Statement of Investment Policies and Procedures

Board Policy

Effective June 26, 2025

(Schedules Updated April 1, 2025)

SHEPP

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Version 26.1
Revised June 26, 2025

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The Plan is registered with the Pensions Division of the Financial and Consumer Affairs Authority of Saskatchewan and with the Canada Revenue Agency. The registration number is 0304667.

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1 Statement of Principles and Purpose

1.1 The Statement of Investment Policies and Procedures (the Statement) for the Saskatchewan Healthcare Employees' Pension Plan (the Plan) has been prepared and adopted by the Board of Trustees (the Board). The purpose of this Statement is to set out the investment principles and guidelines for the management and investment of the Saskatchewan Healthcare Employees' Pension Plan Trust Fund (Fund), giving particular consideration to the type of pension plan, its characteristics and financial obligations.

1.2 The goal of this Statement is to establish guidelines so that the Fund is managed to optimize investment returns over the long-term within an appropriate and prudent level of risk to meet the obligations of the Plan.

1.3 This Statement is based on the "prudent person portfolio approach" to ensure prudent investment and administration of the Fund, within the parameters set out in *The Pension Benefits Act, 1992* (Saskatchewan) (PBA) and the *Income Tax Act* (Canada). The PBA has adopted the federal investment rules as set out in the *Pension Benefits Standards Act Regulations*.

1.4 This Statement is open to review at any time but must be reviewed at least annually.

1.5 The Statement is available to members and participating employers.

2 Plan Overview

2.1 The Plan is a multi-employer, contributory, defined benefit pension plan. It was established in 1962 and became jointly trusteed in 2002. The Plan is governed by the Board consisting of eight members: four Trustees appointed by Health Shared Services Saskatchewan (3sHealth), and four Trustees appointed by the following unions: Canadian Union of Public Employees (CUPE); Health Sciences Association of Saskatchewan (HSAS); SEIU-West; and Saskatchewan Union of Nurses (SUN).

2.2 The basic purpose of the Plan is to provide retirement income to eligible healthcare employees, in addition to any benefits provided by the Canada Pension Plan and the *Old Age Security Act*. The Plan is registered under both the PBA and *Income Tax Act* (Canada). The Plan's registration number is 0304667.

2.3 Benefits

The Plan provides benefits based on a formula of average contributory earnings (highest 4 years) times the years of credited service times pension accrual factors. For service after January 1, 2001, the pension accrual factors are 1.4% per year of service of a member's average contributory earnings up to the average Year's Maximum Pensionable Earnings (the YMPE) plus 2% per year of service of a member's average contributory earnings in excess of the average YMPE.

The normal retirement age is 65. Early and postponed retirement is permitted. Effective January 1, 1999, members may retire without reduction when their age plus credited service equals 80. Members that meet the eligibility for early retirement will receive a bridge benefit to age 65.

There is no provision for automatic indexation of pensions in payment.

2.4 Contributions

Active members and participating employers are required to contribute to the Plan to meet the current service cost of the Plan and to satisfy any going-concern unfunded liability within the regulated deadlines. Members and participating employers contribute in the ratio of 1 to 1.12.

A breakdown of the contribution rate for payroll deduction and monthly remittance purposes effective January 1, 2025is set out below:

	Member Contribution Rate	Employer Contribution Rate
Pensionable earnings ≤ YMPE*	7.30%	8.18%
Pensionable earnings > YMPE	10.40%	11.65%

*YMPE – Year's Maximum Pensionable Earnings under the Canada Pension Plan.
For 2024 the YMPE is $68,500 and for 2025 the YMPE is $71,300.

Under the terms of the Trust Agreement, in the event of a funding shortfall, or unfunded liability, both active member and participating employer required contribution rates are subject to increase, in the ratio of 1 to 1.12, as recommended by the Plan actuary to cover the shortfall or unfunded liability.

2.5 Liabilities

The last actuarial valuation of the Plan was performed as of December 31, 2023. The purpose of that valuation was to set the member and participating employer contribution rates to meet the funding requirements of the Plan. In that valuation, the Plan actuary indicated the funding requirements of the Plan were as follows:

Item	Combined Member and Employer Required Contribution Rate as a Percentage of Payroll
Best Estimate Current Service Cost	11.97%
Contribution Stabilization Margin	4.53%
	16.50%

2.6 Time Horizon

Active Plan members outnumber retired members two to one, which means the Plan has a significant benefit obligation that extends 70 or so years into the future. Currently, contributions received from active members and participating employers are roughly equal to the Plan obligations that are paid out each month. This means the Plan is cash-flow neutral in that cash inflows approximate cash outflows. Nonetheless, the Plan's recurring obligations can be met effectively with the current portfolio structure and the Plan continues to have a very long-term investment horizon.

2.7 Liquidity

The Fund is expected to continue to grow over the next several years with annual contributions plus investment income exceeding benefit payments and expenses. As a result, liquidity is not expected to be a concern over the near future. However, liquidity is actively managed by maintaining allocations to cash and liquid publicly traded investments.

3 Delegation of Responsibilities

3.1 The Board has the overall responsibility for investments of the Fund which includes monitoring investment performance, Fund operation, and compliance with this Statement. Where appropriate, the Board will engage professional advisors to meet this responsibility.

