
Statement of Investment Policies and Procedures
For the
ELCIC Pension Plan

This Statement is intended to describe the current operating procedures, objectives and policies for investing the assets of the ELCIC Pension Plan. This Statement will be periodically updated as policies are reviewed and revised, and as necessitated by changes in regulations and practice.

This Statement is revised and effective November 4, 2021.

Certified to be a true and complete copy of the
Statement of Investment Policies and Procedures

A handwritten signature in dark ink, appearing to read 'J. Wolff', with a stylized, cursive script.

John Wolff
President, ELCIC Group Services Inc.

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Note:

Unless otherwise stated, all defined terms in this policy are as those in the ELCIC Pension Plan text.

1.1 The primary goal of the ELCIC Pension Plan is to accumulate funds for the ultimate purpose of providing retirement income for eligible Employees at a predictable cost to the participating Employers. The prudent and effective management of the ELCIC Pension Plan's assets will have a direct impact on the achievement of this goal.

1.2 The ELCIC Pension Plan document, as amended from time to time, is registered with the Financial Services Regulatory Authority of Ontario (formerly Financial Services Commission of Ontario) and Canada Revenue Agency. The ELCIC Pension Plan is a defined contribution plan for eligible Rostered and non-Rostered employees of the Evangelical Lutheran Church in Canada (Church) and other participating employers.

1.3 The Board of Directors of ELCIC Group Services Inc. (the Administrator) is responsible for the administration of the ELCIC Pension Plan, including establishing and implementing investment objectives and taking necessary actions to achieve the primary goal.

1.4 This Statement of Investment Policy and Procedures (this Statement) is intended to ensure continued prudent and effective management of all the assets of the ELCIC Pension Plan. The Administrator, in conjunction with its external advisors, the ELCIC Pension Plan's emerging experience, and the properly documented wishes of the majority of participating employers and the Church, may modify the Statement as deemed appropriate. It shall be reviewed at least once each year and either confirmed or amended. All amendments to this Statement shall be filed with the appropriate regulatory bodies as required.

1.5 The annual review should take into account any developments in the following:

- a. governance changes;
- b. changing investment environment;
- c. changing risk tolerance;
- d. changes to ELCIC Pension Plan benefits;
- e. changes to investment beliefs;
- f. changes in membership demographics;
- g. changed expectations for the long-term risk/return trade-offs in the capital markets;
- h. new investment products;
- i. changes to governing legislation; and
- j. any practical issues arising from the application of this Statement.

1.6 This Statement has been prepared in a manner that complies with all legislative and regulatory requirements. It documents the following:

- a. guidelines for the prudent and effective management of the ELCIC Pension Plan including investment objectives;
- b. the parties involved in the ELCIC Pension Plan's financial management and their respective roles and responsibilities;
- c. the parameters under which the investment managers are to operate and communicate with the Administrator; and
- d. how the performance of the investment managers is to be evaluated.

1.7 Member's contributions plus Employer contributions on behalf of members are credited to an individual account for that member. At any point in time, the aggregate of individual member's account balances equals the market value of the assets in the Fund.

1.8 The ELCIC Pension Plan is a defined contribution plan. Investments and asset allocation decision are made on the Members' behalf by the Administrator.

1.9 Note that when assets are invested in a pooled fund, those assets will be subject to the pooled fund's Statement of Policies and Objectives where and to the extent it differs or conflicts with this Statement. A copy of the Statement of Investment Policies and Procedures for each such pooled fund will be provided by the investment manager to the Administrator, along with any changes made from time to time.

2.1 In general, the duty of prudence governs all aspects of fiduciary performance in both the investment and administration of pension plans.

2.2 The Administrator can delegate certain responsibilities and tasks to employees of ELCIC Group Services Inc. who are responsible to ensure that the administration of the ELCIC Pension Plan is carried out efficiently within this mandate.

2.3 The Administrator retains the following external advisors and service providers:

- a. investment managers;
- b. a trustee and custodian of the ELCIC Pension Plan assets;
- c. a pension investment consultant; and
- d. others, as required from time to time.

