincial and federal pension and tax statutes and regulations and other applicable laws and regulations;

(d) meeting with the IS or the Staff Members, to review investment performance and other investment issues relevant to the Fund;

(e) providing written reports on a quarterly basis detailing the investment portfolio and performance; and

(f) adhering to the CFA Institute Code of Ethics and Standards of Professional Conduct.

3.7 The duties and responsibilities of the independent Custodial Trustee are as follows:

(a) serving as trustee and custodian of the Plan;

(b) providing safekeeping for the assets of the Fund;

(c) providing record keeping services for the Fund; and

(d) providing custodial reports for the Fund as required.

3.8 The duties and responsibilities of the External Auditor are as follows:

(a) The external auditor shall be responsible to perform the audit as required under the Ontario Pension Benefits Act.

3.9 The duties and responsibilities of Measurement Service are as follows:

(a) evaluating, preparing and delivering a report on the Fund and Managers' performance quarterly to the Staff Members; and

(b) advising Staff Members of issues relating to the performance of the Fund and the Managers as they arise.

3.10 The duties and responsibilities of the External Actuary are as follows:

(a) preparing actuarial valuations within the frequency required under the Act and deliver them to the University;

(b) providing assistance or information on an as required basis.

3.11 Others, including but not limited to Independent Advisors, Lawyers, Consultants and other experts in pension-related matters shall provide services on an as required basis.

3.12 Any party providing services in connection with the investment of the Fund shall accept and adhere to this Policy.

4. FUND OBJECTIVES, RETURNS AND RISK EXPECTATIONS

4.1 The primary investment objective of the Plan is to ensure the security of all pensions and other benefits that have accrued under the Plan by providing adequate funding through an asset pool that is separate from and independent of the University. To accomplish this objective, the Fund shall be invested with the care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person.

4.2 A secondary objective is to generate a return on the Fund that will reduce the long-term cost of providing the pension benefits to the most economical level possible having regard for the risk tolerance of the Administrator of the Plan. The risk tolerance is defined as the volatility of the funded status of the Plan impacting the contributions required to fund the Plan over time. Over the long term, the fund's objective is to achieve an annualized rate of return ("Return"), after disbursement of investment management fees and transaction costs, at least equal to the going concern discount rate used for the actuarial valuation. It is recognized that, in any one period, the total return may be significantly above or below the going concern discount rate.

4.3 A third objective is to adopt investment strategies that achieve the most appropriate balance between returns and risk objectives considering that, based on historical data, asset classes that are most likely to produce greatest returns over time are also likely to exhibit the most volatility and vice-versa.

5. PERMITTED CATEGORIES OF INVESTMENT AND CONSTRAINTS

5.1 Diversification is an important factor to consider in maintaining an acceptable level of volatility in Return and limiting the impact of a significant loss in one particular security or asset class. Therefore, the Fund may invest in any or all of the asset categories and subcategories of investments defined in this section, subject to the constraints identified below each asset class, either directly or through pooled funds, assuming the pool funds invest in the asset categories and subcategories defined in the rest of Section 5.

5.2 For purposes of this Policy, "governments" includes supranational, Canadian federal, provincial or municipal governments, sovereign issuers and securities guaranteed by these governments.

5.3 **Equities** such as: common shares, convertible debentures, share purchase warrants, share purchase rights, preferred shares, depositary receipts, interests in limited partnerships, and units of real estate investment trusts (REITS) and income trusts that have limited liability protection by statute; but:

(a) North American holdings shall be diversified by company, capitalization and industry, having regard to the relative sizes of industry sectors in the applicable stock market indices.

(b) Non-North American holdings shall be diversified by company, region, industry and country, having regard to the relative sizes of economic activity and stock market capitalization.

(c) Not more than 10% of the market value of the total equity portfolio shall be invested in any one entity.

(d) In respect of any Canadian income trusts and REITS , such trusts:

(i) Must be reporting issuers under the applicable securities legislation in Canada; and

(ii) Must be governed by the laws of a province that limits the liabilities of unit holders by statute.

(e) Any interest in a partnership must be as a limited partner and not as a general partner.