3.2 Delegated Responsibilities Include:

a) The investment managers of the Fund are responsible for:

- Investing the assets of the Fund in accordance with this Statement, the investment manager Mandates (defined below) and investment manager agreements;
- Meeting with the Board and the SHEPP investment team as required and provide written reports regarding their past performance, their investment strategy and other issues as requested;
- Submitting quarterly compliance reports where applicable; and
- Notifying the Board in writing, of any significant changes in the investment manager's strategy or policy, personnel, organization and procedures, or legal actions.

b) The Plan custodian is responsible for the safekeeping of assets, income collection, settlement of investment transactions, and accounting for investment transactions.

c) The performance measurement service provider monitors investment performance of the Fund and underlying mandates on a quarterly basis.

d) The Plan auditor is responsible for auditing the financial statements and providing advice on financial reporting issues.

e) The Plan actuary performs actuarial valuations of the Plan as required and advises the Board on matters relating to Plan funding and contribution rates.

f) The external Plan investment consultant is responsible for:

- Assisting in the development and implementation of this Statement and providing related research, as required;
- Assisting in the oversight of investment performance of the Fund and investment managers; and
- Providing advice to the Board on matters relating to investment management and administration of the Fund.

g) The Chief Executive Officer (the CEO) is appointed by the Board and is responsible for all matters related to the investment of the Fund. The CEO will delegate tasks as appropriate to the SHEPP investment team.

h) Legal counsel is responsible for providing legal advice to the CEO and assisting with the review of investment documents and contracts as required.

4 Investment Philosophy

4.1 Investment Beliefs

This Statement sets out the parameters under which the Fund is managed, which are influenced by several basic assumptions about the characteristics and trends in capital markets. The key investment beliefs that shape this Statement include:

a) Understanding the nature and variability of the Plan's liabilities is critical to devising an appropriate investment strategy. Asset allocation can positively impact the relationship between assets and liabilities and reduce funded position volatility.

b) Asset allocation is the most important determining factor in the investment performance of the Fund.

c) Seeking higher returns generally requires taking on higher risk. These risk and return relationships are more predictable over the longer term. Growth investments, such as equities, real estate and infrastructure will outperform fixed income to compensate for their higher risk.

d) Diversification within and across asset classes, both domestically and internationally, reduces risk over the long-term without compromising expected returns and is a prerequisite to prudent fund management. It is recognized that correlations of returns between asset classes and investment managers can change over time and should be periodically reviewed.

e) Exposure to foreign currencies as a result of moderate levels of foreign equity investments provides diversification benefits and generally should not be hedged. As foreign currency exposure increases above moderate levels, eliminating some currency exposure is seen as an appropriate risk-management strategy. There is an opportunity to improve on risk-adjusted returns by managing the hedge ratio dynamically.

f) Tactical asset allocation strategies (market timing between major asset classes) do not add long-term value at an acceptable level of risk. A rebalancing protocol around the strategic asset mix is seen as the most effective way of ensuring that portfolio risk does not drift above or below the intended risk level and will enhance long-term risk-adjusted returns. It is noted that for illiquid asset classes rebalancing may require additional time to implement.

g) Success with active management requires Board conviction, which includes engaging skilled managers and providing flexible mandates. Providing managers with broader mandates enhances diversification and opportunity to add value. Where reduced complexity and cost management are considerations, passive management can provide an efficient capture of the market.

h) Investment risk associated with implementing an investment program can be reduced through diversifying by investment manager and style of investment management. The risk mitigating benefits of diversification by manager will be weighed against the incremental cost.

i) The Board believes that organizations that manage ESG factors effectively are more likely to endure, manage risk, and create sustainable value over the long-term, than those that do not, making material ESG factors de facto financial considerations that can and should be evaluated in the investment process. Therefore, ESG will be integrated into the investment process, as part of the Board's commitment to act in the financial best interest of Plan members. This belief is further expressed in the Board's Responsible Investing Policy.

j) Less liquid investments have unique attributes that can provide improved risk adjusted returns, greater diversification and inflation protection. Therefore, these are appropriate investments for the Plan subject to management of liquidity, cost, and administrative and governance constraints.

k) Net of fee returns are paramount, but excessive fees can have a long-term impact. Administrative, custodial, advisory, and investment management fees should be managed.

l) Strong staff drive success, underscoring the importance of attracting and retaining best-in-class talent.

4.2 Risk Philosophy

The Fund must be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return. A number of factors suggest the Plan has an above-average risk tolerance and will continue to do so for some time. The Plan membership and actuarial liability is dominated by active members with several years to retirement. Fund cash-flows and investment income will provide sufficient liquidity in the foreseeable future. Accordingly, the long-term policy mix for the Fund has a bias towards return-seeking assets including equities, real estate and infrastructure.

Diversification through multiple asset classes and investment managers tends to reduce funded position volatility. However, increasing diversification often increases the complexity and cost of managing the Fund. Therefore, the advantages of diversification must be weighed against the disadvantages of increased complexity and higher investment manager fees.

In order to achieve the long-term investment goals, the Plan must invest in assets that have uncertain returns, such as equities, real estate, infrastructure and non-government bonds. However, the Board attempts to reduce the overall level of risk through adequate Fund diversification and other measures outlined throughout this Statement.

5 Asset Mix

5.1 The Board will set, evaluate, and should it determine is necessary, modify the asset mix of the Fund to:

a) Meet the current and future payment obligations of the Plan as they occur; and

b) Manage the volatility of the Plan's funded ratio.