2.4 The Administrator's responsibilities are to:

- a. fulfill all the legal functions of an Administrator with respect to the ELCIC Pension Plan by establishing a sound strategic direction and operational framework to manage the ELCIC Pension Plan in compliance with contractual, legislative and regulatory requirements as well as ethical standards;
- b. ensure the ELCIC Pension Plan's investments are managed prudently to maximize long-term returns within acceptable risk levels and this Statement;
- c. appoint the required employees, external advisors and service providers, determine and communicate their responsibilities, and then monitor performance and take any necessary corrective actions;
- d. ensure that the investments are managed in accordance with the guidelines set out in this Statement;
- e. review and assess annually the performance of the investment managers relative to their established benchmarks to determine whether corrective actions are deemed necessary;
- f. ensure that all required contributions are made in a timely fashion and ensure that all benefit and expense payments are appropriately authorized; and
- g. review on an ongoing basis the investment results of the ELCIC Pension Plan relative to its objectives, and ensure that the investment income earned is credited/allocated appropriately;
- h. review the quarterly investment results and monitor the investment managers' compliance with this Statement;
- i. review the investment management structure and styles and whether the ELCIC Pension Plan's current position remains appropriate;

- j. conduct an investment manager search and make a selection based on established criteria;
- k. meet with each investment manager and the pension consultant; and
- l. review this Statement at least annually to ensure its continued appropriateness, and approve any required changes.

2.5 Each investment manager will:

- a. manage their respective investment mandate within approved guidelines and select securities within each asset class, subject to applicable legislation and the constraints and directives set out in this Statement and in any supplementary communication provided by the Administrator, all in accordance with the manager's mandate;
- b. provide the Administrator with a written quarterly report certifying compliance with this Statement, and summarizing the portfolio's asset mix, changes in portfolio holdings, performance analysis, and expectations regarding the upcoming quarter;
- c. at the discretion of the Administrator participate in the review of this Statement;
- d. attend meetings of the Administrator as requested to present:
 - i. reviews and analysis of investment performance,
 - ii. a forecast of future economic conditions, as well as a summary of expectations for future returns on various asset classes,
 - iii. a report on the environmental, social and governance criteria employed in making recent investment decisions, and
 - iv. proposed investment strategies to be followed;
- e. explain to the Administrator the characteristics of other asset classes to be considered for investment and how they might assist in the achievement of the ELCIC Pension Plan's objectives;
- f. ensure that all actions taken are in compliance with the Standards of Practice Handbook of the CFA Institute as amended from time to time;
- g. provide periodic reports and other statistical information as required; and
- h. inform the Administrator in a timely manner, any element of this Statement that could prevent the attainment of the objectives as well as any significant changes in personnel.

2.6 The trustee and custodian will:

- a. fulfil the regular duties of a trustee and custodian as required by law;
- b. monitor compliance with any applicable legal investment limits;
- c. provide the Administrator and other authorized parties with accurate and complete accounting, including monthly trust statements of all assets of the ELCIC Pension Plan and transactions during the period;
- d. process the security transactions that result from the buy and sell orders authorized by the investment managers, provided they comply with all applicable legislation; and

- e. receive all contributions to the ELCIC Pension Plan, and make authorized payments from the trust in a timely and efficient manner.

2.7 The pension investment consultant(s) will:

- a. participate upon request in annual reviews of this Statement, including provision of any necessary statistical information in order to confirm or amend this Statement;
- b. participate upon request at discussions about an investment manager's past performance, expectations about future returns on asset classes, and planned investment strategies;
- c. provide support in the form of quantitative and qualitative analysis and ongoing monitoring of each managers' performance relative to the benchmarks and to other investment managers.

2.8 The Administrator delegates its Executive Director to:

- a. act as liaison between the Administrator and its various advisors and service providers to ensure that each fulfills its duties and responsibilities and that adequate information is available for decision-making;
- b. develop and manage in-house manual and computer systems to administer accurately and efficiently member and employer contributions, pension credits and payments, and other needed records and data;
- c. recommend if certain of these services should be obtained more cost-effectively through the hiring of external providers.

2.9 Standard of Care:

In exercising their responsibilities, the Administrator, its Directors and employees, and its appointed advisors must adhere to the following guidelines:

- a. in the discharge of their duties and the exercise of their powers, whether the duty or power is created by law or the trust instrument, they shall exercise that degree of care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person; and
- b. without limiting the generality of the above, persons who possess, or because of their profession, business or calling, ought to possess, a particular level of knowledge or skill relevant to their responsibilities to the ELCIC Pension Plan, shall employ that particular level of knowledge or skill in the administration of the ELCIC Pension Plan.

