Statement of Investment Policies and Procedures

for the

Trust Fund Created Under

The Carleton University Retirement Plan

Prepared pursuant to
The Pension Benefits Act of Ontario

Registration Number 0526616

January 1, 2010

Table of Contents

Page

Section 1 - Purpose

1.1 Carleton University (the "University") provides pension benefits to its employees through the Carleton University Retirement Plan (the "Plan"). The primary goal of the Plan is to assist Plan beneficiaries in providing for a financially secure retirement income at a reasonable cost. The prudent and effective management of the Trust Fund (the "Fund"), as described in Section 13 of the Plan, will have a direct impact on the achievement of this goal.

1.2 This statement of investment policies and procedures (the "Statement") addresses the manner in which the Fund shall be invested to achieve the primary goal of the Plan. The University has prepared the Statement to ensure continued prudent and effective management of the Fund so that there will be sufficient amounts to meet the obligations of the Plan as they come due. The Statement also defines the management structure and other procedures adopted for the ongoing operation of the Fund.

1.3 This statement has been prepared in accordance with all relevant legislation relating to the investment of registered pension plans assets. Investments shall be selected in accordance with the criteria and limitations set forth herein and in accordance with applicable legislation.

Section 2 – Fund Governance

2.1 Section 15 of the Retirement Plan states that the Plan will be administered by the University. Section 15 also describes the composition and role of the Pension Committee (the "Committee"). From an investment standpoint, the Committee is responsible for reviewing the performance of the Fund, and for the preparation of recommendations to the Board of Governors (the "Board") of the University as to the appointment of the investment managers (the "Managers").

2.2 This Statement has been adopted by the Board, effective January 1, 2001, on the recommendation of the Committee. Subsequent amendments have also been adopted by the Board.

2.3 The Board, the Committee, the Managers, and any agent or adviser providing services in connection with the investment of the Fund accepts and adheres to this Statement.

2.4 This Statement provides broad investment guidelines for the management of the Fund. The management of the assets of the Fund is delegated to professional investment managers.

2.5 The mandate of each Manager appointed shall be determined by the Committee, subject to approval by the Board.

Section 3 – Plan Overview

3.1 The Plan is fundamentally a money purchase plan, with contributions of 4.37% of pensionable earnings up to the Year's Maximum Pensionable Earnings (YMPE) plus 6% of pensionable earnings above the YMPE being made by each active member. The University makes contributions of 4.62% of pensionable earnings up to the Year's Maximum Pensionable Earnings (YMPE) plus 6.25% of pensionable earnings above the YMPE. The University makes an additional annual contribution, based on actuarial requirements, and in accordance with relevant legislation.

This additional contribution is essentially used, as required, to ensure that an active member's pension on retirement is not less than that produced by a defined benefit formula.

3.2 An account is maintained for each active member and for each former member for whom a balance has been left in the Fund. This account is credited with relevant contributions as well as a proportionate share of the Fund's investment return. Money Purchase Pensions are based on the amount in a member's account. Active members and these former members therefore have a direct interest in the Fund's return.

3,3 For pensioners, annual member pension benefits, including lifetime and bridge benefits, are adjusted by a percentage equal to the four-year arithmetic average investment return earned by the fund minus 6%. So that annual adjustments are reasonably smooth, a four-year moving average of the Fund's return is used in the formula and there is a non-reduction provision. Pensioners therefore have a direct interest in the Fund's return.

3.4 As the Sponsor of the Plan, the University always has an interest in the success of the Plan, and therefore in the Fund's return.

3.5 In developing the Statement, the Committee has considered factors such as the following:

- the nature of the Plan's liabilities;
- the allocation of such liabilities between active members and retired members;
- the funded and solvency positions of the Plan;
- the net cash flow position of the Plan;
- the investment horizon of the Plan;
- expected risk tolerance of the University and Plan beneficiaries,
- historical and expected capital market returns and volatilities; and
- the benefits of investment diversification.

Section 4 – Investment Objectives and Mandates

Investment Objectives

4.1 The Committee shall manage the Fund on a going concern basis, with the primary objective of providing reasonable rates of return, consistent with available market opportunities, a quality standard of investment, and commensurate with the University's risk tolerance level.

