

**Statement of Investment  
Policies and Procedures  
("SIPP")**

for

**The Pension Plan of  
The United Church of Canada**

**Effective**

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## **SECTION 1: PURPOSE AND GOVERNANCE**

### **1.1 General**

The Pension Plan of The United Church of Canada (the “Plan”) is a multi-employer pension plan for the benefit of eligible employees of participating employers associated with The United Church of Canada (the “Church”). The Plan is sponsored by the Participating Employers.

The Executive of the General Council (the “Executive”) is the Legal Administrator pursuant to the Pension Benefits Act (Ontario), and has established the Pension Board to support the Executive in governing, managing and operating the Plan and the assets of the Plan (the “Fund”).

The Pension Board may choose, at its discretion, to delegate the performance of Plan and Fund related functions to third parties, such as a third-party administrator or outside consulting firms, subject to proper reporting and oversight.

### **1.2 Purpose of the Plan**

The primary purpose of the Plan is to provide its members with a monthly income during retirement, the amount of which is determined in accordance with the provisions of the Plan.

### **1.3 Purpose of the Fund**

The purpose of the Fund is to satisfy the benefit obligations set out in the Plan. In order to monitor the status of the Fund with respect to this purpose, periodic actuarial reviews are conducted. The Fund includes contributions remitted by Plan members and Participating Employers, investment income and assets received from the funds of predecessor plans. The Fund is held in trust and invested for the purpose of securing the Plan’s benefit obligations and paying the eligible costs associated with the administration of the Plan and the Fund.

### **1.4 Purpose of the Statement of Investment Policies and Procedures**

This Statement of Investment Policies and Procedures (the “SIPP”) has been adopted to ensure that the day to day management and oversight of the Fund are conducted in a business-like and prudent manner. The purpose of this SIPP is to govern the activities of the Managers, the Investment Committee, the Pension Board, and staff resources as they pertain to the investment of the Fund.

### **1.5 Applicable Pension Legislation**

The SIPP has been drafted to comply with the Pension Benefits Act (Ontario) (“PBA”), and applicable regulations.

### **1.6 Governance**

A comprehensive pension governance system has been established to guide the Executive in governing, managing and operating the Plan and the Fund.

## **SECTION 1: PURPOSE AND GOVERNANCE continued**

Given the scope of the knowledge required to prudently administer the Plan and the Fund, the Executive has delegated the performance of certain functions to the Pension Board. These functions include the administration of the Fund. The Pension Board has in turn delegated the performance of certain functions addressing the investment of the Fund to the Investment Committee. The Investment Committee meets at least four times a year to review the performance of the investments in the Fund.

The following chart summarizes the reporting structure within the pension governance system.

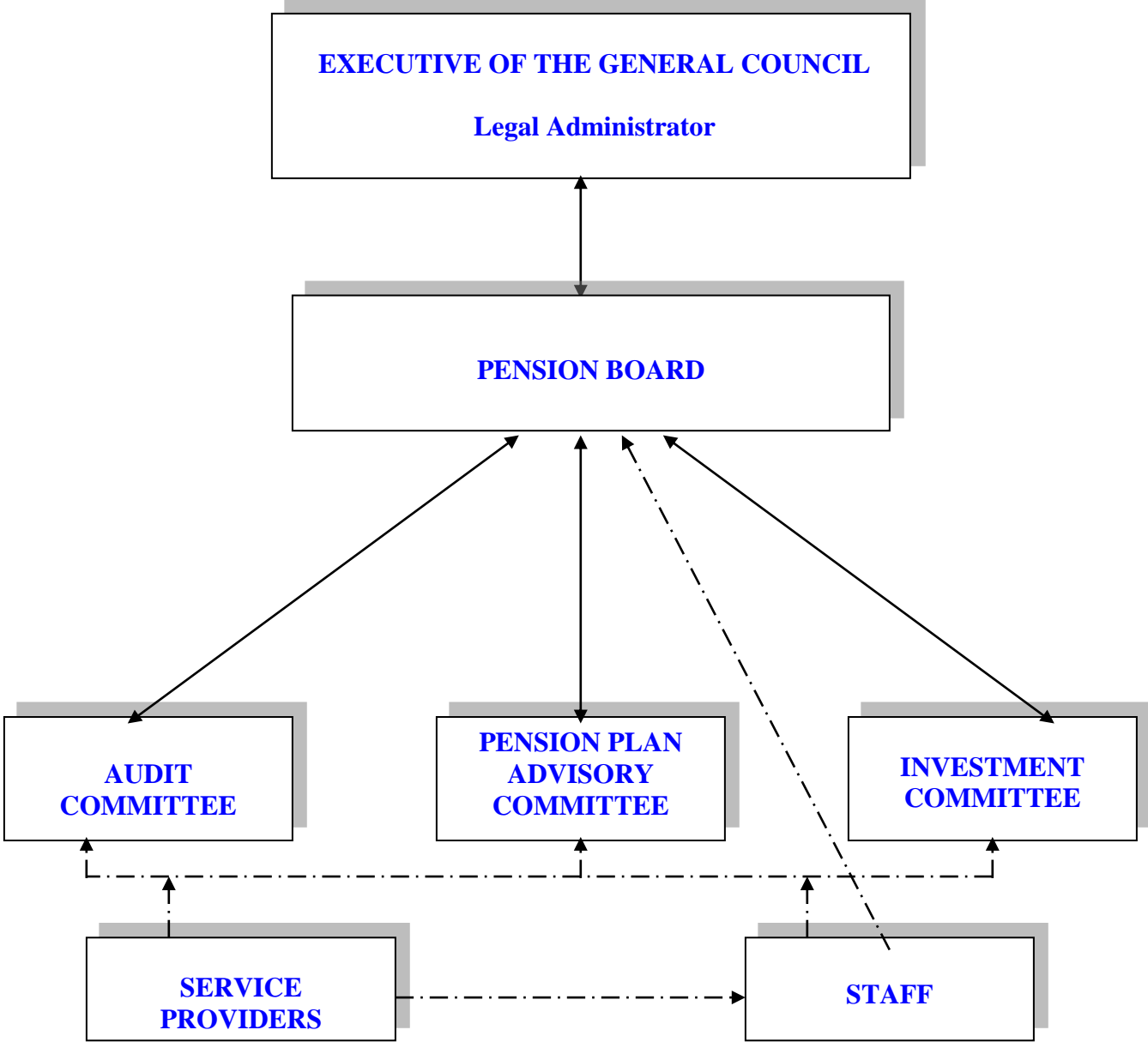
### **1.7 Review and Approval of the SIPP**

