

Section	Policy
30	32.00

Section Title: Investments
Subject: Statement of Investment Policies and Objectives
Effective Date: March 22, 2018

POLICY PURPOSE

Purpose Of The Statement Of Investment Objectives/Policy Statement

The purpose of this statement is to commit to writing the objectives and policies established by the Investment Committee (the "IC") and approved by the Board of Directors of the Workers Compensation Board (the "Board"). The purpose in establishing objectives and policies is three-fold:

1. To ensure that all members of the Committee and the Board clearly understand the goals and direction of the Investment Portfolio (the "Fund".)
2. To facilitate the delegation of investment management responsibilities.
3. To act as an anchor in turbulent times when it may appear appropriate to abandon the established investment disciplines.

The process of determining the correct objectives and policies includes the following:

1. Clearly identify the nature of the benefit liabilities of the WCB for which the WCB of Manitoba has a fiduciary responsibility.
2. Identify assets which have characteristics similar to the liabilities being assumed.
3. Select the asset classes which best suit the needs of the liabilities and which will provide the highest rate of return at an acceptable level of risk.
4. Provide sufficient diversification to eliminate unnecessary risk.

STATEMENT OF INVESTMENT BELIEFS

The *Statement of Investment Policies and Objectives* reflects decisions made by the Board (and before 2006, the Investment Committee). These decisions, in turn, reflect certain beliefs held by Committee and Board members at the time the decisions were taken or ratified.

To the extent these beliefs remain consistent over time, so too should those elements of the Investment Policy that rest upon them. The purpose of this section is to set forth these beliefs, so that the historical context in which decisions were made will be better understood by readers and users (both current and future) of the Investment Policy.

1. There is no single asset class that directly matches the obligations and objectives of the WCB. A mismatch between assets and liabilities will continue to exist in the foreseeable future, and likely beyond. Recognizing this, the Board believes that a portfolio diversified across a number of distinct asset classes represents the optimal means of meeting the WCB's investment objectives. Furthermore, weightings can be assigned to each of the asset classes such that a Benchmark Portfolio is created.
2. **The Board acknowledges the relationship between risk and return:**
 - Higher risk, as measured by volatility of returns, is expected to be rewarded by higher returns;
 - In the longer term, equity investments have exhibited higher returns than fixed income investments: asset mixes that contain higher levels of equity investments may be expected to produce higher returns in the long run, though with potentially greater volatility and periods of unfavourable returns in the short run;
 - Although historical returns may not necessarily be a valid determinant of future returns in terms of either magnitude or timing, the Board believes that past interrelationships of various asset classes are, in the long run, a valid indicator of prospective asset class interrelationships. Historical interrelationships are a valid tool in establishing suitable asset mix alternatives, and in arriving at an appropriate Benchmark Portfolio.

Note the foregoing is not intended to preclude investments in new asset classes or to pursue alternative investment strategies as they arise.

3. The Board believes in "active management". The specific securities included within each asset class can be selected so as not to mirror the securities contained in an index deemed representative of the asset class; there is an expectation that over time, security selection will also contribute positively to the Fund's overall rate of return. Such positive contributions to the Fund's return are expected to accrue net of any investment management fees.
4. The Board believes that investment opportunities exist within the Province of Manitoba that provide comparable returns and a comparable level of risk to investments that may be made elsewhere. While there is no intent to invest unless returns are expected to be comparable to those found elsewhere, there should be clear recognition that where such opportunities do exist they should be considered.

This belief flows from the WCB's desire to balance its obligation to maximize investment returns on behalf of stakeholders with its conviction that investing within the province will ultimately benefit those very stakeholders, and is therefore prepared to consider the geography of a potential investment when the opportunity cost of doing so is relatively non-existent.

5. The Board believes that it has a responsibility to discourage investment of the Fund in companies with questionable practices in the areas of human rights and conditions for workers. To support (through investment) institutions that do not respect high standards of occupational health and safety would, the Board believes, be hypocritical given the *raison-d'être* of the WCB. Similarly, the Board believes the WCB should be supportive of companies with exemplary practices in these areas.

For example, with respect to the Fund's equity investments, the Board's expectation is that the voting of its shares will reflect the spirit espoused in the preceding paragraph.