4.2 As the result of analyzing the relevant investment-related features of the Plan's design, the Committee has identified the fundamental risk policy issue as follows:

- To identify the best way of achieving an acceptable degree of opportunity for high long-term returns, subject to the following constraints:
  - safeguarding the University's contribution rate;
  - maintaining reasonable stability in pensioners' annual increases;
  - acceptably protecting the money purchase balances of active members nearing retirement.

4.3 After studying several different approaches, the Committee has noted that there is invariably a conflict between increased long-term investment opportunity and increased short-term safety.

4.4 The Committee expects the Benchmark Portfolio (as outlined in Section 4.5) to earn a 4.5% long-term real return, after investment management fees, over the long term (10 years or more). In any one year, however, the annual real return may be significantly above or below 4.5%.

Benchmark Portfolio

4.5 The Committee believes that a portfolio (the "Benchmark Portfolio") invested in the following asset mix (based on market value) can, over the long term, achieve the stated investment objectives:

Asset Class	Benchmark Index	Benchmark Portfolio (%)
Cash and Short-Term(1)	DEX (SCM) 91-Day T-Bill	0.0
Fixed Income(2)	DEX Universe	25.0
Canadian Equities	S&P/TSX Capped Composite Index	30.0
High-Yield Debt	Merrill Lynch US High Yield Constrained Index	5.0
Global Infrastructure	CPI + 5.0%	5.0
Non-Canadian Equities(3)	Morgan Stanley Capital International (MSCI) World Index	35.0
Total		100.0

(1) Excludes temporary cash holdings arising from portfolio adjustments.

(2) Cash used as part of a bond duration strategy shall be deemed to be bonds for asset mix purposes

(3) The Fund must at all times comply with the foreign property limit of the Income Tax Act of Canada.

Where cash and short-term investments are held as part of a derivatives strategy to gain foreign property exposure, then, for the purpose of the Fund's asset mix, such investments shall be deemed not to be cash and short-term investments, but rather investments of the asset class to which the derivatives relate.

Since the Fund will be actively managed, and since asset classes provide different returns, the actual asset mix at any time may deviate from the above. Section 5 defines the limits for such deviations.

Rate of Return Objectives

4.6 The Committee expects the total annualised returns of the Fund to exceed by 1.00% the returns that could have been earned by passively managing the Benchmark Portfolio, assuming quarterly rebalancing of the Benchmark Portfolio. For the purpose of measuring rates of return of the Fund, all returns shall be measured before investment management fees, but after transaction costs, and over rolling four-year periods. All index returns shall be total returns. All foreign index returns shall be Canadian dollar returns.

To achieve its rate of return objectives, the Committee shall recommend the appointment of Managers. The Managers will be assigned such mandates and performance targets as the Committee deems to be in the best interests of the Fund. The Committee shall monitor the Managers both qualitatively and quantitatively.

Section 5 – Asset Mix and Rebalancing Policies

Asset Mix Policy

5.1 The market values of the individual asset class components of the Fund shall be within the following minimum and maximum aggregate investment limits:

Asset Class	Minimum (%)	Benchmark (%)	Maximum (%)
Cash and Short-Term	0.0	0.0	5.0
Fixed Income	15.0	25.0	35.0
High Yield Debt	2.0	5.0	8.0
Global Infrastructure	2.0	5.0	8.0
Equities			
Canadian Equities	20.0	30.0	40.0
Non-Canadian Equities	25.0	35.0	45.0
Total Equities	45.0	65.0	85.0

5.2 Notwithstanding the asset mix ranges shown above, the Committee may authorise temporary asset mix positions outside those ranges to accommodate a Fund restructuring, a Manager restructuring, or a Manager request submitted in writing and providing the rationale for the request.

Rebalancing Policy

5.3 The Committee believes, for the reasons set out below, that it is in the best interests of the Fund to control asset mix deviations:

- The Committee has adopted the Benchmark Portfolio and ranges based on its match with the liabilities of the Plan and on the acceptability to the Committee of its risk/return trade-offs. Significant asset mix deviations from the Benchmark Portfolio would fr the Committee's purposes, be sub-optimal.

- The Committee has established the investment manager structure to achieve goals of diversification and efficiency.

5.4 Therefore, the Committee may, from time to time and in its absolute discretion, rebalance the actual asset mix back to the Benchmark Portfolio so as to align the two more closely. Between rebalancing events, cash flow will be used to rebalance towards the asset mix of the Benchmark Portfolio.