The Executive has delegated the annual review of the SIPP and approval of the SIPP to the Pension Board.

Capitalized terms in this SIPP are defined in the Glossary in Section 13.

**SECTION 1: PURPOSE AND GOVERNANCE continued**

**Reporting Structure**



Legend  
————— Indicates a stakeholder and reporting function  
- - - - - Indicates a supporting and reporting function

## **SECTION 2: PLAN OVERVIEW**

### **2.1 Employer Participation**

The Plan is a multi-employer pension plan as defined under the PBA. Participating Employers are required to or have elected to participate in the Plan.

### **2.2 Employee Membership**

The Plan covers all eligible employees of Participating Employers.

### **2.3 Benefit Accrual**

The Plan is a defined benefit plan with a career average formula. Although not contractually required to do so, the Plan has historically provided improvements to the benefit entitlements of active, retired and deferred members. These improvements are granted only when it is deemed prudent to do so.

### **2.4 Funding**

Benefit entitlements under the Plan are funded by member and Participating Employer contributions and investment income. Plan members and Participating Employers are required to contribute on the basis of a percentage of a member's Pensionable Earnings in accordance with the provisions of the Plan.

## **SECTION 3: AUTHORITIES/ROLES/RESPONSIBILITIES**

### **3.1 Role of the Pension Board and Investment Committee**

The roles and responsibilities of the Pension Board and the Investment Committee are outlined in Section 1.

### **3.2 Allocation of the Management of the Fund**

The Investment Committee has delegated the performance of selected functions associated with the management of the Fund to designated external investment managers (“Managers”). There is an Investment Management Agreement (the “Agreement”) between each Manager and the Legal Administrator which sets out the Manager’s mandate and investment objectives.

### **3.3 Role of the Managers**

The Agreement with a Manager shall set out the Manager’s commitment to perform all of the functions delegated to it, including as a minimum, the following:

1. Manage the allocated assets within the guidelines, constraints and directives of the SIPP, subject to all relevant legislation and any supplementary instructions provided by the Investment Committee;
2. Prepare timely reports of investment results for the Investment Committee no less frequently than quarterly and upon request of the Investment Committee or Pension Board;
3. Submit quarterly certificates attesting to their compliance with their respective Agreements and the SIPP and notify and seek guidance from the Investment Committee if at any time an investment or group of investments does not comply;
4. Give prompt notice to the Trustee of all purchases and sales of securities;
5. Meet with the Investment Committee periodically, upon request, to present an analysis of their investment performance and to describe their current and future investment strategies regarding their specific investment mandates;
6. Identify provisions in the SIPP that may need to be revised due to new developments including changes in investment strategies or in the capital markets;

### **SECTION 3: AUTHORITIES/ROLES/RESPONSIBILITIES continued**

7. Have formally adopted an internal procedures manual and code of conduct, which, for the purposes of the Fund, must at least satisfy the requirements of the Code of Ethics and Standards of Professional Conduct and the Asset Manager Code of Professional Conduct of the CFA Institute and address matters including disclosure of relationships and conflicts of interest, voting of proxies, standards of fairness in allocating investment opportunities among clients, disaster recovery, approach to integrating environment, social and governance (ESG) factors, and other relevant standards and procedures, and
8. Provide ESG disclosures, including those on climate change, to the Investment Committee that align with relevant standards or requests of the Investment Committee.

#### **3.4 Role of the Trustee**

The Trustee shall perform the duties required of the Trustee including custodial duties pursuant to agreements entered into from time to time by the Legal Administrator.

As a minimum the Trustee shall:

1. Process the security transactions that result from the buy and sell orders placed by the Managers and Investment Committee, provided that such transactions comply with all relevant legislation. The Trustee will vote securities held in segregated-fund custody as directed by the Managers or the Investment Committee, unless a third-party proxy-voting agent is authorized to do so by the Investment Committee.
2. Provide the Investment Committee, or its designates, with monthly portfolio reports of all assets of the Fund and of all transactions during the period.