6. Optimal management of the investment portfolio can be achieved through the efficient use of both internal resources and external investment management organizations. The Board recognizes the advantages of using external managers, particularly in terms of their expertise in specific asset classes, and expects to make extensive utilization of such organizations in its management of the investment portfolio. The Board also recognizes the importance and expertise of its internal resources, particularly with respect to the day-to-day activities involved in managing and overseeing investment of the Fund, and specific activities such as performance monitoring and identifying potential investment vehicles.
7. Where it is necessary to acquire external services such as those of a professional investment manager (where this term may be interpreted to mean either an investment counseling firm or an investment consultant), the Board believes that local providers should be used whenever feasible, but only if the quality of the service is such that those responsible for procuring the service believe it will not impair either the investment process or the results derived therefrom.

GOVERNANCE

Governance structures help to ensure that all parties understand their roles and responsibilities and fulfil their due diligence requirements. These structures also create accountability for the various decisions involved in developing, implementing and monitoring the management of the Fund.

Policy determines which asset classes will be included in the portfolio, appropriate asset allocation and acceptable variation from the Policy Asset Mix, establishes performance objectives, diversification guidelines and conflict of interest standards.

Investment strategies are developed within the constraints of the investment policies. Strategies include the development of an investment management structure, the development of an appropriate mandate for each manager within the structure, and the selection and termination of investment managers.

Operating responsibilities include monitoring fund performance on an ongoing basis at the total fund, asset class and individual manager levels, reporting to the Investment Committee and day to day management of the Fund.

The following investment governance matrix sets out the roles and responsibilities of all parties involved in the management of the Fund including the Board of Directors, the Investment Committee, WCB staff and external service providers.

	Policy	Strategy	Operating
Board of Directors	Approve	Approve	
Investment Committee	Recommend	Recommend	Monitor
Administration	Recommend	Recommend	Implement
External Consultant	Advise	Advise	Advise
External Investment Managers			Implement

POLICY**A. CHARACTERISTICS OF THE LIABILITIES OF THE WORKERS
COMPENSATION BOARD**

The most significant characteristics of the liabilities of the WCB are:

1. The liabilities can be separated into primarily three groups of similar size:
 - ◆ Pension/impairment liability which includes payments for life.
 - ◆ Wage loss and related liability which includes payments to retirement, and
 - ◆ Healthcare liability.
2. Each of the above liabilities has both a short term and a long term component.
3. Payments related to the pension/impairment liability and the wage loss liability are expected to increase based on the general levels of future wages and/or prices. Payments related to the healthcare liability are expected to increase based on general levels of future healthcare costs.

The significant investment implications relating to the above liability assessment are:

1. A long term investment horizon can be adopted for the portion of the liabilities that are long term in nature.
2. Investments that tend to protect against inflation are appropriately matched against liabilities whose costs are related to inflation, directly or indirectly.
3. The short term liabilities will benefit from assets that generate a high level of income and have short term maturities.

A more detailed description of the funding of liabilities can be found in Appendix I.

B. INVESTMENT OBJECTIVES

The Investment Objective is to generate a consistent, positive, real rate of return on invested assets which will provide for repayment of all liabilities as required. A Policy Asset Mix has been established which the Committee believes will achieve this objective at a reasonable and acceptable level of risk. The Policy Asset Mix, as well as various characteristics, are as follows:

<i>POLICY ASSET MIX</i>	
Asset Class	Proportion of asset class in Policy Asset Mix
Canadian equities:	14.5%
U.S. equities:	10.5%
International equities:	6.0%
Emerging market equities:	2.5%
Global Small/Mid-Cap Equity	4.0%
Real estate:	12.5%
Bonds:	30.0%
Mortgages:	10.0%
Infrastructure:	10.0%
Cash and short term:	0.0%
<i>Characteristics of Policy Asset Mix</i>	
Expected nominal return of Policy Asset Mix (25 years):	6.0%
Standard deviation of nominal return:	7.2%
Expected real return of Policy Asset Mix (25 years):	4.1%
Standard deviation of real return:	7.1%
Probability of exceeding 5.75% (nominal) per annum	
- over a 4 year period	45%
- over a 10 year period	47%
- over a 25 year period	57%
Probability of exceeding 3.50% real per annum	
- over a 4 year period	49%
- over a 10 year period	53%
- over a 25 year period	62%

Performance results for the Fund will be measured on an annual basis. Total Fund performance will be measured against a balanced index composed of commonly accepted benchmarks weighted to match the long-term Policy Asset Mix.

The investment performance of the total portfolio, as well as the equity and fixed income segments (both in terms of return and risk) will be measured against commonly accepted total return benchmarks, including the S&P/TSX Composite, the DEX Universe Bond Index, the S&P 500, MSCI EAFE index, and any other market indices deemed appropriate.