Section 6 - Permitted Investments and Constraints

Permitted Investments and Constraints by Asset Class

6.1 The following investments may be made either directly, through pooled or mutual funds, private investment funds or through insurance contracts. The list of permitted investments and constraints outlined below apply to all relevant mandates. Additional constraints may be imposed by the Committee on certain mandates. Such additional constraints shall be documented in a separate manager mandate.

A. Cash

Permitted Investments

Cash on hand, demand deposits, treasury bills, short-term notes and bankers' acceptances, term deposits, commercial paper and guaranteed investment certificates having a term of less than or equal to one year.

Investment Constraints

All cash investments shall have a minimum rating of R1 by the Dominion Bond Rating Service (DBRS) or equivalent.

B. Fixed Income

The provisions of this section do not apply to high-yield debt mandates. Permitted investments and constraints for high-yield debt mandates are outlined in Section 6.1.E of this document.

Permitted Investments

Bonds, debentures, or other debt instruments of corporations, Governments, Government agencies, or guaranteed by Governments, mortgage-backed securities, mortgages, preferred shares, and bonds where capital, interest, or both are linked to increases in the cost-of-living (i.e., real return bonds).

Investment Constraints

The investment constraints below apply to the total fixed income portion of the Fund and each Manager's fixed income portfolio.

1. Not more than 5% of the market value of fixed income securities shall be invested in any one non-government entity.

2. The bond portfolio may be invested to a maximum market value of:
   - 100% in Federal government bonds and guaranteed Federal agency bonds;
   - 60% in provincial bonds and guaranteed provincial agency bonds, subject to a single province a maximum of 15% for provinces rated AA or better and 10% for provinces rated less than AA (Standard and Poor's, DBRS, or equivalent rating);
   - 10% in municipal bonds; and
   - 50% in corporate issues and other bonds.

3. Investments in bonds and debentures shall have a minimum rating of BBB by Standard and Poor's or DBRS, or an equivalent minimum rating. Not more than 10% of the market value of the fixed income portfolio shall be invested in BBB bonds or debentures. Where an investment in the portfolio is downgraded to below BBB, the Manager, in consultation with the Committee, shall use its best judgement to determine whether the BBB rating is likely to be restored within a reasonable period of time. If so, the Manager may retain the investment and shall keep the Committee informed of its rating. If not, the Manager shall take all reasonable steps to liquidate the investment in an orderly fashion with due regard to price and liquidity constraints, while keeping the Committee informed.

4. Any mortgages in the fixed income portfolio shall meet the following requirements:
   - shall only be first mortgages, shall not exceed 75% of the appraised value, and shall be in metropolitan areas;
   - no one mortgage shall exceed 2% of the total market value of the fixed income portfolio, and the total value of all mortgages shall not exceed 5% of the total book value of the Fund.

C. Equity

Permitted Investments

Common shares, American depository receipts, global depository receipts, rights, warrants, installment receipts, securities convertible into common shares, real estate, venture capital, and Canadian income trusts which provide provincially-legislated limited liability protection to the unitholder.

Investment Constraints – Canadian Equities

The investment constraints below apply to the total Canadian equity portion of the Fund and to each Manager's Canadian equity portfolio.

1. The market value of any single equity holding shall not exceed its weight in the S&P/TSX Capped Composite Index plus 5 percentage points.

2. The proportion of the market value of the Canadian equity portfolio invested in one sector of the S&P/TSX Capped Composite Index shall not exceed the sector's weighting in the S&P/TSX Capped Composite Index plus 10%.

3. Not more than 10% of the Canadian equity portfolio shall be invested in small cap stocks (i.e., market capitalization of less than $500 million).

4. Not more than 10% of the outstanding securities of any one company shall be purchased.

5. To achieve a reasonable level of diversification, there shall be at least 20 different Canadian equity holdings.

Investment Constraints - Foreign Equities

The investment constraints below apply to the total foreign equity portion of the Fund and to each Manager's foreign equity portfolio.

1. An investment in the shares of any single company shall not exceed 10% of the market value of all foreign equities held.
2. Not more than 10% of the outstanding securities of any one company shall be purchased.
3. Not more than 10% of the foreign equity portfolio shall be invested in small cap stocks (i.e., market capitalization of less than $1 billion).
4. To achieve a reasonable level of diversification, there shall be at least 20 different foreign equity holdings.

Investment Constraints – Real Estate and Venture Capital

The investment constraints below apply to the real estate and venture capital portion of the Fund.