## **SECTION 4: ASSET MIX POLICY**

### **4.1 Overview**

The Plan is mature. Specifically, it has a high portion of retired members, and the annual contributions of active members are substantially exceeded by the annual payments to retired members, terminated members, deferred members, surviving spouses and beneficiaries. As a result, a very substantial portion of the burden of meeting the pension promise to Plan members must be met by the investment earnings of the Fund.

The primary risk control objective of the Plan is to achieve a balance between optimal investment returns, stability in the contribution requirements and reasonable security of the benefits for Plan members.

As a result of the limited capacity to bear the effects of financial risks, the Fund has a limited number of risk mitigation tools that it can implement. One of the key mitigation tools available to the Fund is the diversification of holdings among a number of asset classes. The Fund is diversified among a number of asset classes in order to mitigate the Fund's exposure to volatility in investment return from any individual asset category.

The long-term asset mix policy for the Fund is set by the Pension Board based upon investigations, conducted from time to time as it considers advisable, into the risk profile of the Plan and the Fund with respect to liabilities and cash flows. In addition to consideration of this risk profile, expectations for future returns in the markets and opportunities for new investment approaches are also considered in the asset mix policy development. The investigations are overseen by the Pension Plan Advisory Committee ("PPAC") and the Investment Committee and the recommendations that flow from these deliberations are subject to ongoing review.

The Pension Board shall review and approve the SIPP annually.

## SECTION 4: ASSET MIX POLICY continued

### 4.2 Asset Mix Ranges

The asset mix of the Fund is actively managed by the Investment Committee within the ranges provided. The actual asset mix at any time may deviate from the Policy Benchmark Portfolio, as described in Section 4.3, and returns may therefore differ from the benchmark returns.

The following ranges for the major asset classes are based on Market Value:

<b>Asset Class</b>	<b>Fund %</b>
Equities, Private Equity Infrastructure & Real Estate	37.5% to 52.5%
*Total Fixed Income	47.5% to 62.5%
**Cash	0% to 7.5%

Notwithstanding the asset mix ranges shown above, the Investment Committee may authorize temporary asset mix positions outside these ranges for a period not to exceed 90 days.

\*includes Debt Instruments and related Derivatives, as described in Section 5.

\*\*includes both direct cash and cash equivalent holdings but does not include cash held in the individual Manager mandates.

## SECTION 4: ASSET MIX POLICY continued

### 4.3 Asset Mix Policy and Investment Performance Benchmarks

The Asset Mix Policy Portfolio outlined below has been constructed in light of the financial risk exposures and mitigation considerations set out in Section 4.1. The Policy Benchmark Portfolio is used to compute the gross return of the Fund that would be realized if it were invested passively in the benchmark index indicated for each asset class. The notional return so computed is used as the benchmark to evaluate the actual performance of the Fund. The Policy Benchmark Portfolio and relevant indexes are:

Asset Class	% of Total Fund	Benchmark Index in Canadian Dollars
<b>Total Debt</b>	<b>55%</b>	
Canadian Universe Bonds	34%	FTSE Canada Universe Bond Index
Corporate Bonds	15%	FTSE Canada All Corporate Bond Index
Canadian Long-Term Bonds	6%	FTSE Canada Long-Term Bond Index
<b>Total Equities</b>	<b>45%</b>	
Canadian Equities	6%	S&P /TSX Composite-Capped Index
Global Equities	21%	MSCI World
Emerging Markets	3%	MSCI Emerging Markets Index
Real Estate	8%	MSCI Canadian Property Index
Private Equity	4%	11% Absolute Return
Infrastructure	3%	7% Absolute Return

The Investment Committee's management of the asset mix is measured against the Policy Benchmark Portfolio set out in the above table.

As foreign currency exposures associated with foreign equity holdings generally add diversification to the portfolio, the Plan's policy is not to hedge foreign equity currency exposures but to fully hedge foreign fixed income currency exposures.

## **SECTION 4: ASSET MIX POLICY continued**

### **4.4 Liquidity**

The Fund is managed with a view of providing sufficient liquidity to enable the Plan to meet all of its future obligations as they become payable. Investments are selected with consideration given to their effect on liquidity risk within the context of the investment portfolio as well as the income to be derived. To ensure sufficient liquidity, maximum exposure limits for real estate, private debt, private equity and infrastructure investments are described in Section 5.

### **4.5 Return Expectations**

Return expectations for the Fund are expressed both in absolute and relative terms, and net of investment management fees, as follows:

1. The return for the total Fund, net of investment management fees, is to exceed the return of the Policy Benchmark Portfolio, as described in Section 4.3, by at least 0.25% (25 basis points) per annum measured on a four-year period basis.
2. The return for the total Fund, net of investment management fees, is to exceed the actuarial rate as determined by the actuary based on the target asset mix. The actuarial rate is used in the going concern actuarial valuation as determined from time to time by the actuary.