A modification to the asset mix of the Fund may directly impact the discount rate set by the Plan actuary for the purpose of performing a going-concern valuation of the Plan.

5.2 Long-Term Asset Mix

The Board has adopted the following long-term policy asset mix to achieve sufficient asset growth on a risk-controlled basis:

Long-Term Total Fund Policy Asset Mix

Asset Type/Mandates	Minimum %	Target %	Maximum %
Fixed Income	**25.0**	**30.0**	**35.0**
Cash	0.0	1.0	5.0
Internal Fixed Income Liquidity Pool	0.0	2.0	4.0
Absolute Return Fixed Income	4.0	6.0	8.0
Core Plus Universe Bonds	2.0	4.0	6.0
Long-Term Bonds	6.0	9.0	12.0
Mortgages	2.0	4.0	6.0
Private Credit	2.0	4.0	6.0
Equity	**32.0**	**37.0**	**42.0**
Canadian Large Cap Equity	3.0	5.0	7.0
Global Large Cap Equity	10.0	14.0	21.0[4)]
Global Small Cap Equity	3.0	5.0	7.0
Emerging Markets Equity	4.0	6.0	8.0
Private Equity	2.0	7.0	10.0
Liquid Alternatives	**4.0**	**7.0**	**10.0**
Real Assets	**16.0**	**26.0**	**36.0**
Real Estate	4.0	7.0	13.0 [(4)]
Infrastructure	8.0	13.0	18.0
Agriculture [(3)]	0.0	3.0	5.0
Commodities	1.0	3.0	5.0
Opportunistic Investments [(1)]	**0.0**	**0.0**	**7.0**
Currency Overlay [(2)]		**0.0**	
Total		**100.0**	

(1) Investments that do not currently have a strategic allocation as they may not fit into a traditional asset class definition, may be shorter term opportunities or reflect an emerging investment opportunity. The Board intends on allocating up to a maximum of 5% of Plan assets to this asset class. An upper limit of 7.0% has been established to recognize growth in the assets and their potential lack of liquidity to rebalance. No further investments will be added to the asset class if the weight exceeds 5% or if the additional investment would cause the weight to exceed 5%.

(2) The currency overlay manager actively manages a 50% hedge against the benchmark, based on approximately one third of the Fund's actual foreign currency exposure. As an overlay mandate, no cash is allocated to this investment manager, therefore the zero target weight.

(3) Minimum weights for these new asset classes are set to zero until manager selection has been made and capital has been invested.
(4) Maximum weights for these asset classes are temporarily set higher than the expected long-term requirement to reflect transitioning out of these asset classes over time into illiquid asset classes that are not currently funded. The maximum range will be reduced as the funding occurs.

5.3 Rebalancing and Cash Flow Management

Rebalancing is intended to assist in managing the asset mix, as market fluctuations can alter the portfolio mix and therefore expected risk and return.

Each mandate will be rebalanced in accordance with the long-term policy asset mix as follows:

a) Plan cash-flows and rebalancing activities should be used to re-balance asset classes towards the target mixes when possible;

b) The CEO should review the Fund's asset-mix at least monthly against the long-term policy asset mix:

- If any of the broad asset types (fixed income/equity/liquid alternatives/real assets) are outside of the tolerance ranges, the Fund's mix should be re-balanced to within tolerance ranges with the intention of bringing the weights back towards the target. Illiquid asset classes, such as real estate, infrastructure, private equity, and mortgages may not be re-balanced; or
- If any of the mandates, within the asset types, are outside of the tolerance ranges, the CEO will re-balance those mandates to within the tolerance ranges with the intention of bringing the weights back towards target. Illiquid mandates, such as real estate, infrastructure, private equity, and mortgages may not be re-balanced; or
- If funds need to be raised to meet the obligations of the Plan, liquidity conditions prevent rebalancing toward target, or to support risk management, the CEO may rebalance away from the target of an asset type or mandate as long as there is no breach of the lower threshold; and

c) Re-balancing will be completed in a timely manner.

6 Performance Measurement Basis and Objectives

6.1 The objectives are total return objectives and include realized and unrealized capital gains or losses plus income from all sources. Investment returns are measured on a time-weighted basis. For less liquid investments, such as infrastructure, where exposure is built over time, investment returns will also be measured on a cash-weighted basis.

6.2 Investment performance will be monitored and reviewed on a quarterly basis. The time frame for evaluating investment performance will be based on rolling four-year periods.

6.3 The primary objective for the total Fund is to generate a return that exceeds 6.25% after investment management fees over the long-term i.e. 10 years or more.

6.4 The secondary objective for the total Fund is to outperform a benchmark portfolio after investment management fees over rolling four-year periods. The benchmark consists of various market index total returns weighted as appropriate. The total Fund benchmark portfolio, including the applicable weightings, is attached as Schedule 1 to this Statement. While the portfolio is in transition to the long-term policy mix, the secondary objective will be the transition total Fund benchmark portfolio attached as Schedule 2 to this Statement.

6.5 Investment manager performance objectives are to earn mandate returns of at least those noted in the following table for active mandates, before investment fees (unless otherwise noted) over rolling four-year periods. The performance objectives reflect the investment manager fees and expected value-added from active fund management.