3.1 The overall objective is to manage a risk-based asset allocation that preserves and increases members' capital available at retirement. In assessing risk, it is assumed that a Member's tolerance to risk reduces as the remaining time until retirement reduces.

3.2 Hence a lifecycle investment strategy is utilized which changes the mix between investments in higher risk equities, which will be referred to as the Growth Fund and investments in lower risk fixed income instruments, which will be referred to as a Fixed Income Fund. The proportion invested in the Growth Fund in an individual account reduces as that member approaches retirement.

3.3 More specifically, the target of the Growth Fund a long-term real rate of return exceeding the rate of increase in the Consumer Price Index by at least 5% per annum when averaged over any four-year period. And the objective of the Fixed Income fund is a long-term real rate of return exceeding the rate of increase in the CPI by at least 1% per annum. Note that these targets are the expectations of the Administrator but are not guaranteed.

4.1 A Benchmark Portfolio is intended to define a model portfolio which should permit achievement of its objectives with an acceptable level of risk, as well as providing a benchmark rate of return for the evaluation of investment managers' performance.

Growth Fund

4.2.1 Effective January 1, 2019 the Benchmark Portfolio for the Growth Fund is:

Asset Class	Percentage of Mix	Proxy
Canadian Equities	40%	S&P/TSX Composite Capped Index
Global Equities	60%	MSCI World Index in \$CDN

4.2.2 The Growth Fund is being actively managed by various managers, and therefore its asset mix will deviate from the above benchmark mix as certain classes outperform others. Where there are multiple investment managers or investment mandates in an asset class the allocation is to be split equally with a 5% tolerance band. The asset mix may also deviate due to the timing of cash requirements.

Fixed Income Fund

4.3.1 Effective March 17, 2017, the Benchmark Portfolio for the Fixed Income Fund is:

Asset Class	Percentage of Mix	Proxy
Cash / Money Market	1%	FTSE Canada 90 Day T-bill Index
Universe Bonds *	69%	FTSE Canada Universe Bond Index
Mortgages **	30%	FTSE Canada Short Term Bond Index

* may include up to 30% in other fixed income and credit vehicles as per the manager's discretion

** up to one third of the Mortgages may be invested in the PH&N High Yield Mortgage Fund, remainder will be invested in the PH&N Mortgage Trust

5.1 The Administrator believes that:

- Asset allocation is an important factor in determining investment performance and in managing risk.
- Achieving financial returns involves taking risk. In general, higher risks are rewarded with higher expected returns. Returns may, however, take time to emerge from the underlying risks and risk-taking does not guarantee additional returns.
- Diversification provides an opportunity to reduce risk and increase returns.
- Equity investments will provide greater long-term returns than fixed-income investments, although with greater short-term volatility.
- An investment manager, selected based on strengths demonstrated in a certain asset class, can potentially add value through a focused mandate.
- Investment managers with an active mandate can add value through security selection techniques and thereby reduce risk to the market.
- Foreign equities provide potential for enhanced returns relative to Canadian equities by increasing portfolio diversification.
- High yield mortgages provide diversification to the fixed income fund as they are less sensitive to movements in interest rates and have different risk / reward characteristics relative to universe bonds.

The Administrator also believes in the importance of investing prudently in corporations that demonstrate environmental responsibility, social justice and strong governance practices. Responsible corporate behaviour, which includes high ethical and environmental standards and respect for employees, human rights and the communities in which a company operates can have a positive effect on financial performance (to varying degrees across companies, sectors, regions, asset classes and time). ELCIC Pension Plan investments should strive to be made in accordance with the social conscience of the community of the plan membership, as determined by the Administrator.

6.1 The performance of each investment manager's portfolio(s) shall be reviewed quarterly to determine the contribution made relative to the Benchmark portfolio. Each manager will prepare a quarterly report with calculations of the time-weighted rate of return earned by its portfolios and the component asset classes, and present the results in accordance with the presentation standards of the CFA Institute. A performance monitoring report shall also be prepared by an external consultant who will determine the rate of return for each manager and each asset class with more than one manager.