## SECTION 4: ASSET MIX POLICY continued

### 4.6 Regulatory Disclosure

The following chart has been included to provide the disclosure required by subsections with 78(7) and (8) of Regulation 909.

Investment Category	Target Allocation (%)	
1. Insured contracts		-
2. Mutual or pooled funds or segregated funds		-
3. Demand deposits and cash on hand		-
4. Short-term notes and treasury bills		-
4. a. Investment Grade (see Section 13: Glossary)	-	
4. b. Non-investment grade	-	
5. Term deposits and guaranteed investment certificates		-
6. Mortgage loans		-
7. Real estate		8
8. Real estate debentures		-
9. Resource properties		-
10. Venture capital		-
11. Corporations referred to in subsection 11(2) of Schedule III to the federal investment regulations		-
12. Employer issued securities		-
13. Canadian stocks other than investments referred to in paragraphs 1 to 12		6
14. Non-Canadian stocks other than investments referred to in paragraphs 1 to 12		24
15. Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12		55
15. a. Investment Grade (see Section 13: Glossary)	55	
15. b. Non-investment grade	-	
16. Non-Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12		-
16. a. Investment Grade (see Section 13: Glossary)	-	
16. b. Non-investment grade	-	
17. Investments other than investments referred to in paragraphs 1 to 16		7

## **SECTION 4: ASSET MIX POLICY continued**

### **4.7 Return Measurements**

For the purpose of measuring rates of return of the Fund, all such returns shall be based on Market Value, and shall be measured exclusive of investment management fees, except where investment management fees are not separable, as with some private investments, but after transaction costs. All index returns shall be on a total return basis. All foreign index returns shall be reported in Canadian dollars.

### **4.8 Valuation of Infrequently Traded Securities**

#### Publicly Traded Equities and Debt

The valuation of equity and debt securities will be based on their quoted market values obtained from third party suppliers. Where prices are not available from pricing suppliers, the securities are priced at cost.

#### Derivatives

The valuation of derivatives is based on daily information from various pricing suppliers. Where prices are not available from pricing suppliers, derivatives are priced manually at month-end using other information from various other publications and services.

#### Private Debt, Private Equity and Infrastructure

Investments in private debt, private equity and infrastructure include investments held directly and through ownership in limited partnership funds. Direct investments are valued using quoted market prices, or through the use of other appropriate valuation techniques. Investments in limited partnership funds are valued based on interim financial information provided by the funds' general partners under limited partnership agreements (unless a specific and conclusive reason exists to vary from the value provided by the general partner).

#### Real Estate

Investments in real estate include investments held through ownership in limited partnership funds. Investments in limited partnership funds are valued based on interim financial information provided by the funds' general partners under limited partnership agreements (unless a specific and conclusive reason exists to vary from the value provided by the general partner).

## SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS

### 5.1 Permitted Investment and Constraints by Asset Class

A Manager shall not make investments in investment categories other than those explicitly permitted in the SIPP unless the Investment Committee first consents in writing. Nothing in the SIPP shall preclude the Fund from purchasing life annuities to secure the pensions of members.

In accordance with the regulations under the Pension Benefits Act (Ontario) the Fund shall limit the percentage of plan assets that can be invested in, or loaned to, any one entity or group of related entities to 10% of the total market value of the Fund except for securities issued, or fully guaranteed, by the federal or provincial governments of Canada or the Government of the United States of America.

The following investments may be made either directly or through Pooled Funds.

#### A. Cash

**Permitted Investments:** Cash on hand, demand deposits, treasury bills, short term notes and bankers' acceptances, term deposits, and guaranteed investment certificates having a term of one year or less ("Cash")

**Investment Constraints:** All Cash investments shall be Investment Grade and shall not include collateralized debt obligations, non-bank asset backed commercial paper or similar instruments. These investment constraints apply to the total Cash portfolio of the Fund and to each Manager's Cash portfolio unless otherwise indicated.

#### B. Debt

**Permitted Investments:** All Debt Instruments of corporations, governments, agencies, or such debt investments guaranteed by governments including:

- nominal bonds
- real return bonds
- asset and mortgage backed securities
- mortgages
- mortgages where capital, interest or both are linked to changes in the cost of living
- Maple Bonds
- Private Debt

## **SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS continued**

**Investment Constraints:** The investment constraints below apply to the total Debt Instruments portfolio of the Fund unless otherwise indicated:

1. The weighted average credit rating of a Manager's debt portfolio, based on market value of invested instruments, shall be Investment Grade. For the purposes of this section, investments in Private Debt are not subject to the minimum weighted average Investment Grade requirement since it is understood that Private Debt is typically unrated.
2. Investment is not permitted in non-bank asset backed commercial paper.
3. A duration constraint of plus or minus two years from the Blended Benchmark Duration shall apply to the total debt portfolio. However, the Investment Committee may, at its discretion, further restrict the duration by resolution and the communication of such a resolution to the Manager.
4. No more than 70% of the total value of the Debt Instruments portfolio in the Fund shall be invested in corporate debt, which includes Private Debt.
5. No more than 20% of the total value of the Debt Instruments portfolio in the Fund shall be invested in Private Debt.