Active Mandate Asset Class Return Objectives

Mandate	Objective	Value Added*
Internal Fixed Income Liquidity Pool	FTSE Canada Federal Bond Index	n/a
Absolute Return Bonds (USD)	Secured Overnight Financing Rate (SOFR), in US$	400 bps**
Absolute Return Bonds (CAD)	Bloomberg Barclays Multiverse Index Hedged to C$	100 bps
Core Plus Universe Bonds	FTSE Canada Universe Bond Index	100 bps
Mortgages	Custom Mortgage Benchmark	50 bps
Private Credit	Morningstar LSTA Leveraged Loan Index, in US$	100 bps
Private Credit	Morningstar European Leveraged Loan Index Hedged to US$ (C$) + 2%	100 bps
Canadian Large Cap Equity	S&P/TSX Capped Composite Index	100 bps
Global Large Cap Equities	MSCI ACWI Net Index (C$)	200 bps
Global Small Cap Equities	MSCI All Country Small Cap Index (C$)	200 bps
Emerging Markets Equities	MSCI Emerging Markets Net Index (C$)	200 bps
Private Equity	MSCI World Net Index (C$) + 2%	100 bps
Liquid Alternatives	FTSE Canada 91 Day T-Bills +3%	200 bps**
Canadian Real Estate	MSCI/REALpac Canada Quarterly Property Fund Index	n/a
U.S. Real Estate	NFI-ODCE-EW Net of Fees (C$)	n/a
Asian Real Estate	ANREV ODCE-EW Net of Fees (C$)	n/a
Pan-European Real Estate	MSCI Pan European Property Fund Index Net of Fees (C$)	n/a
Agriculture	To be determined	TBD
Commodities	Bloomberg Commodity Index (C$)	25 bps
Intelligent Currency Overlay	Custom Currency Benchmark	50 bps
Active Currency Overlay	0%	100 bps

*bps = "basis points" = 1/100th of a percentage point
** Net of fees

Investment manager performance objectives for infrastructure are to earn mandate returns of at least those noted in the following table, with the primary focus on returns measured on a cash-weighted basis. The objectives are net of investment fees, including fees on committed capital and performance-based fees.

Infrastructure Return Objectives

Mandate	Objective	Value Added*
Core Infrastructure	Consumer Price Index + 5%	n/a
Core Plus Infrastructure	Consumer Price Index + 5%	200 bps

*bps = "basis points" = 1/100th of a percentage point

For passive mandates, investment manager returns are expected to fall within the following target tracking error ranges.

Passive Mandate Asset Class Return Objectives

Mandate	Objective	Tracking Error
Long Bonds	FTSE Canada Long Term Bond Index	+/- 20 basis points per annum
Global Equities	MSCI World Net (C$) Index Unhedged	+/- 25 basis points per annum

Recognizing these value-added and tracking error objectives may not be achieved over a particular measurement period, the trend of the results relative to the objective and the degree of consistency will be taken into consideration when evaluating the investment manager.

7 Risk Management Tools

7.1 Asset-Liability Studies

The Plan's primary long-term risk is that it cannot pay the pension obligations. To manage this risk, an asset-liability study will be conducted at least every 3-5 years, which will be used as the basis for selecting the long-term asset mix policy that is expected to generate a return above the return required to fund the liabilities.

7.2 Diversification

By investing in a well-diversified portfolio of asset classes and further diversifying within each asset class, risk is reduced.

7.3 Hedging Foreign Exposure

The Fund may use derivatives to manage the risk exposure due to the fluctuations in foreign currency for currencies where it is cost efficient to do so.

7.4 Liquidity Management

By maintaining an internally-managed liquidity pool, the Fund has increased flexibility in rebalancing the asset mix and accessing funding whenever it may be required.

8 Permitted Investments and Investment Limits

8.1 General Guidelines

The overall responsibility of the investment managers is to manage the assets in a manner that provides competitive returns consistent with the investment environment and to comply with the rules and guidelines set out in this Statement, the investment manager Mandate (the Mandate) defined below, investment manager agreement, and relevant laws and regulations governing pension fund management including the PBA, the *Income Tax Act* (Canada), and the regulations thereto.

Each investment manager is subject to a Mandate which describes that investment manager's investment objectives, performance standards, investment guidelines and compliance reporting requirements.

8.2 Permitted Investments

The Board has approved the following categories of investments. In general, and subject to the restrictions in this section and the investment manager Mandate or investment manager agreement, the Fund assets may be invested in any of the following asset classes.

a) Equities

Publicly traded developed and emerging market equities listed on a recognized stock exchange, including income trusts, limited partnerships, subscription receipts and securities convertible to equity.

Private placement equity where the investment manager determines the security will become eligible for trading on a listed exchange within a reasonable and defined timeframe.

Unlisted equities where the timing of the security becoming eligible for trading on a listed exchange is uncertain, if explicitly allowed in the investment manager mandate.

Private equity, either directly, through closed or open-ended pooled funds, or through participating shares or debentures of corporations or partnerships formed to invest in private equity.

b) Fixed Income

Publicly traded debt securities of Canadian and non-Canadian issuers, including issues denominated in non-Canadian currencies.

Private placement debt securities and repurchase agreements where the investment manager is satisfied there is sufficient liquidity to ensure the sale at a reasonable price.

Private debt, including debt secured by real assets, senior secured and unsecured loans, and securitized loan obligations, if explicitly allowed in the investment manager mandate.

c) Cash and Short-term Investments

To maintain liquidity for pension payments, excess cash not allocated specifically to an investment mandate may be invested in the demand deposits of the custodian or primary operation accounts.

d) Mortgages

Mortgages, either directly or through open or closed end pooled funds.