Active management of the Fund is expected to achieve a rate of return, before fees, that will exceed the return achieved by the Policy Asset Mix portfolio over moving four-year periods by at least 0.50%.

Additional performance objectives for the Fund include:

- ◆ To achieve a minimum annual real rate of return of 3.5%; which is a nominal rate of return equal to the Manitoba Consumer Price Index plus 3.5%. This return will be calculated on the basis of a moving four year average and will be the annualized growth rate for the period.

Additional performance objectives for individual managers include:

- ◆ To achieve a peer ranking, based on investment performance, of second quartile or better on a four year annualized basis. Such peer ranking is to be done by an independent measuring service and should include existing management performance together with as large a comparative sample of peer investment performance as is currently available. Peer ranking will be done on the basis of the mandate provided to the manager. For example, if the manager was engaged as a balanced fund manager, then all peer rankings would be among other balanced fund managers. If the mandate was for international equities, the peer ranking would be among other international managers.

Specific objectives for specialty managers are further detailed in the Specialty Manager Mandates, as appended to this Statement.

Investment results will be monitored and reviewed on a quarterly basis but performance evaluations will be based on annual and four year moving average results.

C. ASSET MIX AND REBALANCING POLICY

The Board believes that a portfolio with the Policy Asset Mix can achieve the stated investment objectives over the long term. The Policy Asset Mix is the portfolio against which the actual performance of the Fund will be evaluated.

The asset mix of the Fund will be reviewed no less often than quarterly. Rebalancing will occur as soon as practicable if the weighting of any asset class either exceeds or falls short of its benchmark weight by more than 3%. Generally, rebalancing occurs when withdrawals are made from the Fund for corporate purposes. Funds are withdrawn from the asset class(es) that are overweight relative to the benchmark, to bring the actual weight of the asset class back to within a range of the benchmark weight plus 3% or minus 3%, as the case may be.

The tolerance of “3%” referred to in the preceding paragraph is replaced by a tolerance of “one-fifth of the benchmark weight” for any asset class whose benchmark weight is less than 15%. By way of example, the benchmark weight for fixed income is 30%. If the actual weight exceeds 33.5%, the weighting will be trimmed back to at most 33%; if the actual weight is less than 27%, the weighting will be built back up to a minimum of 27%.

Similarly, the benchmark weight for International equities is 6%. In this case, rebalancing will occur if the actual weight falls outside of a range whose lower end is 4.8% and whose upper end is 7.2% -- i.e., plus or minus one-fifth of the benchmark weight.

Rebalancing the asset mix of the Fund is delegated to the Chief Financial Officer as outlined in Appendix IV, Authority and Responsibility of the Chief Financial Officer.

Asset Class	Compliant Range		
	Minimum	Benchmark	Maximum
Equities			
Canadian	11.6%	14.5%	17.4%
U.S.	8.4%	10.5%	12.6%
International	4.8%	6.0%	7.2%
Emerging Markets	2.0%	2.5%	3.0%
Global SMID-Cap Equity	3.2%	4.0%	4.8%
Real Estate	10.0%	12.5%	15.0%
Fixed Income	27.0%	30.0%	33.0%
Mortgages	8.0%	10.0%	12.0%
Infrastructure	8.0%	10.0%	12.0%
Cash	0%	0%	3.0%

Convertible securities are considered to be equities for purposes of the asset mix ranges.

Rights, warrants and covered call options are permitted investments. No other category, or type of investment is allowed without the prior written approval of the Board.

In addition, the investments must be eligible investments as outlined in the Trustee Act of the Province of Manitoba.

D. DIVERSIFICATION GUIDELINES**i) Equities****Publicly Traded**

All investments in equities will be limited to publicly traded issues and in Canada will be limited to stocks traded on the Toronto Stock Exchange. Income trusts may be included in the Canadian equity portfolio at the discretion of the investment managers. In the U.S.A. all stocks will be limited to those listed on the New York Stock Exchange, the American Exchange and the National Association of Dealers Automated Quotation (NASDAQ). Non-North American stocks will be limited to those listed on a recognized exchange in each country represented.

No one holding should represent more than 8% of any individual investment manager's portfolio.

No one holding should represent more than 5% of the voting shares of any corporation.