1. Investments in real estate shall not exceed 5% of the market value of the Fund, and an investment in any one parcel of real estate shall not exceed 2% of the market value of the Fund.
2. Investments in venture capital shall not exceed 3% of the market value of the Fund, and an investment in any one venture shall not exceed 1% of the Fund.

D. Global Infrastructure

Infrastructure investments will be held through private long-term investment funds. The investment criteria for each fund (eg. type of assets, geographic and sector focus) are outlined in the respective Private Placement Memoranda and related documents such as side letters. The Committee will review the investment guidelines for each infrastructure fund prior to recommending approval to the Board.

E. High Yield Debt

Permitted Investments

Bonds, debentures or other debt instruments of corporations, Governments, Government agencies, or guaranteed by Governments, private placement securities classified as 144a debt securities, U.S. Treasury futures and options, currency forward or futures contracts, credit default swaps, common and preferred shares and warrants.

Constraints

The investment constraints below apply to the total high-yield debt portion of the Fund and each Manager's high-yield debt portfolio.

1. No more than 5% of the market value of high-yield debt securities shall be invested in any one non-government entity.

2. The maximum allocation to securities with ratings below B- or B3 Is the Index weight +5%. If a security is unrated, a comparable rating shall be determined by the Manager. In the event that a security within the Manager's portfolio is downgraded and causes the Manager's portfolio to exceed the limit, the Manager shall immediately notify the Committee in writing of this occurrence and recommend a course of action for approval by the Committee.

3. No more than 25% of the market value of high-yield debt securities shall be invested in any one industry.

4. No more than 2% of the market value of high-yield debt securities shall be invested in equity or equity-related securities.

5. Short sales of securities are not permitted.

6. Security purchases on margin are not permitted except for futures or other over-the-counter derivatives.

F. Derivatives

Permitted Investments

Options, futures and forward contracts on any securities allowable under the Statement, including index options and futures, index participation units, and equivalents.

Permitted Uses

1. Derivatives may only be used with the expressed written consent of the Committee. Any change in the use of derivatives by the Managers should be immediately reported to the Committee.

2. Derivatives may be used to hedge (i.e., reduce), fully or partly, any investment risk, including market, interest rate, credit, liquidity, and currency risk.

3. Derivatives may be used to replicate direct investments in the underlying assets or groups of assets (e.g., indexes) so as to achieve some advantage of lower cost, transactional ease, or market exposure.

Investment Constraints

1. Derivatives shall not be used to create leverage or for speculative purposes. The Fund shall at all times hold sufficient cash, cash equivalents, or synthetic cash equivalent securities in the amount which, together with the margin funds, shall not be less than the underlying market exposure of the derivatives.

2. The Managers shall be responsible for assessing all counterparty risk associated with derivative instruments, with regards to credit rating, and total exposure limits for each derivatives securities dealer and bank.

3. The minimum credit quality for the counterparty of any derivatives transaction shall be consistent with the credit quality requirements set out in the Statement.

4. The Managers shall implement internal procedures and controls in order to ensure that derivatives are used in compliance with the Statement at all times.

5. Derivatives shall be sold only for securities held in the Fund, and bought only when the Fund holds sufficient cash to make the required payment at maturity.

6. The net notional principal amounts outstanding of all derivatives investments, expressed in terms of the value of the underlying position, shall not exceed 10% of the market value of the Fund.

G. Currency

A passive currency hedge on 50% of the Funds' U.S. and Non-North American equity and infrastructure exposure will be used to manage currency risk. This hedging activity will be subject to the constraints outlined in Section 6.1.F above. Those managers whose mandate(s) permit hedging of the foreign exchange risk of the underlying foreign equity securities may do so directly into Canadian dollars, or into U.S. dollars and then back into Canadian dollars. Speculative currency management is not allowed.

Investments Requiring Prior Written Approval

6.2 The Managers shall not make investments in investment categories other than those explicitly permitted in the Statement, unless the Committee first consents in writing.

Other Constraints

6.3 The Fund shall not borrow funds to acquire securities or otherwise deal in margin trading.

6.4 All investments shall be made in accordance with the Code of Ethics and Standards of Practice of the CFA Institute.

Exceptions to Statement

6.5 If at any time an investment or group of investments does not conform with the limitations provided herein, the Manager, in consultation with the Committee, shall use its best judgement as to the action required to correct the situation. If it appears that the situation shall be corrected within a reasonably short period of time through cash flow into the Fund, the Manager - with the approval of the Committee - may elect not to liquidate the temporarily non-conforming investments.