Real estate subsidiary companies may accept vendor take back mortgages resulting from the sale of a property in the portfolio.

e) Derivatives

Forwards, options, futures, swap contracts, and credit derivatives subject to section 9.1.

f) Real Estate

Real estate, either directly, through closed or open-ended pooled funds, or through participating shares or debentures of corporations or partnerships formed to invest in real estate.

g) Infrastructure

Infrastructure, either directly, through closed or open-ended pooled funds, or through participating shares or debentures of corporations or partnerships formed to invest in infrastructure.

h) Insurance Contracts

Insurance contracts either directly, through closed or open-ended pooled funds, or through participating shares or debentures of corporations or partnerships formed to invest in insurance contracts.

i) Pooled Funds

Investment in open or closed end pooled funds is permissible.

j) Agriculture and Timber

Open or closed end funds that invest in farmland, farm operations or commodity processing, and/or timberlands.

k) Commodities

Natural resource and agricultural related commodities via derivative instruments or commodity-linked securities.

8.3 Minimum Quality Requirements

a) Quality Standards

Within the investment restrictions for each investment manager's portfolio, all portfolios should hold a prudently diversified exposure to the intended market.

The minimum quality standard for individual bonds and debentures is "BBB" or equivalent as rated by a recognized bond rating agency, at the time of purchase, unless otherwise specified in an investment manager Mandate or investment manager agreement (includes all sub-rating levels within the overall "BBB" rating). Unrated bonds should be assigned a rating by the investment manager before purchase, using generally accepted industry practices. The minimum quality standard for individual short-term investments is "R-1" or equivalent rating as rated by a recognized bond rating agency, at the time of purchase.

The minimum quality standard for counterparties in a derivative transaction is "A", at the time of the transaction. This includes all sub-rating levels within the overall "A" rating.

Mortgages will be restricted to first mortgages on income producing properties, unless otherwise specified in an investment manager Mandate or investment manager agreement.

All publicly traded investments will be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within one month).

All securities held by the Fund that fall below these quality limits will be disclosed by the investment manager to the Board as part of the regular compliance reporting.

b) Split Ratings

In cases where the recognized bond rating agencies do not agree on the credit rating, the bond will be classified according to the methodology used by FTSE TMX indices, which states:

- If two agencies rate a security, and the ratings are not equal, use the lower of the two ratings;
- If three agencies rate a security, use the most common rating; and
- If all three agencies disagree, use the middle rating.

c) Downgrades in Credit Quality

The investment manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized rating agency to below the purchase standards set out in section 8.3 a) Quality Standards:

- The Board will be notified of the downgrade at the earliest possible opportunity;
- Within ten business days of the downgrade, the investment manager will advise the Board in writing of the course of action taken or to be taken by the investment manager, and its rationale; and
- The investment manager will provide regular reporting on the status of the asset on a regular basis until such time as the security matures is sold or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.

d) Rating Agencies

For the purposes of this Statement, the following rating agencies will be considered to be "recognized bond rating agencies":

- DBRS Limited;
- Standard and Poor's; and
- Moody's Investors Service.

8.4 Maximum Quantity Restrictions

a) Total Fund Level

In accordance with applicable pension fund regulations, the debt and equity holdings in a single company are limited to 10% of the market value of the total Fund. The exceptions to this restriction include:

- Debt securities issued or backed by the federal or provincial governments;
- SHEPP's wholly owned subsidiaries;
- Pooled funds that replicate the performance of an index; and
- Pooled funds that comply with the applicable laws and regulations for pension investments.

The Fund may not invest directly or indirectly in the securities of a corporation representing more than 30% of the votes that may be cast to elect the directors of a corporation. This restriction does not apply to SHEPP's wholly owned subsidiary corporations, which are considered special purpose companies in which a single pension plan is permitted to have 100% ownership.

b) Investment Manager Level

The investment manager must adhere to the restrictions set out in section 8.4 a). Additional restrictions specific to particular investment managers are set out in the investment manager Mandate or investment manager agreement.

8.5 Investment in Pooled Funds

It is expected that investments in pooled funds will be consistent with this Statement. It is recognized, however, that there may be instances where there is a conflict between this Statement and the pooled fund policy. In that case, the pooled fund policy will dominate.

The investment manager is required to disclose the pooled fund policy and to provide notification in writing of any material changes to the pooled fund policy.

8.6 Investment in Limited Partnerships

It is expected that investments in limited partnerships will be consistent with this Statement. It is recognized, however, that there may be instances where there is a conflict between this Statement and the limited partnership agreement. In that case, the limited partnership agreement will dominate.

The investment manager is required to comply with the investment restrictions set out in the limited partnership agreement and any applicable side letters. Any amendments to the investment restrictions are subject to approval as outlined in the limited partnership agreement or side letter (if applicable).

8.7 Investments not Permitted

The investment manager will not make any investment not specifically permitted under this Statement, the investment manager Mandate or investment manager agreement. In addition, the investment manager will not invest in companies for the purpose of managing them, with the exception of the infrastructure or private equity limited partnerships and/or funds.