6.2 The annualized return of each asset class component will be considered satisfactory if the annualized return (before management fees) over rolling four-year time periods exceeds the return that would result from a passive investment in the corresponding capital market index as indicated by the respective minimum acceptable target. Note that the four-year period is not tied to the start of the mandate with the ELCIC Pension Plan.

Asset Class	Minimum Acceptable Target	Aspirational Target
Bonds	25 bps	50 bps
Mortgages	40 bps	75 bps
Canadian Equities	50 bps	150 bps
Global Equities	100 bps	200 bps

6.3 The evaluations will also include the following qualitative standards:

- a. adherence to this Statement including responsibilities (section 2.5) and constraints (section 8) and reporting requirements (section 9);
- b. adherence to the investment style and decision-making process for which the manager was hired;
- c. changes in a manager's firm including ownership, organizational structure and key investment personnel;
- d. adequacy of service and quality of responses to questions and requests.

6.4 As a secondary measure of quantitative performance, a manager's results may also be assessed relative to those of other investment managers investing the assets of comparable funds or portfolios with comparable objectives.

6.5 Where the minimum acceptable target as indicated in 6.2 has not been met by an investment manager, a review will be undertaken of the manager's mandate. This review may result in an assessment of other available manager alternatives within the asset class.

7.1 Asset Class Allocations

The percentage asset class allocations must be within the following minimum and maximum limits.

Growth Fund

Asset Class	Min (%)	Target (%)	Max (%)
Canadian Equities	35	40	45
Manager 1	25	30	35
Manager 2	25	30	35
Global Equities	54	60	66

Fixed Income Fund

Asset Class	Min (%)	Target (%)	Max (%)
Bond Fund	60	69	85
Mortgage Fund	5	22	29
High Yield Mortgage Fund	6	8	10
Mortgages	15	30	35
Cash/money market	0	1	5

7.3 Rebalancing

7.3.1 Growth Fund Asset Allocation Rebalancing

Upon the quarterly review of the asset holdings, if an asset class has reached or exceeded the maximum stated in 7.1, the assets in that class will be reduced to the mid-point between the target and the maximum and those dollar amounts will be redirected to the asset class (or combination of classes) with the greatest target deficiency. The Administrator will be responsible for such rebalancing.

7.3.2 The Fixed Income Fund is actively managed by one manager who rebalances to the benchmark.

7.3.3 Life Cycle Rebalancing

Annually on the last day of each plan member's birth month the weighting in their account will be updated based on their age.

The underlying investment asset allocations between the growth fund and the fixed income fund, based on the weighting of all member accounts combined are reviewed monthly and rebalanced to support the split between the funds when the difference exceeds 5%. If the split exceeds 2% at quarter end the funds will also be rebalanced. At a minimum the funds will be rebalanced once in a calendar year.

7.2 Life Cycle Distribution

The asset allocation will depend on the fund distribution as assigned by the plan members' age as listed here:

Age	Growth Fund	Fixed Income Fund
up to and including age 40	80%	20%
41	80%	20%
42	79%	21%
43	78%	22%
44	77%	23%
45	76%	24%
46	75%	25%
47	74%	26%
48	72%	28%
49	71%	29%
50	69%	31%
51	68%	32%
52	66%	34%
53	64%	36%
54	62%	38%
55	60%	40%
56	58%	42%
57	56%	44%
58	54%	46%
59	52%	48%
60	50%	50%
61	48%	52%
62	45%	55%
63	43%	57%
64	40%	60%
65+	38%	62%

8.1 Permissible investment categories:

Each investment manager will be expected to diversify its investments by type of security, industry, maturity date and company, to minimize the risk of large losses, unless prevailing circumstances suggest diversification would be imprudent. The assets of the ELCIC Pension Plan may be invested in any of the following investment categories, subject to the limits specified by the regulatory agencies, and in accordance with the guidelines outlined in this Statement. An investment not specifically permitted by this Statement shall not be made until the written permission of the Administrator is obtained. Once written permission has been obtained, this Statement will be updated with the new or revised asset class.