Pooled funds

Notwithstanding the above guidelines, investments may be made either directly or by holding units of pooled funds. It is understood that a pooled fund has its own separate investment policy which would take precedence over the above guidelines. Furthermore, it is understood that the investment policy of the pooled fund may be amended from time to time by the underlying investment manager(s).

The contents of pooled funds shall be monitored for their degree of compliance with the expectations of this investment policy. In the event that the underlying pooled fund investment policy is in conflict with this policy, the Investment Committee shall decide what, if any, action is required and notify the investment manager(s) accordingly.

Private Placement Investments

No new private placement investments will be made although existing commitments will be funded. The Board of Directors may, in exceptional circumstances, provide additional accommodation or support to an existing private placement investment to protect the financial viability of the WCB's investment. Appendix II contains documentation requirements for ongoing management of the current private placement investments.

Exit strategies for private placement investments will vary depending on the type of investment (e.g. shares, units in limited partnerships) and the relative liquidity of each investment. In certain situations, the investment vehicle will have an explicitly stated wind-up date. The exit strategy should be known when the initial investment is made, and the progress toward achieving the exit reviewed regularly over the life of the investment. Documentation of the exit strategy for each investment, and the results of the regular reviews will form part of the files kept for each investment.

Compliance

Investment managers are to report quarterly regarding their compliance with these provisions. Should the manager be out of compliance, it is expected that an explanation as to why and what steps have been taken to correct compliance will be provided. This information will be reported to the Investment Committee.

ii) Bonds

Allowable Investments

Treasury bills, bonds or other evidence of indebtedness of or fully guaranteed by the Government/Government Agency of Canada, a Province or Municipality of Canada.

Term deposits, notes, bonds or other evidence of indebtedness issued by Canadian corporations or trusts.

Term deposits, notes, bonds or other evidence of indebtedness issued by non-Canadian governments, corporations or trusts.

Mortgage and asset back securities, collateralized mortgage obligations, collateralized debt obligations, collateralized loan obligations and leverage loans.

Real return bonds.

Diversification and Credit Quality Limits

Universe Portfolio

Canadian Issuers

The minimum quality standard for individual bonds and debentures at the time of purchase, including those issued through offering memoranda, is "BBB", as rated by either Standard & Poor's or the Dominion Bond Rating Service. However, bonds with a "BBB" rating are limited to a maximum of 15% of the bond portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of "A" or higher by the same agencies.

In the event that an instrument purchased with an appropriate rating is downgraded to a rating below "BBB", the investment manager must notify the Investment Department of the downgrade immediately with a recommendation on appropriate action. The Investment Department will, in turn, report any downgrades to the Investment Committee.

Canadian bonds denominated in foreign currencies (foreign pay bonds) are permissible to a maximum of 20% of the bond portfolio.

Corporate debt obligations will not exceed 50% of the bond portfolio. No individual corporate issuer will exceed 10% of the bond portfolio.

Private placement bonds and debentures are not permitted unless widely distributed and rated by at least one agency.

Derivative bond investments will not exceed 10% of the bond portfolio. Acceptable counterparties with respect to derivative products will be limited to Canadian Chartered Banks.

Non-Canadian Issuers

Canadian dollar denominated securities of non-Canadian issuers (“Maple” bonds) will be limited to 15% of the bond portfolio, and must be rated “A” or higher by Standard & Poor’s or the Dominion Bond Rating Service.

All other foreign bonds require Investment Committee approval prior to purchase.

Core Plus Portfolio

Issuers

The single issuer limit (excluding the Government of Canada) will be to a maximum of 10% of portfolio market value.

In aggregate, non-Canadian dollar denominated securities should not exceed 25% of the total market value.

In aggregate, corporate issues shall not exceed 80% of the portfolio market value.

In aggregate, the average credit quality of the portfolio must be at least BBB- (or equivalent).

Securities rated below BBB (or equivalent), shall not exceed 25% of the total market value.

Securities rated below B (or equivalent), shall not exceed 10% of the total market value.

Securities rated below C are strictly prohibited.

Currency and Risk Management

Investments in non-Canadian dollar securities will normally be hedged using futures, options, swaps and/or swaptions.

The maximum net exposure to non-Canadian currency shall be 10%.

Other derivative strategies may be used to modify interest rate and credit sensitivities. Derivative use for any purpose other than currency hedging shall be limited to 15% of total portfolio market value.

The average duration of the portfolio will normally be maintained in a range of +50% of the duration of the FTSE TMX Canadian Universe Bond Index.