**Multiple Agency Ratings:** In cases where the agencies do not agree on the credit rating, a bond should be classified according to the following rules:

1. If two agencies rate a security, and the ratings are not equal, use the lower of the two;
2. If three agencies rate a security, use the most common rating; and
3. In the event that all three agencies disagree, use the middle rating.



## SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS *continued*

### C. Equity

**Permitted Investments:** Publicly traded equity instruments, ETFs, real estate and Private Equity and Infrastructure.

**Investment Constraints** – Unless otherwise stated, the restrictions specified below are applicable to the Market Value of the investment cited.

**1. Canadian Equities:** The investment constraints below apply to the total Canadian equity portion of the Fund's portfolio.

- (a) The value of any single equity holding shall not exceed the lesser of (a) its weight in the S&P/TSX Index plus 5 %, and (b) 10%.
- (b) Not more than 10% of the market value of the outstanding securities of any one company shall be held.
- (c) The proportion of the portfolio invested in any sector of the S&P/TSX Index shall not exceed the lesser of (a) the sector's actual weighting in the S&P/TSX Index plus 15 % and (b) 40%.
- (d) Not more than 10% shall be invested in small cap stocks as defined by S&P/TSX index (i.e., market capitalization of less than \$1.5 billion).
- (e) No more than 5% of cash, as defined in 5.1.A, shall be held in the Canadian Equities portfolio.

**2. Real Estate:**

- (a) A target level of 8% of the market value of the Fund shall be invested in real estate.
- (b) The real estate investments shall be in pooled funds that are diversified by geography and property type.
- (c) Not more than 20% of the real estate allocation may be outside Canada.
- (d) Maximum leverage in the total real estate portfolio shall be 50%.
- (e) No more than 12% of the market value of the Fund shall be invested in real estate.

## **SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS continued**

- 3. Foreign Equities:** The investment constraints below apply to the total foreign equity portion of the Fund's foreign equity portfolio.
  - (a) An investment in the shares of any single company shall not exceed 10% of the market value of the Manager's portfolio.
  - (b) Not more than 10% of the outstanding equity securities of any one company shall be held.
  - (c) Not more than 10% shall be invested in small cap stocks as defined by S&P (i.e., market capitalization of less than \$1.8 billion USD).
  
- 4. Private Equity:** The investment constraints below apply to the total equity portion of the Fund.
  - (a) An investment in any single fund or fund of funds shall not exceed 1.5% of the market value of the Fund at the time of commitment.
  - (b) A target level of 4% of the market value of the Fund shall be invested in Private Equity
  - (c) No more than 7% of the market value of the Fund shall be invested in Private Equity.
  
- 5. Infrastructure:** The investment constraints below apply to the total equity portion of the Fund.
  - (a) An investment in any single fund or fund of funds shall not exceed 1.5% of the market value of the Fund at the time of commitment.
  - (b) A target level of 3% of the market value of the Fund shall be invested in Infrastructure
  - (c) No more than 6% of the market value of the Fund shall be invested in Infrastructure.

## SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS *continued*

### D. Derivatives

**Permitted Investments:** Derivatives whose value is derived based on any securities allowable under the SIPP, the following chart provides specificity:

Derivative	Objective	Measurement	Collateral
Index Equity options	Purchased options are used to manage market equity and volatility exposures. Written options generate premium income and may generate capital losses if unexpected equity movements are realized	Valuation completed daily by investment manager and custodian. Notional value of options contracts is included in equity exposure.	In-the-money portion of written options covered by investment grade, liquid debt securities
Equity futures	Used to adjust market equity exposure and replicate market equity positions.	Daily mark to market and margin settlement. Valuation completed daily by investment manager and custodian. Notional value of futures contract included in equity exposure.	Net long futures positions backed with investment grade, liquid debt securities.
Government Bond Futures	Used to adjust interest rate exposures and replicate government bond positions.	Daily mark to market and margin settlement. Valuation completed daily by investment manager and custodian. Bond-equivalent exposure included in portfolio duration.	Net long futures positions backed with investment grade, liquid debt securities.
Interest Rate Swaps	Used to adjust interest and yield curve exposure and substitute for physical securities.	Valuation completed daily by investment manager and custodian. Bond-equivalent exposure included in portfolio duration.	Net long swaps positions with investment grade, liquid debt securities.

**SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS continued**

Derivative	Objective	Measurement	Collateral
Credit Default Swaps	Credit default swaps are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure, obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure, providing the right to “put” bonds to the counterparty in the event of a default.	Valuation completed daily by investment manager and custodian. Bond-equivalent exposure included in portfolio duration.	Net long swaps positions with investment grade, liquid debt securities.
Interest rate options	Purchased options are used to manage interest rate and volatility exposures. Written options generate income in expected interest rate scenarios and may generate capital losses if unexpected interest rate environments are realized.	Valuation completed daily by investment manager and custodian. Bond-equivalent exposure included in portfolio duration.	In-the-money portion of written options covered by investment grade, liquid debt securities
Mortgage Derivatives	Used to manage portfolio duration and/or enhance yield. Includes securities to have less stable duration characteristics, such as interest only strips, principal only strips. Value will fluctuate as prepayment speeds respond to rising and falling interest rates.	Valuation completed daily by investment manager and custodian. Bond exposure included in portfolio duration, convexity, and prepayment risk measure.	Not applicable
Money Market Futures and Interest Rate Swaps	Used to manage interest rate exposure with duration of one year or less.	Valuation completed daily by investment manager and custodian. Bond-equivalent exposure included in portfolio duration	Money market futures and interest rate swaps are based on short term interest rates and don’t require delivery of an asset at expiration, therefore do not require cash backing.

## SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS *continued*

Derivative	Objective	Measurement	Collateral
Foreign Exchange Forwards	Used to manage the foreign exchange exposure on bonds and associated derivatives denominated in currencies other than Canadian dollars. Forward contracts are established to sell forward the foreign currency market value of bond positions, and buy forward Canadian dollars.	Valuation completed daily by investment manager and custodian. Settlement and valuation are always done net based on both sides of a foreign currency forward contract.	Forward contracts are over the counter (OTC) instruments. The Fund will be party to the Manager's ISDA agreements which provide settlement and collateral requirements with counterparty. Manager will manage collateral requirements with tracking by custodian.

### Permitted Uses:

1. Derivatives may be used to hedge, fully or partly, market, interest rate, credit, and currency exchange risk.
2. Derivatives may be used to replicate or to hedge direct investments in the underlying assets or groups of assets (e.g., indexes) so as to achieve some advantage of lower cost, transactional ease, liquidity or market exposure.

### Investment Constraints:

1. Derivatives shall not be used to create leverage or for speculative purposes. The Fund shall at all times hold cash or cash equivalents in the amount which, together with the margin funds, shall not be less than the underlying market exposure of the derivatives.
2. Each Manager shall be responsible for assessing any counterparty risk associated with derivative instruments, with regards to credit rating, and total exposure limits for each counterparty to the satisfaction of the Investment Committee.
3. All derivatives should be either exchange-traded or subject to terms in an International Swap Dealers Association (ISDA) agreement.

## 5.2 Borrowing

The Fund shall not borrow directly to acquire securities or otherwise deal in margin trading, except for trading in instalments receipts.

## **SECTION 5: PERMITTED INVESTMENTS AND CONSTRAINTS continued**

### **5.3 Exceptions**

Notwithstanding the foregoing provisions, to the extent assets are invested in a Manager's pooled funds, the Manager shall be governed by the Manager's own investment policy for the pooled funds. The Manager shall inform the Investment Committee when and how the guidelines of the pooled funds differ from the guidelines of the SIPP.

## **SECTION 6: CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS**

### **6.1 Conflict of Interest**

1. Members of the Investment Committee, Pension Board, and staff having the authority to make investment decisions on behalf of the Plan are governed by the Code of Conduct approved by the Pension Board, as amended from time to time. Each individual subject to the Code of Conduct having the authority to make investment decision on behalf of the Plan shall complete annually the prescribed certificate of compliance with the Code of Conduct.
2. Investment Managers, pursuant to subsection 3.3 (item 7.), and other service providers shall be subject to the code of conduct referenced in their Agreement.

### **6.2 Related Party Transactions**

For the purpose of this section, a "Related party" and a "Transaction" in respect of the Fund have the meanings given to such terms in Schedule III of the Pension Benefits Standards Regulations.

The following related party transactions are permitted for the Fund:

1. Any Transaction:
  - i. That is required for the operation or administration of the Fund, provided the terms and conditions of such transaction are not less favourable to the Plan than market terms and conditions, and
  - ii. That does not involve the making of loans to, or investments in, the related party.
2. Transactions where the value is nominal or immaterial to the Plan (that is, less than 0.05% of the Market Value of the Fund, or approximately \$500,000.

Two or more Transactions with the same Related Party shall be considered a single transaction, for the purposes of determining this rule.

## **SECTION 7: LENDING**

### **7.1 Securities Lending Agreements**

The Plan may enter into securities lending agreements provided the loaned investments are secured by cash or readily marketable investments having a market value of at least 105% of the loan, and that level of security is maintained daily. Collateral provided with respect to any such securities lending agreements must have free and clear title and may not be subject to any right of offset. In addition, the agreement should include indemnification, by the bank or other provider in its securities lending agreement, for any losses.

### **7.2 Cash Loans**

The Plan may not lend Cash, other than through making investments allowed by Section 5 of this SIPP.

## **SECTION 8: SOFT DOLLAR**

### **8.1 Soft Dollar Policy**

Soft Dollar transactions are not allowed.

## **SECTION 9: COMMISSION RECAPTURE**

- 9.1** On a best execution basis, Managers may participate in Commission Recapture programs in accordance with agreements made by the Fund, the results of which shall be reported annually to the Investment Committee.

## **SECTION 10: PROXY VOTING**

### **10.1 Proxy Voting Approach**

The Investment Committee shall make reasonable efforts to exercise and direct proxy voting rights acquired through the Fund. Performance of this function may be delegated to the Manager(s) or a third-party proxy voting service; however, the Investment Committee reserves the right to direct, or override, the voting decisions of a delegate if, in its view, such action is in the best interests of the Plan's beneficiaries.

The Investment Committee, or its delegate, in exercising and directing such voting rights, shall act prudently and in the best interests of the Plan's beneficiaries at all times. Wherever possible the Investment Committee, or its delegate, shall also vote proxies in accordance with the Responsible Investment Approach outlined in Section 11 below.