- a. Cash and equivalents: cash on hand, demand deposits, treasury bills issues by federal or provincial governments including their agencies, commercial paper, short-term notes, bankers' acceptances, term deposits and guaranteed investment certificates of less than or equal to a one-year term.
- b. Fixed income: bonds, debentures, or other debt instruments of governments, government agencies, or guaranteed by governments, or corporations, notes, mortgage-backed securities, and asset-backed securities of greater than one year.
- c. Equity: common and preferred shares, warrants, rights, income trust units, and securities convertible into common shares traded on the major recognized global stock exchanges.
- d. Real estate and mortgages: investment in real estate and mortgages will only be made through pooled fund units which must be redeemable. With respect to the investments in high yield mortgages, it is understood that these funds have specific liquidity characteristics that will affect purchase and redemption timelines.

8.2 Limitations and restrictions:

8.2.1 Each manager is to manage its portfolio in accordance with all applicable legislation and regulations including the Pension Benefits Standard Act of Canada, the Ontario Pensions Benefits Act, and the Income Tax Act of Canada. All investments must be in accordance with any constraints that may be imposed by the Administrator. In addition, no investments in foreign property shall be made so as to cause the ELCIC Pension Plan to be liable for penalty taxes under the Income Tax Act, Canada.

8.2.2 All investments will be made in accordance with the Code of Ethics and the Standards of Professional Conduct of the CFA Institute. These standards require that investment managers, when taking an investment action for a specific portfolio or client, consider its appropriateness and suitability for that portfolio.

8.2.3 Lending of Cash and Securities

The ELCIC Pension Plan may not enter into cash or securities lending agreements, although any pooled funds held in the ELCIC Pension Plan may do so if their policies so permit.

8.3 Cash, cash equivalents and fixed income investments:

8.3.1 The investments in the securities of one issuer will not be more than 5% of the total market value of the portfolio unless the issue is guaranteed by the Government of Canada or one of the provinces of Canada with a minimum A rating, or for companies rated AA or higher where the limit will be 8% of the total.

8.3.2 Quality Constraints:

A manager may invest in the permitted investment categories listed in this Statement subject to the following quality constraints:

- a. The purchase of cash equivalents issued by corporations and financial institutions is generally restricted to those which have a minimum rating of A1 or R1 by a recognized rating agency, or the equivalent at the time of purchase. An investment in a lower rated security shall only be made after advising the Administrator of the rationale for making the investment;
- b. The purchase of fixed income instruments is generally restricted to those which have a minimum rating of A or equivalent at the time of purchase, except that up to 25% of the fixed income portfolio may be held in BBB rated securities and that up to 2.5% of the fixed income portfolio may be held in BBB- or CCC+ rated securities. In case of a split rating the weaker of the ratings will apply;
- c. Investments in non-Canadian cash equivalents and fixed income securities will be restricted to securities which meet local rating service criteria equivalent to those for similar Canadian securities.

8.3.3 If an investment meets the above quality requirements at the time of investment but is downgraded at a subsequent date, the decrease in the rating below the above requirements should not result in the automatic or immediate sale of the security unless in the judgement of the manager the investment is no longer of sound quality.

8.4 Equity:

8.4.1 Investment constraints related to equities are as follows:

- a. The market value of any single equity investment as a percentage of the total market value of all equity investments held shall not exceed the lesser of:
 - i) S&P/TSX Composite Capped Index weight plus 5%, and
 - ii) 10%.
- b. The ELCIC Pension Plan shall not own more than 30% of the voting shares of any one corporation.

- c. The proportion of the total market value of the Canadian equity portfolio invested by a manager shall not exceed 40% in the case of the financials sector and shall not exceed 35% in the case of the energy sector.
- d. For the remaining sectors, the proportion of the total market value of the Canadian equity portfolio invested in a single sector of the S&P/TSX Composite Capped Index shall be the lesser of four times that sector's Index weight or 25%.
- e. In order to achieve a reasonable degree of diversification, there should be at least 20 equity holdings in an equity portfolio, and should be dispersed among at least six of the 10 sectors.
- f. For foreign equities, an investment in the shares of any single company should not exceed 5% of the market value of all foreign equities held, and no more than 10% of foreign equities may be held in companies from developing countries (defined as other than OECD countries plus Hong Kong).