9 Other Matters

9.1 Derivatives

a) Acceptable Use of Derivatives

Derivatives are financial contracts, the value of which are derived from changes in the value of underlying equity or fixed income securities, indices, interest rates or currency exchange rates. As such, derivatives may be used as substitutes for investments otherwise approved by the Board. Specifically, the use of derivatives is permitted for the purpose of replicating the investment performance of a recognized index; to replicate securities or strategies consistent with this Statement; to increase or reduce exposures to interest rates and markets; to equitize cash and for managing foreign currency exposure.

b) Investment Manager's Authorization to Use Derivatives

The authority for any external investment manager to use derivatives noted in 9.1 (a) will be set out in the investment manager Mandate or investment manager agreement. Unless permission is explicitly granted, the investment manager is prohibited from using derivatives.

9.2 Borrowing

a) Acceptable Use of Borrowing

The Fund will not borrow money, except for the following purposes:

- To cover a short-term contingency and the borrowing is for a period that does not exceed ninety days; and
- To cover a temporary overdraft in the normal course of daily portfolio management.

Borrowing by the real estate subsidiary is subject to the following limits:

- Maximum debt/asset value on any property in the portfolio is 0.75 at the time of borrowing;
- Maximum debt/total market value for the total real estate portfolio is 0.50 of the estimated real estate market value assuming full investment; and

- The terms of borrowing restrict recourse to the real estate subsidiary or pooled fund, as applicable.

Borrowing by the private equity fund-of-one is subject to the following limits:

- Administrative purposes only, specifically to reduce the frequency of capital calls from the Plan;
- Limited to 20% of commitments for any annual investment series; and
- For a maximum of 3 months.

Temporary mortgages on properties under development and mortgages committed to be discharged are excluded from these requirements.

Borrowing by the real estate pooled funds, infrastructure limited partnerships, private equity limited partnerships, infrastructure co-investments and infrastructure funds is subject to the borrowing limits as set out in the investment policy of the real estate pooled fund, infrastructure limited partnership, private equity limited partnership, co-investment limited partnership or infrastructure fund.

All borrowing is subject to the provisions of applicable legislation.

b) Investment Manager's Authorization to Borrow

The authority for any external investment manager to borrow will be set out in the Mandate included in the appendices or the investment manager agreement. Unless permission is explicitly granted, the investment manager is prohibited from borrowing.

9.3 Short Selling Securities

a) Acceptable Use of Short Selling

The use of short selling securities is permitted for the purpose of enhancing return or reducing certain risk exposures. A security that is sold must be a permitted security as defined in section 8. Proceeds of the short sale may be invested in permitted securities. This strategy has the effect of increasing economic exposure of the Fund and therefore will be limited at the investment manager level as set out in investment manager's respective Mandate or investment manager agreement.

b) Investment Manager's Authorization to Use Short Selling

The authority for any external investment manager to short sell securities will be set out in the Mandate or investment manager agreement. Unless permission is explicitly granted, the investment manager is prohibited from using short selling.

9.4 Securities Lending

The Fund investments may be loaned, for the purpose of generating revenue for the Fund, subject to the provisions of the applicable legislation and subject to the Plan being fully guaranteed and indemnified by the custodian in the event of a loss.

Such loans must be secured by cash and/or readily marketable securities or securities that are convertible immediately into the security lent. The amount of collateral taken for securities lending should reflect best practices in local markets. Under no circumstances will the securities be lent with collateral less than 102% of the value of the securities being lent out. The level of collateral must be calculated at least daily.

The terms and conditions of any securities lending program including the maximum exposure in aggregate and by counterparty will be set out in a contract with the custodian. The custodian will, at all times, ensure that the Board has a current list of those institutions that are approved to borrow the Fund's investments. The custodian will send comprehensive reports summarizing the Fund's securities lending activities annually to the Board.

If the assets are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract and the investment manager will disclose their securities lending policy to the Board.

9.5 Voting Rights

The Board is responsible for exercising and directing the use of voting rights acquired through the Fund's investments. The Board has delegated the responsibility to vote the shares to the investment managers.

Investment managers are expected to exercise all voting rights held by the Fund in the manner that most enhances the long-term value of the investments and is consistent with the Board's Responsible Investment policy.

The Board reserves the right to direct the investment managers to vote in a specified manner for segregated fund mandates. For pooled fund mandates, the investment managers will vote all proxies. Investment managers also may direct any concerns to the Board.

Investment managers are to provide their proxy voting procedures and guidelines to the Board, as amended from time to time. Investment managers must maintain accurate proxy voting records and report proxy voting activity annually to the Board.

9.6 Soft Dollar Brokerage Commissions

The Fund currently does not engage in self-directed brokerage.

Investment managers may use soft dollars to pay for research and other investment-related services provided they comply with the Soft Dollar Standards promulgated by the CFA Institute.

Investment managers must maintain accurate soft dollar activity and report the usage annually to the Board.

9.7 Valuing Investments

Investments are valued at fair value from an independent source where a public market price is available.

Securities that are not regularly traded are valued using the following principles:

a) Public equities and bonds are valued using closing bid prices;

b) Mortgages are valued based on the net present value of future cash flows discounted at market related interest rates;

c) Short-term investments are valued at cost;

d) Real estate is valued at fair value as estimated by independent appraisals performed at least annually. Real estate acquired within the year is recorded at cost, which approximates its fair value;

e) Infrastructure is valued at fair value as estimated by the investment manager and subject to annual audits by an independent third party;

f) Private equity is valued at fair value as estimated by the investment manager and subject to annual audits by an independent third party;

g) Farmland is valued at fair value as estimated by the investment manager and subject to annual audits by an independent third party;

h) Exchange Traded Derivatives are valued on the basis of available market quotations. Non-listed over-the-counter derivatives are valued at the closing prices provided by third-party brokers or by approved pricing services; and

i) Unlisted equities are valued based on the valuation policies set forth in the applicable investment management agreement.