It is recognized that this Proxy Voting Approach is not enforceable to the extent that the Fund is invested in Pooled Funds. Proxy Voting of Pooled Fund units and interests in partnerships shall be the responsibility of the Investment Committee, or its delegate, who shall vote in the best interest of the Plan's beneficiaries.

## **SECTION 11: RESPONSIBLE INVESTMENT**

### **11.1 Responsible Investment Approach**

The Pension Board's approach to RI includes the integration of environmental, social and governance (ESG) factors, engagement, proxy voting and specified exclusions. This approach focuses on those ESG issues that have or are likely to have a material impact on the long-term sustainability of the Fund. Examples of ESG issues include:

- Environmental – climate change, greenhouse gas emissions, energy efficiency and renewable energy use, natural resource use and sustainability, water use, waste management and pollution;
- Social – health and safety, product safety, working conditions, diversity and inclusion, human rights, Indigenous rights and stakeholder relations;
- Governance – accounting standards and audit quality, business ethics, regulatory compliance, board structure and composition, executive compensation, shareholder rights, shareholder engagement and transparency.

The RI strategy includes a commitment to active ownership by monitoring companies within its portfolios, actively voting at company meetings (**Section 10: Proxy Voting Approach**), and engaging with investee companies to improve long-term performance.

To manage the Fund's assets, the Investment Committee expects external investment managers to incorporate all material ESG considerations in the investment decision-making process and to be aware of the Plan's approach to responsible investment, including climate change. In particular, the Investment Committee expects investment managers to adhere to the United Church of Canada's exclusions so that the Fund does not invest in companies that primarily engage in the following:

- development, manufacture or sale of weapons or weapon delivery systems;
- preparation, distribution and sale of adult entertainment;
- the manufacture and sale of tobacco products; or
- gambling activities.

Although these exclusions are not enforceable for investments in Pooled Funds, the Investment Committee will monitor compliance and query any exceptions.

## **SECTION 12: REVIEW PROCEDURES**

### **12.1 Frequency of Review**

The Investment Committee will conduct an annual review of the SIPP. Upon completing the review, the Investment Committee shall confirm or amend the SIPP and make a recommendation for the Pension Board's approval of the SIPP.



## SECTION 13: GLOSSARY

Wherever used in this document the following words and terms have the meaning ascribed to them, unless the context clearly indicates otherwise.

<b>Word/Term</b>	<b>Description</b>
<b>Asset Backed Commercial Paper</b>	A collateralized debt obligation with a maturity between 90 and 180 days.
<b>Blended Benchmark Duration</b>	The weighted average duration of the fixed income benchmarks used in managing the total debt portfolio. The weighted average will be determined using the relevant fixed income policy weights.
<b>Commission Recapture</b>	A process by which an institutional brokerage firm rebates a portion of trading commissions directly to the Fund.
<b>Debt Instrument</b>	An interest bearing security such as a bond, note, or bill of exchange.
<b>FTSE TMX All Corporate Bond Index</b>	Index designed to be a measure of Canadian corporate investment-grade fixed income market. It is used to benchmark Fund performance in Canadian corporate bonds.
<b>FTSE TMX Universe Bond Index</b>	Index designed to be a broad measure of Canadian investment-grade fixed income market. It is used to benchmark Fund performance in Canadian bonds.
<b>ETFs</b>	Exchange traded funds
<b>Equity</b>	A stock or any other security representing an ownership interest.
<b>ESG</b>	Environmental, social and governance factors used in the investment process.
<b>Executive</b>	The Executive of General Council of The United Church of Canada
<b>Fund</b>	The assets of the Plan including assets received from prior funds and investment income and contributions remitted by Members and Participating Employers.
<b>Infrastructure</b>	Direct or indirect investments in the debt or equity securities of infrastructure entities in sectors including transportation, energy, utilities, telecommunications and social infrastructure.
<b>Infrastructure Benchmark</b>	An absolute return of 7%.
<b>Investment Committee</b>	A committee established by the Pension Board. The Pension Board has delegated to this committee the performance of certain functions related to investment of the Plan's assets including a review of the Statement of Investment Policies and Procedures.
<b>Immaterial</b>	Information that is sufficiently insignificant as to have no influence on an individual acting in a certain way, such as entering into a contract.
<b>Investment Grade</b>	Any debt instrument with S&P rating of BBB-, or Moody's rating of Baa3, or better. Any short term debt instruments with a maturity of less than one year with S&P rating of A – 3, or Moody's rating of P – 3, or DBRS rating of R1 – Low, or better.