5.4 **Real Estate** such as: real property, whether held directly or through open or closed-end pooled funds, participating debentures, shares of corporations or limited partnerships formed for pension funds to invest in real estate; but:

(a) Properties shall be diversified by location, type of use and tenants.

(b) Not more than 20% of the Real Estate portfolio shall be invested in non-income producing property.

(c) Not more than 10% of the Real Estate portfolio may be invested in any one property

5.5 **Infrastructure** such as: tangible assets, whether held directly or through open or closed-end pooled funds, participating debentures, shares of corporations or limited partnerships primarily engaged in or having long term economic interest in tangible assets that provide key services to an economy and that are expected to provide long-term stable cash flows, including but not necessarily limited to: transportation, telecom, communication, utilities, social services, and business related to those sectors; but:

(a) Investments shall be diversified by region and sector.

(b) Investments shall be made to infrastructure funds whose assets are expected to have the following characteristics:

(i) Provide essential services to the community;

(ii) Have monopolistic characteristics;

(iii) Have sustainable and predictable cash flows; and

(iv) Target investments primarily in assets and businesses with comparatively lower exposure to economic cycles, providing essential services under predictable regulatory regimes and/or through long-term contracts with the public sector, creditworthy entities or a broad base of end-users, allowing for visibility of revenues, operating costs and capital expenditure requirements.

5.6 **Fixed Income and Mortgages** such as: bonds; debentures; mortgages; notes; real return bonds; asset-backed securities or other debt instruments of governments or corporations (public and private) including foreign issuers and foreign pay bonds; guaranteed investment contracts or equivalent financial instruments of Canadian insurance companies, trust companies, banks or other eligible issuers, or funds which invest primarily in such instruments; 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; term deposits or similar instruments of Canadian trust companies and banks; and hybrid debt instruments issued by financial institutions; but:

(a) Debt rated below “BBB (low)” shall not exceed 30% of the fixed income portfolio.

(b) Mortgages shall in all cases be first mortgages.

(c) Securities of unrated issuers will be assumed to fail all of the credit ratings referred to in this section.

5.7 **Cash or Cash Equivalents** such as: cash, money market securities issued by governments or Canadian corporations (public and private) with term to maturity of one year or less, deposits with Canadian Trust companies or banks; but:

(a) All cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent.

5.8 **Derivatives** such as: futures; options; forward contracts; structured notes; and swap agreements; but:

(a) Futures and options may be used only when they are regularly traded on recognized public exchanges or other organized public trading facilities where market prices are readily available.

(b) Forward contracts, structured notes and swap agreements may be entered into only with financial institutions that satisfy the credit standards of the Policy with respect to cash equivalents and fixed income investments.

(c) Any use of derivative investments must be in accordance with a program that has been specifically considered and approved by the IS whether done directly in the Fund or in a Pooled Fund. Derivative instruments may not be used to create exposures to securities which would not otherwise be permitted under this Policy or which would be outside the limits under this Policy had the exposure been obtained in the cash markets through direct investment.

(d) Derivative instruments may be used only to:

(i) either replicate the investment performance of permitted direct investments; or

(ii) to reduce risk as part of a hedging strategy

(e) Any Manager investing in derivative investments must determine the market value of that Manager's exposures on a daily basis.

5.9 **Other Investments** such as: venture capital; private equity and natural resource properties or participation rights, whether purchased directly, or through closed or open end pooled funds, or through participating debentures or shares of corporations or limited partnerships formed to invest in such properties subject to the Act; pooled funds eligible for pension fund investment, provided they invest only in the instruments or assets permitted in this Section.

5.10 To the extent the Plan invests the Fund in mutual, pooled or other unitized funds, the Manager shall manage such funds according to the investment policy statements developed by the Manager from time to time for each such fund, as have been communicated to IS.

5.11 Each Manager shall be responsible for choosing brokers to execute investment transactions in the most effective manner and in the best interest of the Fund.

5.12 It is necessary to maintain a regular flow of investment income and to hold an appropriate portion of the Fund in highly liquid investments to ensure adequate liquidity.