Pooled funds

Notwithstanding the above guidelines, investments may be made either directly or by holding units of pooled funds. It is understood that a pooled fund has its own separate investment policy which would take precedence over the above guidelines. Furthermore, it is understood that the investment policy of the pooled fund may be amended from time to time by the underlying investment manager(s).

The contents of pooled funds shall be monitored for their degree of compliance with the expectations of this investment policy. In the event that the underlying pooled fund investment policy is in conflict with this policy, the IC shall decide what, if any, action is required and notify the investment manager(s) accordingly.

Compliance

Investment managers are to report quarterly regarding their compliance with these provisions. Should the manager be out of compliance, it is expected that an explanation as to why and what steps have been taken to correct compliance will be provided. This information will be reported to the Investment Committee.

iii) Mortgages

Mortgage investments must be made with the intention of providing a stable income base within a measurable level of investment risk. The most important method used to reduce the level of risk without reducing the rate of return is the adherence to sound credit-granting policies and procedures as well as the prudent diversification of mortgage investments.

Mortgage Diversification by Property Type

	<u>Maximum Single Loan</u> (\$millions)	<u>Maximum %</u> <u>of Mortgage Portfolio</u>
Insured Loans	5	25
Uninsured Loans		
Residential	5	60
Office	5	30
Retail	5	30
Industrial	5	30
Other	2	20

Mortgage Diversification by Region

Prudent management would suggest a broadly diversified exposure in mortgage investments across Canada. The nature of the market limits this capability somewhat since the source of institutional product tends to be centralized in the more populated provinces and in the larger urban centers.

<u>Region</u>	<u>Maximum % Invested</u>	
	<u>Total Mortgages</u> (including Insured)	<u>Conventional</u> (excluding Insured)
Ontario	60	50
B.C.	35	30
Quebec	35	30
Prairies	35	30
Atlantic Canada	35	30
Territories	20	5

Pooled funds

Notwithstanding the above guidelines, investments may be made either directly or by holding units of pooled funds. It is understood that a pooled fund has its own separate investment policy which would take precedence over the above guidelines. Furthermore, it is understood that the investment policy of the pooled fund may be amended from time to time by the underlying investment manager(s).

The contents of pooled funds shall be monitored for their degree of compliance with the expectations of this investment policy. In the event that the underlying pooled fund investment policy is in conflict with this policy, the Investment Committee shall decide what, if any, action is required and notify the investment manager(s) accordingly.

Compliance

Investment managers are to report quarterly regarding their compliance with these provisions. Should the manager be out of compliance it is expected that an explanation as to why and what steps have been taken to correct compliance will be provided. This information will be reported to the Investment Committee.

iv) Real Estate

Real estate investments include, in addition to direct ownership of real property, any investment in a bond where the underlying asset and revenue stream is directly tied to the

income from real estate or any indirect investment in real property through a real estate fund or through a real estate corporation.

The real estate investment policy specifically excludes as an investment type single family residential. Asset types within policy include: office, retail, industrial, multi-family residential, hotel, mixed use and risk managed land development projects.

No individual purchase will exceed 15% of the policy allocation to the real estate portfolio. The market value of any individual property should not be greater than 15% of the market value of the total real estate portfolio. The real estate portfolio may include cash or short term investments.

Real estate can be purchased utilising third party mortgages secured by the purchased property. The use of mortgage debt by a pension or investment fund is primarily to enhance yield. If mortgage rates are less than the income yield from the property the return on equity can be enhanced by the use of a mortgage. In the event mortgage rates exceed the property income yield the mortgage can be repaid to avoid a reduction in yield. Mortgage amounts should not exceed 75% of the value of individual properties. Mortgages should not exceed 40% of the gross value of the real estate portfolio.

Where leverage is used in a real estate investment, only the equity portion of the transaction will be included in the calculation of the total real estate portfolio. For example, if a property is purchased for \$5.0 million and a mortgage of \$3.0 million is registered against the property, the real estate portfolio is increased by \$2.0 million. Both gross and net values will be reported on those assets encumbered by a mortgage.

Diversification of Property Type and Location

The following guidelines are to be used for the distribution of real estate by property type and by location.

1) Property Type

Type	Maximum
Office	40 %
Retail	40 %
Industrial	40%
Multi-family residential	40%
Other	20 %

2) Property Location

Location	Maximum
Western Canada (MB/SK/AB/BC)	55 %
Eastern Canada (ON/PQ/Atlantic)	70 %
United States	15 %

Pooled Funds

Notwithstanding the above guidelines, investments may be made either directly or by holding units of pooled funds. It is understood that a pooled fund has its own separate investment policy which would take precedence over the above guidelines. Furthermore, it is understood that the investment policy of the pooled funds may be amended from time to time by the underlying investment manager(s).