6.6 The Committee may direct a Manager to deviate from the investment guidelines of the Statement with respect to a portion of the Fund. Such direction shall be in writing and shall specify the value of the assets to be invested and how those assets are to be invested. Unless instructed otherwise by the Committee in the written direction, each Manager shall invest the remaining portion of the Fund according to the normal investment

guidelines of the Statement as if the assets subject to the special instructions were not part of the Fund.

6.7 To the extent that the Committee invests all or part of the Fund in a Manager's pooled funds or private investment funds, the foregoing investment constraints, and any other provisions of the Statement that may be affected, shall not apply, but the Manager shall be governed by the Manager's own investment policy for the pooled funds or private investment funds. The Manager shall provide such policy to the Committee and shall inform the Committee when and how the guidelines of the pooled funds or private investment funds differ from the guidelines of the Statement.

Section 7 - Liquidity

7.1 It is expected that cash flow from contributions and regular income (i.e., interest, coupons and dividends) generated from securities held in the Fund will be sufficient to meet most or all of the required disbursements under the Plan.

7.2 Disposing of securities from time to time can make up any shortfall. Considering the type of investments held in the Fund and the relatively small anticipated shortfalls, it is not expected that the disposal of securities will have significant implications on the investment of the Fund.

7.3 The difference between cash flow/income and disbursements will be monitored by the Committee on an ongoing basis. Should the shortfall become sizeable in the future, the Committee will consider the options available to meet the Plan's liquidity requirements in order to avoid untimely disposal of securities, and instruct the Managers of any related modification to their mandates.

Section 8 - Conflict of Interest Policy

Conflict of Interest and Procedures on Disclosure

8.1 If a member of the Committee, or any agent of or advisor to the Committee, has any pecuniary interest, direct or indirect, in any matter in which the Fund is concerned, and is present at a meeting of the Committee at which the matter is considered, the person involved shall, as soon as practicable after the commencement of the meeting, disclose this interest and shall not take part in the discussion or vote on the matter. For purposes of this section 8(1), a member shall not be considered to have any such interest merely by virtue of being a member of the Plan.

8.2 Where such an interest has not been disclosed, because the person was absent from the meeting or acquired or became aware of the interest after the meeting, the person shall disclose the interest and otherwise comply with paragraph 1 above at the first meeting of

the Committee he or she attends after the meeting in question or after acquiring or becoming aware of the interest.

8.3 A policy identical to that enunciated in paragraphs 1 and 2 above shall govern the Board and their meetings as they relate to the Fund.

8.4 The Committee shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager recommended by it to the Board. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be deemed to apply to such Manager. Any investigation required by the Committee shall be carried out before the recommendation is made.

8.5 Every disclosure of interest under this Section 8 shall be recorded in the minutes of the relevant Committee meeting or Board meetings.

8.6 The failure of a person to comply with the procedures described in this Section 8 shall not of itself invalidate any decision, contract or other matter.

8.7 If after a decision has been made, it comes to the attention of the Committee that a member had or has had a conflict of interest, the Chair will appoint an “ad hoc” committee of the members, excluding the person with the alleged conflict, to review all the circumstances and to recommend to the Committee the action to be taken.

Related Party Transactions

8.8 For the purpose of this section, a “related party” in respect of the Plan has the meaning given to such term in Schedule III of the Pension Benefits Standards Regulations, 1985 (Canada).

8.9 The following related party transactions are permitted for the Plan:

- any transaction that is required for the operation or administration of the Plan, the terms and conditions of which are not less favourable to the Plan than market terms and conditions;

- any transaction the value of which is nominal (that is, less than 3% of the market value of the Fund) or which is immaterial to the Plan (that is, the terms and conditions of the transaction are not less favourable to the Plan than market terms and conditions); two or more transactions with the same related party shall be considered a single transaction; and
- any purchase of securities of a related party, provided that those securities are acquired at a public exchange recognized under the Pension Benefits Standards Act and Regulations, 1985 (Canada).

Section 9 - Delegation of Voting Rights

9.1 The Committee delegates to the Managers the responsibility of exercising all voting rights acquired through the Fund. The Managers shall exercise such voting rights with the intent of fulfilling the investment objectives and policies of the Statement and for the long-term benefit of the Fund.