10 Administration

10.1 Conflicts of Interest

a) Responsibilities

This standard applies to agents of the Board. An agent is defined to mean a company, organization, association or individual, other than an employee of the Plan, retained by the Board to provide services relating to the Fund. In carrying out their responsibilities, agents must act at all times in the best interest, and for the benefit, of present and future Plan participants.

b) Disclosure

In the execution of their responsibilities, agents must disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased decisions as it relates to administration of the Fund.

It is incumbent on any agent who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to notify the Board. Disclosure should be made promptly after the affected agent becomes aware of the conflict. The Board will decide what action is appropriate under the circumstances, but at a minimum, will table the matter at the next regular meeting of the Board.

10.2 Related Party Transactions

The Board may not enter into a transaction with a related party unless:

a) The transaction is under terms and conditions that are not less favourable to the Fund than market terms and conditions; and does not involve making loans to, or investments in, the related party;

b) Investments are in:

- securities guaranteed by the Canadian government or a provincial government, or an agency of either of them;
- a widely recognized fund that replicates the composition of a widely recognized index of publicly traded securities;
- derivatives where the return is based on the performance of a widely recognized index of publicly traded securities; or

c) The combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Fund.

Market value of the combined assets of the Fund will be used as the criterion to establish whether a transaction is nominal or immaterial to the Fund. Transactions less than 1.0% of the combined market value of the assets of the Fund are considered immaterial.

"Related party" is defined in section 1 of Schedule III to the PBA. A related party is a person who is the administrator of the Plan including any officer, director or employee of the administrator. It also includes the investment manager and its employees, a union representing employees of the employer, a member of the Plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include a government or a government agency.

Under the above conflict of interest guidelines, it is incumbent on any person to notify the Board if a conflict arises. Such conflict includes related party transactions.

10.3 Investment Manager Reporting

a) Investment Manager Reporting and Compliance

The investment managers are required to provide the CEO and the Plan investment consultant information on the Fund as requested.

Quarterly, the investment managers are to provide a comprehensive report, reviewing the performance of the portfolio over the quarter, one year, year to date and rolling four-year time periods along with the benchmark specified in the Mandate or investment manager agreement. In addition, performance attribution and portfolio characteristics relative to the benchmark are to be included and discussed in the report.

The investment managers are required to deliver a compliance report, as outlined in the Mandate or investment manager agreement. The compliance report will indicate whether the investment manager is in compliance with the policy during the reporting period.

When applying the investment guidelines in this Statement, it is recognized that there may be occasions during which the guidelines are not met temporarily for valid investment reasons. It is the responsibility of the investment managers to report any violations and to recommend appropriate remedies.

At least annually, the investment managers are to provide proxy voting reports summarizing the company name, the proxy issue, the company management recommended vote and the vote cast by the investment manager. In addition, the investment managers are to provide a record of soft dollars used to pay for investment services, detailing the services acquired by firm, along with the amount, if applicable. If the investment is in a pooled fund, the investment manager will provide proxy voting and soft dollar reporting for the fund.

The investment managers must notify the Board of any events that might adversely affect the potential return and/or risk level of the portfolio including:

a) Major changes in organization – change in firm ownership, significant organizational restructuring; change in compensation structure of investment professionals, departure of key investment professional(s); personnel turnover; or actions brought forward by regulatory or other legal authorities;

b) Major change in assets – substantial growth or decline in assets under management;

c) Investment style or philosophy change;

d) Reporting on ESG policies and material changes to ESG policies and implementation; and

e) Any other event that could be deemed to impact the potential return and or risk level of the portfolio.

b) Meeting with Investment Managers

Investment managers will meet as required with the CEO, the SHEPP investment team and Plan investment consultant to discuss management of the portfolio, new developments and any other related matters.

Investment managers will meet with the SHEPP investment team on a regular basis, with meetings and reporting structured to include the following:

- Review the previous period’s strategy and investment results;
- Discuss how the condition of the capital markets affects the investment strategy of their respective portfolios;
- Outline economic and market expectations;
- Report changes, if any, in investment personnel, philosophy and processes, or in ownership; and
- Discuss how ESG factors are integrated into the investment manager’s decision-making process.

The CEO and SHEPP investment team will report to the Board on the investment manager meetings and oversight as outlined in the Investment Manager Selection and Monitoring Policy.

Investment managers are also required to meet with the Board, with the timing of these meetings and topics covered determined by the Board. Agendas will be provided in advance to identify issues to be addressed and a written report covering these issues must be forwarded to the Board at least ten business days prior to the scheduled meeting.

11 Amendment of Statement and Schedules

11.1 Amendment by Board

This Statement has been prepared and adopted by the Board. The Board may amend or modify this Statement at any time by resolution passed at a duly called and constituted meeting of the Board.

11.2 Delegation of Authority to Amend

The Board authorizes the CEO to amend the total Fund benchmark portfolio, attached as Schedule 1, and the transition total Fund benchmark portfolio, attached as Schedule 2. The effective date for changes to the transition total Fund benchmark portfolio shall be as close to the transaction date as practical. The CEO must notify the Board at its next meeting of any amendments to Schedule 1 or Schedule 2.