8.5 Other restrictions are as follows:

- a. No writing of options on securities held, no short selling, and no investing in commodities or commodities futures contracts.
- b. No investing in assets which are not readily marketable. This restriction excludes high yield mortgages.
- c. No entering into a commission recapture or directed commission program except as approved by the Administrator in a documented soft dollar policy statement.
- d. No securities shall be purchased through other than normal public market facilities, unless the purchase price approximates the prevailing market price and is negotiated on an arm's length basis.

8.6 Investments outside of prescribed limits:

8.6.1 It is recognized that the above limits are guidelines which should generally be adhered to, but should the performance of certain sections of the equity market or the investment markets in general be such that they cause the above limits to be violated, the managers must manage the assets to ensure maximum benefit to the beneficiaries of the ELCIC Pension Plan.

8.6.2 If any occasion should arise where an investment or group of investments does not conform with the limitations stipulated in this Statement, the manager in consultation with the Administrator shall exercise its best judgement concerning the action required to correct the situation. If it is apparent that the situation can be corrected within a short period of time through the allocation of cash flow, the manager may elect not to liquidate the temporarily non-conforming investments. Irrespective of the above, the Administrator must be informed in a timely fashion of any deviations from the above guidelines and the actions that are being taken by the manager.

8.7 Liquidity requirements:

The Executive Director will inform the investment managers about any ongoing cash requirements, as well as any changes or unusual needs.

8.8 Socially responsible investing:

8.8.1 The Administrator has a fiduciary responsibility to all ELCIC Pension Plan stakeholders to strive for superior investment performance by hiring professional investment managers, with institutional investing expertise, charged with meeting broadly defined objectives. ESG factors shall be considered by the Administrator in the selection and retention of investments across asset classes through an ongoing assessment of the extent to which investment managers analyse and integrate these factors into their investment process.

8.8.2 Investment managers should consider all relevant, material environmental, social and governance ("ESG") factors in selecting investments. In the Fund's fixed income and global equity portfolios, ESG factors are an explicit component of the investment decision-making process.

8.8.3 Investments in certain companies may be determined by the Administrator to be inappropriate on the basis of

- a. ethical considerations that are believed to be supported by most members; and
- b. an expectation that excluding such investments should not reduce the ELCIC Pension Plan's longer run rate of return.

The portfolio will be reviewed periodically to identify any such inappropriate investments that are held directly by the ELCIC Pension Plan (as opposed to through pooled funds) and the portfolio managers will be instructed to divest these investments in a prudent yet expeditious manner.

8.8.4 Consideration is given to the specific investment mandate as well as identified best practices for the incorporation of ESG factors when assessing the investment managers.

8.8.5 If requested by the Administrator, the managers must be willing to sell any of the investments (not held in a pooled fund) viewed by the Administrator to be unethical or inappropriate investments for the ELCIC Pension Plan. If such a request were made, a manager would be given a chance to defend the holding of the investment. If, after discussion, the Administrator still feels that the assets should be sold, the manager must agree to comply with this wish within 90 days of the original notice.

9.1 Each manager must meet with the Administrator on a regular basis and at least biennially, and in all cases must provide a written report to the Administrator quarterly. The meeting and report should identify:

- a. the investment objectives;
- b. the market performance of each asset class;
- c. a brief review of the current portfolio structure;
- d. the rates of return obtained and the sources of added value over the past period;
- e. the economic outlook and factors which could alter that outlook;
- f. the manager's evaluation of current asset mix (where applicable);
- g. the anticipated portfolio structure for the upcoming period; and
- h. the expected return on the anticipated portfolio over the next 6 to 12 months.

9.2 Any areas of concern or suggested changes in this Statement must be communicated in writing to the Administrator prior to the meeting, if possible.

9.3 Any changes in "key" personnel, investment management philosophy, style or approach must be communicated, in writing, to the Administrator as soon as possible.

9.4 At least annually a report is prepared by the consultant on the performance of each manager and discussed by the Administrator in accordance with this Statement.

Parties Governed by these Guidelines:

10.1 These guidelines apply to:

- a. the Administrator;
- b. any senior employee of the Administrator who has direct involvement with the ELCIC Pension Plan and its operation;
- c. investment managers;
- d. custodian;
- e. pension consultant;
- f. any employee or agent retained by those parties listed above who provide services to the ELCIC Pension Plan.