The contexts of pooled funds shall be monitored for their degree of compliance with the expectations of this investment policy. In the event that the underlying pooled fund investment policy is in conflict with this policy, the IC shall decide what, if any, action is required and notify the investment manager(s) accordingly.

Compliance

Investment managers are to report quarterly regarding their compliance with these provisions. Should the manager be out of compliance it is expected that an explanation as to why and what steps have been taken to correct compliance will be provided. This information will be reported to the Investment Committee.

v) Infrastructure

Infrastructure investments are investments in large-scale services or business in sectors including transportation, utilities, telecommunications and social infrastructure. These investments are often supported by regulation or long-term contracts with lower risk counterparties such as governments or government agencies.

Investments in infrastructure will generally be made by utilizing investment vehicles such as unlisted pooled funds or limited partnerships. It is understood that a pooled investment vehicle has its own separate investment policy.

vi) Short-Term Investments

Short-term investments, for the purpose of this statement, are defined as securities purchased with a maturity of one year or less. The minimum quality standard for individual short-term investments at the time of purchase is a rating of A-1 by Standard and Poor's or R-1 by the Dominion Bond Rating Service.

vii) Exceptions

When applying the diversification policies, it is recognized that there may be occasions during which the policies are not met temporarily for valid investment reasons. It is the responsibility of the Chief Financial Officer to report any such violations to the Investment Committee so that the Committee may recommend appropriate remedies.

E. SECURITIES LENDING

The securities of the Fund may be loaned by the custodian provided that:

- ◆ The loans are secured by cash or high quality readily marketable investments having a market value of at least 105% of the market value of the securities loaned.
- ◆ The loans are marked to market daily to ensure the collateral continues to have a market value of at least 105% of the market value of the loaned assets.

Compensation earned for securities lending is a normal part of custodial arrangements, as a cost offset for many funds, and is an opportunity to be pursued under this section of the policy with the above provisos.

F. CONFLICT OF INTEREST

i) Fiduciary Responsibilities

This standard applies to the members of the Board of Directors and the Investment Committee, as well as to all agents employed by the Workers Compensation Board or the Committee, in the execution of their fiduciary responsibilities.

An Agent is defined to mean a company, organization, association, or individual, as well as its employees, retained by the WCB to provide specific services with respect to the administration and management of the Fund.

Investment managers must have an appropriate policy regarding conflicts of interest. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute will apply to the manager. Confirmation of compliance should be provided annually.

An investment manager is indemnified by the WCB provided the required standard of care is met; if not, the manager is not protected against liability and must have its own insurance coverage in place. Evidence of this insurance coverage is to be provided to the WCB on request.

ii) Disclosure

In the execution of their duties, the Board, the Committee and their agents shall disclose any conflict of interest relating to any material ownership of securities, which could impair their ability to render unbiased decisions, as it relates to the administration of the Fund.

Further, it is expected that no Board or Committee member or Agent, shall make any personal financial gain (direct or indirect) because of their fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Board of Directors.

It is incumbent on any party affected by this Statement who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to notify the Chairperson of the Board. Disclosure should be made promptly after the affected person becomes aware of the conflict. The Chairperson, in turn, 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 of Directors.

No affected person who has or is required to make a disclosure as contemplated in this Statement shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

No affected person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from an individual with whom the person deals in the course of performance of his or her duties and responsibilities for the Fund.

G. VOTING RIGHTS

The exercising of voting rights of securities held by the Fund will be directed by the Committee, but will normally be delegated to investment managers. It is expected that votes will be cast in a manner that is consistent with the best economic interests of company shareholders over the long term.

H. ANNUAL REVIEW

This policy is open to review at any time but must be reviewed annually.

APPENDIX I

Funding of WCB Liabilities

The funding of each type of liability will be different and is a function of the nature of that liability.

Future payments related to the pension liability are relatively predictable and are either not indexed or are indexed to the Consumer Price Index. The portion of these payments that are not indexed would be best matched with fixed income securities (domestic or foreign). The indexed portion of these payments would be best matched with domestic real return bonds. As an alternative to real return bonds for the long term indexed portion of this liability, the best asset match would be equity in the form of either: common stocks (domestic or international), real estate or private equity holdings. The shorter term portion of this liability would be best matched with short to intermediate term fixed income (as an alternative to real return bonds).