9.2 The Managers shall provide their voting rights policies to the Committee. Each Manager shall prepare an annual report to the Committee outlining and explaining any departures from, or exceptions to, the policies, any issues where the Manager has voted against corporate management, and any other extraordinary matters.

9.3 The Committee retains the right to exercise acquired voting rights at any time by notifying the Managers.

Section 10 - Valuation of Investments Not Regularly Traded

10.1 It is expected that most of the securities held by the Fund will have an active market and that the values of such securities will be based on their market values.

10.2 Investments that are not regularly traded shall be valued at least annually by the Custodian in co-operation with each Manager. In making such valuations, considerations shall be given to bid and ask prices, previous transaction prices, discounted cash flow, independent appraisal values, the valuations of other comparable publicly-traded investments and other valuation techniques that are judged relevant to the specific situation.

10.3 For untraded investments on which the Custodian has not been provided with a valuation, the Manager shall report to the Committee within ten days after such time as the investment became untraded.

Section 11 - Securities Lending

11.1 The Fund may enter into securities lending agreements provided the loaned investments are secured by cash or readily marketable investments having a market value of at least 105% of the loan, and that level of security is maintained daily. Collateral provided with respect to any such securities lending agreements must have free and clear title and may not be subject to any right of set-off. For purposes of securities lending, acceptable collateral shall consist of the following:

- Obligations of or guaranteed by the respective governments of Canada or the United States, their respective agencies, or any Canadian province;
- Widely-traded debt instruments having a rating of at least single A (low) or the equivalent from a nationally recognized statistical rating organization ("NRSRO");
- Commercial paper rated at least R-1 (low) or the equivalent by a NRSRO;
- Acceptances of banks and trust and loan companies whose short-term deposits are rated at least R-1 (low) or the equivalent by a NRSRO;

- High quality common and preferred shares;
- Shares of an exchange-traded fund that trade on a major stock exchange, commonly known as Index Participation Units (when immediately convertible into the underlying securities);
- Unconditional, irrevocable letters of credit that comply with the standards of the International Chamber of Commerce and which are issued by banks and trust and loan companies whose short-term deposits are rated at least R-1 (low) or the equivalent by a NRSRO;
- Convertible preferred shares and convertible debt instruments (when immediately convertible into the underlying securities);
- Sovereign debt obligations of countries other than Canada or the United States who are members of the Organization for Economic Co-operation and Development (OECD); and
- Canadian Hydro Bonds guaranteed by the respective Provincial governments having a rating of single A (low) or the equivalent by a NRSRO.

Section 12 – Soft Dollar Policy

12.1 No Manager shall enter a soft-dollar arrangement for trades on behalf of the Fund for the payment of third party services without the prior written approval of the Committee.

12.2 In the event a Manager receives soft dollars, these monies shall be used for the benefit of the Plan and not for the benefit of the Manager's firm.

12.3 The Managers shall be governed by the Soft Dollar Policy of the CFA Institute.

Section 13 - Statement Review

The Committee shall review the Statement at least annually, taking into account whether any developments such as the following have occurred:

- governance changes;
- changing investment beliefs;
- changing risk tolerance;
- changes to benefits provided by the Plan;
- changes to the Plan's membership demographics and liability distribution;
- changes to the Plan's cash flow and surplus/deficit position;
- changed expectations for the long term risk/return trade-offs of the capital markets;
- new investment products;
- changes to legislation; and
- any practical issues that arise from the application of the Statement.

Appendix

Implementation Guidelines

for the

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Table of Contents

Page

Section 1 - Purpose

1.1 Carleton University (the "University") administers the Trust Fund (the "Fund") to pay benefits in accordance with the terms of the Carleton University Retirement Plan (the "Plan"). The Pension Committee (the "Committee"), acting through the Board of Governors (the "Board"), has prepared a statement of investment policies and procedures (the "Statement") pursuant to the requirements of The Pension Benefits Act of Ontario.

1.2 The Committee has prepared these guidelines (the "Guidelines") to support the Statement and direct its implementation.

Section 2 – Fund Governance

2.1 The University is the legal administrator of the Plan and is responsible for all matters relating to the administration of the Plan. The Board delegates tasks to the Committee, and through the Committee to various agents retained to assist it in carrying out its duties. The Board, however, retains overall responsibility for the Fund. The Board has allocated its responsibilities in respect of the Fund as set out below.