### SECTION 13: GLOSSARY continued

Word/Term	Description
<b>Legal Administrator</b>	Ultimately responsible for all aspects of the administration of the Plan and Fund as stated in the Pension Benefits Act (Ontario).
<b>Manager</b>	An individual or organization that provides investment management services, for a fee, on a fully discretionary or nondiscretionary basis.
<b>Maple Bonds</b>	A Canadian dollar denominated bond that is sold in Canada by foreign financial institutions and companies.
<b>Market Value</b>	For the purposes of the SIPP, the market value assigned by the Trustee to each security or group of securities.
<b>MSCI EAFE Index</b>	Index used to benchmark equity performance in Europe, Australasia and the Far East.
<b>MSCI Canadian Property Index</b>	Index used to benchmark Fund performance in Canadian real estate.
<b>MSCI World Index</b>	Index used to benchmark equity performance on a worldwide basis.
<b>MSCI Emerging Markets Index</b>	Index used to benchmark equity performance in emerging markets.
<b>Pension Plan Advisory Committee (PPAC)</b>	A committee established by the Pension Board. The Pension Board has delegated to this committee the performance of certain functions related to administration, design and funding of the benefits provided for by the Plan.
<b>Participating Employer</b>	A pastoral charge employer (i.e., pastoral charge and mission units of the Church having members employed in pensionable service) and certain administrative employers, organizational employers and conditional employers.
<b>Pension Board</b>	The individuals appointed by the Executive of the General Council to perform certain functions associated with the Plan.
<b>Plan</b>	The Pension Plan of The United Church Of Canada.
<b>Pooled Fund</b>	An investment option, in which multiple investors contribute assets and hold them as a group.
<b>Private Debt</b>	Debt instruments that are not publically traded which may be structured as a trust, limited partnership, fund of funds or direct investment including, but not limited to, distressed debt, private financing, infrastructure and investments in other structured debt.
<b>Private Equity</b>	Investment in equity or equity-like securities not generally available in public markets, with limited liquidity, including: <ul style="list-style-type: none"> <li>• Traditional private equity; and</li> <li>• Preferred or mezzanine-type equity investments in Canadian and/or foreign markets.</li> </ul>

**SECTION 13: GLOSSARY continued**

Word/Term	Description
<b>Private Equity Benchmark</b>	An absolute return of 11%.
<b>Real Estate</b>	Direct or indirect investments in the debt or equity securities of real property assets including industrial, office, retail, and multi-residential properties.
<b>Related Party</b>	<p><b>Defined in Schedule III of the Pension Benefits Standards Regulations as:</b></p> <p><b>(a) the administrator of the plan or who is a member of a pension committee, board of trustees or other body that is the administrator of the plan,</b></p> <p><b>(b) an officer, director or employee of the administrator of the plan,</b></p> <p><b>(c) a person responsible for holding or investing the assets of the plan, or any officer, director or employee thereof,</b></p> <p><b>(d) an association or union representing employees of the employer, or an officer or employee thereof,</b></p> <p><b>(e) an employer who participates in the plan, or an employee, officer or director thereof,</b></p> <p><b>(f) a member of the plan,</b></p> <p><b>(g) where the employer is a corporation, a person who directly or indirectly holds, or together with the spouse or common-law partner or a child of the person holds, more than 10 per cent of the voting shares carrying more than 10 per cent of the voting rights attached to all voting securities of the corporation,</b></p> <p><b>(h) the spouse or common-law partner or a child of any person referred to in any of paragraphs (a) to (g),</b></p> <p><b>(i) where the employer is a corporation, an affiliate of the employer,</b></p> <p><b>(j) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (h),</b></p> <p><b>(k) an entity in which a person referred to in paragraph (a), (b), (e) or (g), or the spouse or common-law partner or a child of such a person, has a substantial investment, or</b></p> <p><b>(l) an entity that holds a substantial investment in the employer, but does not include Her Majesty in right of Canada or of a province, or an agency thereof, or a bank, trust company or other financial institution that holds the assets of the plan, where that person is not the administrator of the plan.</b></p>

**SECTION 13: GLOSSARY continued**

<b>Word/Term</b>	<b>Description</b>
<b>Responsible Investment</b>	Active consideration of responsible corporate behaviour factors which may include environmental, social and corporate governance within the investment making process.
<b>S&amp;P/TSX Composite – Capped Index</b>	The index used to benchmark equity performance in Canada and includes all constituents of the S&P/TSX Composite index with weighting of each constituent capped at 10%.
<b>S&amp;P 500 Index</b>	Index used to benchmark equity performance in the U.S..
<b>SIPP</b>	The Statement of Investment Policies and Procedures for the Pension Plan of The United Church of Canada
<b>Soft Dollar</b>	Soft dollars are the portion of brokerage fees charged that are not required to cover expenses of the transaction and may be used for paying expenses of the Plan or Manager.
<b>Speculative Investment Strategies</b>	Short-term, opportunistic investment strategies with high risk as opposed to prudent long-term investment strategies.
<b>Transaction</b>	<p>Defined in Schedule III of the Pension Benefits Standards Regulations as:</p> <p>(a) the making of an investment in securities,</p> <p>(b) the taking of an assignment of, or otherwise acquiring, a loan made by a third party,</p> <p>(c) the taking of a security interest in securities, and</p> <p>(d) any modification, renewal or extension of a prior transaction,</p> <p>but does not include a payment of pension benefits or other benefits, a transfer of pension benefit credits or a withdrawal of contributions from a plan.</p>
<b>Trustee</b>	A person, bank or trust company that has responsibility over financial aspects (custody, receipt and disbursement) of funds and assets. For the purposes of the Plan the Trustee is RBC Investor Services Trust.