Future payments related to the pensions and impairments not yet awarded are not as predictable as payments on existing pensions and therefore are less able to be matched with fixed income securities. The best asset match for this type of liability is equity in the form of either: common stocks (domestic or international), real estate or private equity holdings.

Future payments related to the healthcare liability and the wage loss and related liabilities can be segregated into short term and long term payments. The long term portion of these liabilities is much less predictable than the short term portion of them, or the longer term portion of the pension liability. The best asset match for the long term portion of this liability would be equity in the form of either: common stocks (domestic or international), real estate or private equity holdings. The short term portion of this liability would be best matched with short to intermediate term fixed income (as an alternative to real return bonds).

In practice, the current benefit payments are primarily covered by the cash flow from assessment revenue. It is expected that a portion of the investment portfolio may be needed to cover some of the current benefit payments. Consideration should be given to this in establishing the shorter term portion of the investment portfolio.

APPENDIX II

Private Placement Records

The following information should be maintained in the private placement files:

Summary of the investment:

- Issuer
- Description of investment including type of investment and term of investment
- Other investors
- Total size of investment
- WCB commitment amount
- Closing amount
- Closing date
- Date of approval by WCB Investment Committee
- Due diligence
- Advisory committee member, if any

Original Offering Documents

Financial Statements

- Audited annual financial statements
- Interim financial statements as required in agreements

Investment Managers Reports

- Regular portfolio reporting including valuations where appropriate
- Reports on special situations
- Minutes of investor meetings

Correspondence

APPENDIX III

Authority and Responsibility of the Chief Financial Officer

The Board of Directors of the Workers Compensation Board of Manitoba (the "Board") delegates the responsibility and signing authority to the Chief Financial Officer for four main functions:

1. Investment Policy and Objectives

- a) Recommend any changes in the SIP&O and targets identified for investment managers.
- b) Develop and present to Committee recommended Policy changes.
- c) Conduct annual review of Policy to ensure Fund compliance.
- d) Recommend new asset classes to Committee with supporting rationale.

2. Investment Management

- a) Monitor investment activity and performance of investment managers.
- b) Rebalance asset classes in the event they exceed policy guidelines.
- c) Ensure that appropriate measurement services are provided to evaluate management performance.
- d) Identify managers who do not meet their investment targets and determine the reason for under-performance.
- e) Provide instruction to and seek advice from the investment consultant.
- f) Recommend investment manager changes to Committee and oversee manager selection process.
- g) To the extent that internal investment expertise is available, provide investment manager services for asset classes approved by Committee.

3. Fund Administration

- a) Develop annual cash flow forecast on a monthly basis.
- b) Allocate available cash to investment managers based upon current policy asset mix.
- c) Allocate cash withdrawals from the Fund to asset classes and investment managers based on portfolio rebalancing requirements.
- d) Invest available cash in short-term instruments.
- e) Supervise custodial services and ensure all reporting is timely and accurate.
- f) Develop an annual operating budget incorporating investment income and all expenses associated with operating the Fund. All budgets are to be reviewed by the Finance Committee and approved by the Board of Directors.
- g) Manage investment and support staff associated with the Fund.

4. Implement Decisions

- a) Execute various transactions and legal documents necessary to carry out Board decisions.

The Chief Financial Officer has authority to delegate duties to Investment Department staff where warranted and appropriate.

These authorities are superseded by any formal delegated authority or signing authority specifically outlined by the Board.

B. REFERENCES

The Workers Compensation Act, Sections 51.1(1) – (5), 51.1(8), 73(1), 94(2), 97(1), 97(3)
The Trustee Act

History:

1. Prior to 2006 the Statement of Investment Policies and Objectives (SIP&O) was approved and amended from time to time by the Investment Committee. The first SIP &O was approved April, 1994.
2. The Board of Directors approved the SIP&O at the January, 2006 meeting.
3. Policy 32.00 *Statement of Investment Policies and Objectives* approved by the Board of Directors at their February 27, 2007 meeting by Board Order No. 06/07, effective January 31, 2007.
4. Policy 32.00 updated by Board Order No. 02/08 on January 31, 2008 effective January 31, 2008 to raise the upper limit on real estate transactions the Administration can enter into to \$10 million allowing a variance of up to +/- 5% of the value of the real estate transaction, to change the diversification guidelines to permit real estate transactions in the U.S. and to permit the IFC in exceptional circumstances to provide additional accommodation or support to an existing private placement.
5. At the March 14, 2008 Board of Directors meeting by Board Order 12/08 effective March 14, 2008 a clause was added to Section E (iv) of the Statement of Investment Policies and Objectives that permits the Board of Directors to grant exceptions to the mortgage limit on individual properties.
6. Policy 32.00 updated by Board Order No. 49/08 on December 22, 2008 effective January 1, 2009. The changes were to Section B Investment Objectives to change the characteristics of the Policy Asset Mix as well as a change on Page 9 to delete reference to the IFC assigning a rating to unrated bonds prior to purchase (ii Bonds – Canadian Insurers) and on Page 24, last paragraph to delete “in Finance” when referring to the Investment Analyst.
7. Policy 32.00 updated to correct effective date.
8. Policy 32.00 updated by Board Order No. 11/10 on April 28, 2010 effective May 1, 2010. The changes to the policy include updating the asset mix allocation, adding an additional performance objective for the fund (page 6), changes to the table on page 7 to show the rebalancing ranges for each asset class in the Policy Asset Mix and deleting the requirement that an investment manager must immediately sell a bond that had been downgraded twice below BBB.

9. Policy 32.00 updated by Board Order 44/10 on December 16, 2010 effective January 1, 2011. The changes on page 9 clarify diversification constraints for the bond portfolio.
10. Policy 32.00 amended by Board Order No. 32/11 on December 16, 2011 effective January 1, 2012. Changes to the policy include: return expectations are updated to reflect current market conditions; changes to the restrictions on bonds and debentures issued through offering memoranda; the use of third party mortgages to enhance the yield of real estate assets to be limited to those secured by the purchased property and a change to the development section to differentiate between building development and land development.
11. Policy 32.00 amended by Board Order No. 35/12 on December 18, 2012 effective January 1, 2013. Changes to the policy include: referencing the Board of Directors as the governing body for investments rather than the Investment and Finance Committee; references to Chief Investment Officer were changed to the Chief Financial Officer to reflect the current organizational structure; Two sections relating to WCB liabilities (Characteristics of the Liabilities and Funding of the Liabilities) have been updated based on the Chief Actuary's review; and the return expectations for the current Policy Asset Mix were updated to reflect current market conditions.
12. Policy 32.00 updated by Board Order 21/13 on October 3, 2013 effective October 1, 2013. Changes to the policy include: the addition to the Policy Asset Mix of a 10% allocation to Infrastructure and the corresponding reductions to the Policy Asset Mix allocations to bonds and equities to fund the new asset class. The change in Policy Asset Mix requires adjustments to the compliant ranges for the affected asset classes.
13. Policy 32.00 updated by Board Order 38/13 on December 19, 2013 effective January 1, 2014. Changes to the policy include the addition of a governance section to formalize key governance roles and responsibilities, updating of the administrative guidelines to reflect current practice on monitoring, terminating and hiring external investment managers and the updating of the Policy Asset Mix characteristics.
14. Policy 32.00 confirmed by Board Order 46/14 on December 18, 2014 effective January 1, 2015.
15. Policy 32.00 was approved by Board Order No. 15/15 on March 19, 2015 effective April 1, 2015. The changes to the policy include the addition of diversification constraints for a Core Plus Bond portfolio.
16. Policy 32.00 was updated by Board Order 58/15 on December 17, 2015 effective January 1, 2016. Revisions to the policy include the addition of a small and mid cap equities allotment to the Policy Asset Mix, changes to the characteristics of the Policy Asset Mix, Real Estate Management and the addition to the equities section a "Pooled Funds" section.
17. Policy 32.00 was updated by Board Order 45/16 on December 20, 2016 effective January 1, 2017. Revisions to the policy include a revision to investment beliefs, changes to the characteristics of the Policy Asset Mix, the addition of a value added performance target, and commentary on infrastructure assets.
18. Policy 32.00 was updated by Board Order 35/17 on December 19, 2017, effective December 19, 2017. Revisions to the policy included Mortgage Portfolio maximums and a pooled fund section pertaining to commercial mortgages.
19. Policy 32.00 was amended by Board Order 09/18 on March 22, 2018, effective March 22, 2018. Revisions to the policy include updates to assumptions for policy performance and objectives, amendments to Policy Asset mix to include allowable allocations to cash and the Real Estate section.