2.2 The Pension Committee

The Committee shall:

- establish the Statement for approval by the Board;
- review the Statement at least annually, and recommend confirmation or amendment to the Board as needed;
- recommend for the Board's approval one or more custodians (the "Custodian") to hold the assets of the Fund;
- establish the specific investment mandates and recommend for the Board's approval the investment managers (the "Managers") to manage the Fund in accordance with such mandates;
- recommend for the Board's approval one or more investment consultants (the "Consultants") to assist the Committee with its fiduciary duties in respect of the Fund;
- recommend for the Board's approval an actuary (the "Actuary") to review the financial status of the Fund at regular intervals and to perform such other duties as are required by legislation or deemed necessary by the Committee;
- recommend for the Board's approval an auditor (the "Auditor") to prepare audited financial statements of the Fund annually;
- evaluate, both quantitatively and qualitatively, each Manager's performance at least annually. The review shall include a comparison of the rates of return achieved relative to the objectives established, an analysis of the reasons for such return, and an assessment of the risk assumed in the pursuit of such returns;
- ensure that the Custodian's reports are prepared and reviewed by a designated body;
- review the audited financial statements of the Fund; and
- delegate tasks relating to the overall management of the Fund to selected agents or advisers retained by the Committee.

2.3 **The Managers**

The Managers shall:

- manage the short-term asset mix within the long-term guidelines of the Statement and Guidelines and select securities within each asset class, subject to all relevant legislation and the constraints and directives contained in the Statement and Guidelines and in any supplementary document provided by the Committee;
- meet with the Committee at least annually, or more often if the Committee so requests, to present their analysis of the investment performance and to describe their current and future investment strategies regarding their specific investment mandates;
- prepare written reports of investment performance results at least quarterly;
- submit certificates at least annually, or more often if the Committee so requests, attesting to their compliance with the Statement and Guidelines, and notify the Committee if at any time an investment or group of investments does not comply with the Statement and Guidelines;
- give prompt notice to the Custodian of all purchases and sales of securities;
- advise the Committee on an ongoing basis of any changes in the organization, personnel or investment process;
- permit a tour of their premises and a review of their internal control systems and procedures by the Committee at least once a year;
- identify provisions in the Statement and Guidelines that may need to be revised due to new investment strategies or changes in the capital markets; and
- be governed by the Code of Ethics and Standards of Professional Conduct of the CFA Institute.

2.4 **The Custodian**

The Custodian shall:

- perform the regular duties required of a custodian by law;
- perform the duties required of the Custodian pursuant to agreements entered into from time to time with the University;

- process the security transactions that result from the buy and sell orders placed by the Managers; and
- provide the Committee with monthly portfolio reports of the assets of the Fund and monthly reports of the transactions during the period, as well as any reports containing additional information agreed upon between the Committee or its agents and the Custodian.

2.5 **The Consultants**

The Consultants shall:

- at least annually, or more often if the Committee so requests, provide the Committee with the annualised time-weighted rates of return for the Fund, for each asset class component of the Fund, and for each Manager; and
- provide such other information and analysis as the Committee may from time to time as requested.

Section 3 - Investment Beliefs

3.1 The Committee has from time to time reviewed and confirmed its investment beliefs. Currently, the Committee believes:

- that equity investments will provide greater long-term returns than fixed income investments, although with greater short-term volatility;
- that it is prudent to diversify the Fund across the major asset classes;
- that a meaningful allocation to foreign equities increases portfolio diversification and thereby decreases portfolio risk while, at the same time, providing the potential for enhanced long-term returns;
- that investment managers with active mandates can add after-fee value mostly through security selection strategies and/or reduce portfolio risk below market risk, and that most of the Fund should be allocated to such managers;
- that investment managers with active balanced mandates can add incremental value through their short-term and mid-term asset allocation strategies and/or reduce portfolio risk below the risk of a portfolio with a static asset mix, and that a portion of the Fund should be allocated to such managers;
- that multiple investment managers are appropriate, given the size of the Fund, provided they offer asset class or style diversification;
- that the overall Fund should be rebalanced within prescribed limits to manage the risk of deviating too far away from the Benchmark Portfolio; and
- that it is prudent to manage currency risk on a non-speculative, non-leveraged manner to control the overall foreign currency exposure of the Fund.

This section is confidential.