5.13 The IS 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 limits outlined in this document based on the market value of the Fund.

6. ASSET ALLOCATION POLICY

6.1 The policy allocation and ranges for the Fund have been determined as set out below. Over complete market cycles the allocation is expected to approximate the "Target Weight".

Component Asset Classes	Benchmark Index	Percentage of Fund at Market Values (%)		
		Target Weight	Permitted Range	
			Low	High
Canadian Equities	S&P/TSX Composite	13	8	18
U.S. Equities	S&P 500 ($Cdn)	13	8	18
International Equities	MSCI EAFE Net ($Cdn)	14	9	19
Emerging Market	MSCI Emerging Markets net ($Cdn)	5	0	10
Total Equities		**45**	**40**	**50**
Real Estate	IPD Canada Total Return	10	5	15
Infrastructure	DJ Brookfield Global Infrastructure Composite Index	10	5	15
Total Real Estate and Infrastructure		**20**	**15**	**25**
Mortgages	FTSE TMX Short Term	5	0	10
Canadian Fixed Income	FTSE TMX Short Term FTSE TMX Long Term	5 17.5	0 12.5	10 22.5
Global High Yield Fixed Income[1]	Barclays Global High Yield Index	5	0	10
Total Mortgages and Fixed Income		**32.5**	**27.5**	**37.5**
Cash and Cash Equivalents	**FTSE TMX Canada 91 Day T-Bill**	**2.5**	**0**	**5**

[1]100% currency hedged

6.2 An interim asset mix with different targets can be used as the policy allocation is being implemented. This interim asset mix can be adjusted from time to time until the policy allocation is reached at which time the policy allocation will be in effect.

6.3 The asset allocation will be monitored quarterly and rebalancing will take place if and when an asset class exceeds its permitted range and will be re-balanced back to the Target Weight.

6.4 The total fund benchmark is based on a blend of the individual underlying asset class indices in their proportions represented in the Target Weight. Where a manager mandate encompasses more than one asset class, such allocation can be reflected in the buildup of the composite benchmark and target weight monitoring.

6.5 Cash and cash equivalents may also be held from time to time on a short-term, temporary basis or as defensive reserves within the portfolios for each asset class at the discretion of each Manager within the constraints prescribed by its Mandate.

6.6 Provision for Adverse Deviation ("PfAD") Compliance is documented in Appendix A.

7. LENDING AND BORROWING OF CASH AND SECURITIES

7.1 Borrowing of Cash and Securities

(a) Money shall not be borrowed on behalf of the Fund and the Fund's assets shall not be pledged or otherwise encumbered in respect thereof, except:

(i) for the payment of refunds, benefits or administration costs of the Plan to the extent that such borrowing is limited to the amount of the current service contribution in any fiscal year of the Plan and that the term of the borrowing does not exceed 90 days;

(ii) for and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management.

7.2 Lending Securities

(a) Permitted Circumstances: The IS may lend the securities of the Fund as a means of generating incremental income or cash for investment or otherwise supporting an investment strategy. Such loans shall be in writing. When the IS lends securities of the fund, the document shall provide for the IS's right to recall the loaned securities.

(b) Use of Agents : Management may delegate, through the University's custodial trustee, to a lending agent the authority to select borrowers, negotiate terms and rates and invest cash or securities collateral under written procedures which specify securities available for loan, pre-approved borrowers, loan terms, and instruments for the investment of collateral as well as administrative, risk management and reporting arrangements.

(c) Collateral and Margin Requirements: When the IS lends securities of the Fund as a means of generating incremental income or cash for investment, the following rules shall apply. The IS or its lending agent shall receive from the borrower collateral equal to no less than 105% of the market value of the securities loaned at the time of the transaction. The amount of collateral margin taken shall reflect best practices in local markets. Both loaned and collateral securities must be marked to market daily to account for increases in the market value of the securities loaned or decreases in the market value of the collateral. Shortfalls in the amount of collateral must be rectified by the following business day unless otherwise agreed to in writing. The collateral obtained to secure a loan of securities or any securities purchased with such collateral must be either cash or high quality, readily marketable securities acceptable as a direct investment under the IS's investment policies. Title to all collateral must be clear.