11.3 Actuary to be Notified of Amendments

A copy of the amended Statement must be provided to the Board's actuary within 60 days of any amendment becoming effective.

Schedule 1: Total Fund Benchmark Portfolio Weightings

Total Fund Benchmark Portfolio Weightings

Mandate	Benchmark	%
Cash	FTSE Canada 91 Day T-Bills	1.0
Internal Fixed Income Liquidity Pool	FTSE Canada All Federal Index	2.0
Absolute Return Bonds	Secured Overnight Financing Rate (SOFR), in US$	3.0
Absolute Return Bonds	Bloomberg Barclays Multiverse Index Hedged to C$	3.0
Core Plus Universe Bonds	FTSE Canada Universe Bond Index	4.0
Long-Term Bonds	FTSE Canada Long Term Bond Index	9.0
Mortgages	Custom Mortgage Benchmark (1)	4.0
Private Credit	Morningstar LSTA US Leveraged Loan Index, in US$	2.5
Private Credit	Morningstar European Leveraged Loan Index Hedged to US$ (C$) +2%	1.5
Canadian Large Cap Equity	S&P/TSX Capped Composite Index	5.0
Global Large Cap Equity	MSCI World Net Index Hedged to C$	5.5(2)
	MSCI ACWI Net Index (C$)	8.5
Global Small Cap Equity	MSCI All Country Small Cap Index (C$)	5.0
Emerging Markets Equity	MSCI Emerging Markets Net Index (C$)	6.0
Private Equity	MSCI World Net Index (C$)+ 2%	7.0
Liquid Alternatives	FTSE Canada 91-Day T-Bills + 3%	7.0
Canadian Real Estate	MSCI/REALpac Canada Quarterly Property Fund Index	3.0
U.S. Real Estate	NFI-ODCE-EW Net of Fees (C$)	2.0
Asian Real Estate	ANREV ODCE-EW Net of Fees (C$)	1.0
Pan-European Real Estate	MSCI Pan European Property Fund Index Net of Fees (C$)	1.0
Infrastructure	CPI + 5%	13.0
Agriculture	To be determined	3.0
Commodities	Bloomberg Commodity Index (C$)	3.0
Total		**100.0**

(1) The Custom mortgage benchmark is composed of 60% FTSE Canada Short Term Bond Index and 40% FTSE Canada Mid Term Bond Index, plus 50 basis points.

(2) The currency overlay manager actively manages a 50% hedge against the benchmark, based on the Fund's actual foreign currency exposures. The hedged weights in the above benchmark are set to approximate one third of the total foreign currency exposure where only developed market currencies are hedged in implementing the strategy.

Schedule 2: Transition Total Fund Benchmark Portfolio Weightings

Transition Total Fund Benchmark Portfolio Weightings Effective April 1, 2025

Mandate	Benchmark	%
Cash	FTSE Canada 91 Day T-Bills	1.0
Internal Fixed Income Liquidity Pool	FTSE Canada Federal Bond Index	2.0
Absolute Return Bonds	Secured Overnight Financing Rate (SOFR), in US$	3.0
Absolute Return Bonds	Bloomberg Barclays Multiverse Index, Hedged to C$	3.0
Core Plus Universe Bonds	FTSE Canada Universe Bond Index	4.0
Long-Term Bonds	FTSE Canada Long Term Bond Index	9.0
Mortgages	Custom Mortgage Benchmark (1)	4.0
Private Credit	Morningstar LSTA US Leveraged Loan Index	2.5
Private Credit	Morningstar European Leveraged Loan Index + 2%	1.5
Canadian Large Cap Equity	S&P/TSX Capped Composite Index	5.0
Global Large Cap Equity	MSCI World Net (C$) Index Unhedged	2.5
	MSCI ACWI Net (C$) Index, Developed Markets Hedged to C$	7.0
	MSCI ACWI Net (C$) Index Unhedged	7.0
Global Small Cap Equity	MSCI All Country Small Cap Index (C$) Unhedged	5.0
Emerging Markets Equity	MSCI Emerging Markets Net (C$) Index Unhedged	6.0
Private Equity	MSCI World Net (C$) Index Unhedged + 2%	4.5
Liquid Alternatives	FTSE Canada 91 Day T-Bills + 3%	7.0
Canadian Real Estate	MSCI/REALpac Canada Quarterly Property Fund Index	4.0
U.S. Real Estate	NFI-ODCE-EW Net of Fees (C$)	3.0
Asian Real Estate	ANREV ODCE Net of Fees (C$)	1.5
Pan-European Real Estate	MSCI Pan European Property Fund Index Net of Fees (C$)	1.5
Infrastructure	CPI + 5%	13.0
Commodities	Bloomberg Commodity Index - Total Return (Unhedged)	3.0
Total		**100.0**

(1) The Custom mortgage benchmark is composed of 60% FTSE Canada Short Term Bond Index and 40% FTSE Canada Mid Term Bond Index, plus 50 basis points.

(2) The currency overlay manager actively manages a 50% hedge against the benchmark, based on the Fund's actual foreign currency exposures. The hedged weights in the above benchmark are set to approximate one third of the total foreign currency exposure where only developed market currencies are hedged in implementing the strategy.