Conflict of Interest:

10.2.1 Any party listed above must disclose any direct or indirect association, material interest, or involvement in aspects related to their role with regard to the ELCIC Pension Plan investments that would result in any potential, actual or perceived conflict of interest. The Conflict of Interest Policy and Guidelines established by the Administrator provides a framework for this purpose.

10.2.2 Without limiting the generality of the above, a conflict of interest arises when one of the parties governed by this Statement receives a direct or indirect benefit on account of any transaction made on behalf of the ELCIC Pension Plan, or a benefit from any actual or proposed contracts with the issuer of any securities which are or may be included in the assets held by the ELCIC Pension Plan, or if the individual is a member of the board of directors of any corporation or has significant holdings in the securities issued by any corporation. The best interest of the ELCIC Pension Plan beneficiaries is the primary consideration in resolving all such conflicts.

Disclosure Procedures:

10.3 Any party listed above who is confronted with a conflict of interest must disclose the nature and extent of the conflict to the Administrator in writing, or request to have entered in the minutes of the meeting of the Administrator at the earliest of:

- a. first becoming aware of the conflict;
- b. the first meeting in which the matter in issue is discussed
- c. the first meeting in which the person knows or ought to have known that the party had an interest in the matter that required disclosure.

For the purposes of a) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at a meeting.

10.4 If the person disclosing the conflict does not have voting power on decisions affecting the ELCIC Pension Plan, that person may elect not to participate in the activities related to the issues in conflict, or may continue their activities with the approval of the Administrator.

10.5 If the person disclosing the conflict does have voting power, that person may continue in their activities with respect to the issue in conflict only with the approval of the other participants with voting rights. In this situation the person may elect not to participate with respect to the issue in conflict. The notification made may be considered a continuing disclosure on the issue, subject to any future notification, for the purpose of obligations outlined by these guidelines.

10.6 Related Party Transactions:

10.6.1 The Administrator may not, directly or indirectly, enter into any transactions with a party related to the ELCIC Pension Plan, as defined in the Regulation of Pension Benefits Standards Act, on behalf of the ELCIC Pension Plan, including the lending of the ELCIC Pension Plan's moneys to the related party and the investment of the ELCIC Pension Plan's moneys in the securities of the related party.

10.6.2 Transactions with a related party on behalf of the ELCIC Pension Plan are permitted if the transaction:

- is required for the operation or administration of the ELCIC Pension Plan and the terms and conditions of the transaction are not less favourable than current market terms and conditions;
- value of which is nominal or immaterial to the Plan (that is, less than 0.5% of the market value of the Assets); two or more transactions with the same related party within the same calendar year shall be considered a single transaction;
- indirectly invests in the securities of a related party if the securities are held in a pooled investment fund or segregated fund in which investors other than the company and its affiliates may invest.

11.1 The Administrator may delegate the responsibility for exercising all voting rights acquired through the investments of the portfolios.

11.2 The Administrator will monitor the votes exercised with the intent of fulfilling the investment policies and objectives of the ELCIC Pension Plan. The Administrator may engage a proxy voting services firm to assist it in the task of voting rights.

11.3 The Administrator will review a report of the results of all proxy voting annually with the intent of ensuring compliance with investment policy.

12.1 The Administrator expects that all securities held by the ELCIC Pension Plan will have an active market and therefore valuation of the securities held by the ELCIC Pension Plan will be based on their market values.

12.2 An investment manager will notify the Administrator if the market for any investment held in the portfolio it manages becomes inactive, and provide the Administrator with the method it intends to use for valuing the affected investment.

12.3 The ELCIC Pension Plan's custodian is responsible to obtain the appropriate market values of all investments including those that are not regularly traded. Units held in a mortgage or real estate pooled fund will be valued according to the ELCIC Pension Plan's stated policy. Securities that are not regularly traded shall be valued at a price deemed to represent, in the opinion of the custodian, the market value of the investment. These non-traded investments shall be valued periodically, but in any event not less frequently than once a year by qualified independent professionals. It is anticipated that the market value placed on a security by the custodian will be consistent with the market values placed on that security by the manager. If there is a difference between the two, the custodian's market value will be used unless the manager can show just cause for changing the custodian's method of obtaining the market value and the procedure is acceptable by the custodian. Any substantial differences in market value should be brought to the attention of the Administrator. Every effort should be made by the manager and the custodian to coordinate the financial reporting of information.