8. VOTING RIGHTS

8.1 The responsibility of exercising and directing voting rights acquired through Fund investments shall normally be delegated to the Manager, who shall at all times act prudently and in the best interests of the Fund's beneficiaries. The Manager shall provide the Staff Members with its proxy voting guidelines and notify the Staff Members of any changes to these guidelines.

8.2 The Manager shall maintain a record of how Fund voting rights have been exercised and provide the Staff Members with quarterly proxy voting results.

8.3 In case of doubt as to the best interests of the Plan's beneficiaries, the Manager shall request instructions from the Staff Members and act in accordance with such instructions.

8.4 The Staff Members reserve the right to direct, or override, the voting decisions of a Manager, if in its view such action is in the best interests of the Plan's beneficiaries, except for investments held in a Pooled Fund.

8.5 It is recognized, however, that the above constraints and policy on voting rights may not be enforceable to the extent that part of the Fund is invested in Pooled Funds.

9. VALUATION OF INVESTMENTS

9.1 Investments shall be valued by the Custodial Trustee according to their fair market value.

9.2 Investments not normally traded shall be valued by a qualified expert appointed or approved by IS not less than annually.

9.3 Investments in pooled funds shall be valued according to the unit values published by the Manager.

10. RELATED PARTIES AND CONFLICTS OF INTEREST

10.1 Definition of Related Party

For the purposes of this Policy, a Related Party means:

(a) the University;

(b) the Board;

(c) a member of the Board Committee or IS;

(d) an officer, director or employee of the University;

(e) a person responsible for investing the assets of the Plan, or any officer, director or employee thereof;

(f) an association or union representing employees of the University, or an officer or employee thereof;

(g) a member of one of the Plan;

(h) the spouse or a child of any person referred to in any of paragraphs (b) to (f);

(i) an affiliate of the University;

(j) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (h);

(k) an entity in which a person referred to in paragraph (a), (b) or (c), or the spouse or a child of such a person, has a substantial investment.

10.2 Related Party Transactions

(a) The assets of the Fund shall not be used to invest in securities of Related Parties or lent to any Related Parties unless such securities are publicly traded and selected by a Manager acting independently on behalf of all that Manager's discretionary accounts or Pooled Funds having mandates similar to that of the Fund. Where applicable, a Manager shall provide the Staff Members with its internal guidelines on purchasing securities of the members of the Manager's organization or affiliates.

(b) Notwithstanding paragraph (a), the assets of the Fund shall not be invested in any securities of the University or an affiliate of the University unless such securities are publicly traded, held within a Pooled Fund, and selected by a Manager acting independently.

(c) Any other transactions with a Related Party must be required for the operation or administration of the Plan and be on terms and conditions that are not less favourable to the Plan than the then market terms and conditions.

10.3 Conflicts of Interest

(a) If a member of the Board or Board Committee, or any agent of or advisor to the Board or Board Committee, or any person employed in the investment or administration of the Fund has or acquires any material interest, direct or indirect, in any matter in which the Fund is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund, the person involved shall within three business days after the individual becomes aware of the conflict of interest disclose in writing this conflict of interest to the Chair of the Board or Board Committee. The disclosure should also be made orally if awareness of the conflict occurs during the discussion of the Plan's business. The Chair shall then immediately advise all members of the Board or Board Committee, and the Board or Board Committee shall decide upon a course of action. Any such person will thereafter abstain from any decision making with respect to the area of conflict including the exercise of his/her votes, until the issue causing the conflict of interest is resolved independently by the remaining individuals with voting rights.

(b) Every disclosure of interest, with the name of the individual declaring the conflict and how the conflict was resolved, under this Section shall be recorded in the minutes of the relevant Board or Board Committee meeting.

(c) The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.

(d) The Board Committee shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager appointed by the IS. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to such Manager.

11. MONITORING INVESTMENT PERFORMANCE

11.1 The IS, at least annually, shall prepare or cause to be prepared an overall analysis of Fund performance, including:

(a) the Fund objectives as defined in Section 4 in the Policy;

(b) in order to achieve the Return objective, the Fund is targeting to achieve over moving four-year periods a return, net of all brokerage expenses but before all other fees, at least equal to a composite index made of passive investments in appropriate market indices, according to the allocation defined in section 6.1.

(c) the return that could have been achieved by passive investment in index funds in the "Target Weight" allocation;

(d) the value added by any deviation in actual asset mix from the "Target Weight" allocation; and

(e) the value added by any active management of each component, relative to the results of appropriate standards.

11.2 In reviewing the Fund performance, the IS shall consider all relevant factors, including:

(a) the level of investment performance of the Manager's portfolio relative to return objectives;

(b) the level of investment performance of the Manager's portfolio relative to other comparable portfolios;

(c) the volatility of the Manager's portfolio investment returns;

(d) any perceived shifts in the style of the Manager;

(e) any perceived shifts in the investment process of the Manager;

(f) relevant personnel turnover within the Manager's firm;

(g) any perceived organizational issues with regard to the Manager's firm;

(h) the level of investment management fees; and

(i) the adequacy of Manager client service.

11.3 The IS reserves the right to replace any Manager at any time, if it deems such action to be in the best interests of the Fund.

12. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

12.1 The Board Committee recognizes that environmental, social, and governance ("ESG") factors are becoming an important and developing area for consideration in the context of registered pension plan investments. There continues to be great uncertainty around the implications of ESG factors on defined benefit pension plan investment options, both passive and active. At this time, the Board Committee has chosen to monitor the development of ESG factors in this area and will reconsider its approach as and when appropriate to do so.

13. POLICY REVIEW

13.1 This Policy shall be reviewed at least annually by the Board Committee and the IS in order to determine whether any modifications are necessary or desirable. Such review shall consider whether there has been:

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

(b) significant revisions to the expected long-term trade-off between risk and return on key asset classes;

(c) a major change in the actuarial calculation basis, the membership/liability distribution, or the contribution/expense expectation in respect of the Plan;

(d) a significant shift in the financial risk tolerance of the University;

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

(f) significant recommendations by a Manager;

(g) changes in applicable legislation.

13.2 A copy of this Policy and any amendments to it shall be delivered to the actuary for the Plan. A copy of this Policy, or relevant sections thereof, shall also be delivered to each Manager and to the Board, the Board Committee and the IS.

Appendix A: Provision for Adverse Deviation Compliance

The following table specifies the relevant investment categories and target asset allocations solely for purposes of determining of the Provision for Adverse Deviations for the Plan. Reference to paragraph numbers in the Investment Category column refer to the investment categories listed in section 76(12) of Ontario Regulation 909 under the Act. For clarity, this Appendix does not require regular rebalancing to match the target asset allocation in this table, nor does it impose any restriction on the Asset Policy Allocation and stated ranges in Section 6.1.

Investment Category	**Target Asset Allocation**	**PfAD Treatment (% of fixed income)**
Short-term notes and treasury bills that meet one of the minimum credit ratings outlined in Table A	2.5%	100%
Mortgage loans	5%	50%
Real estate	10%	50%
Canadian stocks other than investments referred to in paragraphs 1 to 12.	13%	0%
Non-Canadian stocks other than investments referred to in paragraphs 1 to 12.	32%	0%
Canadian bonds and debentures (other than investments referred to in paragraphs 1 to 12) that meet one of the minimum credit ratings in Table A.	22.5%	100%
Non-Canadian bonds and debentures (other than investments referred to in paragraphs 1 to 12) that do not meet any of the minimum credit ratings in Table A.	5%	50%
Investments other than investments referred to in paragraphs 1 to 16.	10%	50%

TABLE A
MINIMUM FIXED INCOME ASSET RATINGS

Credit rating agency	**Rating - bond market securities**	**Rating - money market securities**
DBRS	BBB	R-2 (middle)
Fitch Ratings	BBB-	F-3
Moody's Investors Service	Baa3	P-3
Standard & Poor's	BBB-	A-3