Purpose of the Statement of Investment Policies and Procedures

The Statement of Investment Policies and Procedures (the “SIPP”) addresses the manner in which the OPSEU Pension Plan Trust Fund (the “Fund” or “OPTrust”) shall be invested. Investments must be selected and managed in accordance with the criteria and limitations established by this SIPP and applicable legislation, including the Ontario Public Service Employees’ Union Pension Act, 1994 (Ontario) (the “OPSEU Pension Act”), the Pension Benefits Act (Ontario) (the “PBA”) and the Income Tax Act (Canada) (the “ITA”).

Plan Description

The OPSEU Pension Plan (the “Plan”) and the Fund were established pursuant to a Sponsorship Agreement dated April 18, 1994 between the Ontario Public Service Employees’ Union (“OPSEU”) and the Province of Ontario (the “Province”), a Declaration of Trust between OPSEU, the Province and the Trustees dated October 25, 1994 and the OPSEU Pension Act.

The Plan is a jointly-sponsored pension plan (“JSPP”) as defined in the PBA and is subject to the rules for JSPPs under the PBA. Under these rules, members and employers contribute equally to the Plan and share in the Plan governance. OPSEU and the Province are equally represented on the Board of Trustees (the “Board”) with five members each and share equal responsibility for funding decisions. The Board and our employees are collectively referred to in this SIPP as OPTrust.

The Plan has over 100,000 members and retirees and consists of two schedules of benefits. The Plan’s primary schedule provides pension benefits for employees of the Province in bargaining units represented by OPSEU and certain other bargaining units and employers. The second schedule of benefits, known as OPTrust Select, was launched on April 19, 2018 to provide pension benefits for employees of participating employers in the broader public and non-profit sectors. OPTrust Select members and employers make lower contributions and members receive a more modest benefit than under the primary schedule.

The Plan’s mandate is to responsibly manage our investment portfolio to ensure our current and future beneficiaries have security in retirement.

Investment Governance

The Board retains overall responsibility for the administration and investment of the Fund. In that capacity, it approves the SIPP and monitors compliance with the SIPP.

The Board has delegated the day-to-day administration and investment of the Fund to the Plan Manager, President & Chief Executive
Officer (the “CEO”), including determining the asset mix within the broad ranges set out in this SIPP.

The CEO has delegated responsibility for various aspects of the administration and investment of the Fund to the Chief Investment Officer (the “CIO”), the Chief Risk Officer and Senior Vice President, Actuarial Services and Plan Policy (the “CRO”), the Chief Financial Officer (the “CFO”) and the Senior Vice President, General Counsel (the “SVPGC”), who provide such reporting to the CEO as the CEO requires in order to appropriately supervise and monitor OPTrust’s investment activities.

The CEO or his or her delegate provides the Board with such reporting as the Board requires to fulfill its strategic oversight and monitoring roles.

**Prudent Person Approach to Investing**

OPTrust is subject to a prudent person standard of care under the PBA. OPTrust understands that prudence in investing is to be assessed mainly by the process through which investment strategies are developed, adopted, implemented and monitored in light of the purposes for which the funds are held. OPTrust further understands that in today’s complex financial environment, prudence requires investment decision-making to be carried out by investment professionals and that the investment professionals require the ability to respond quickly to rapidly changing and novel circumstances, subject always to the strategic direction and oversight of the Board.

OPTrust believes that its core duty is to meet its pension promise to its members and therefore the primary purpose of its investment power is to earn sufficient real returns over the long-term to ensure the Plan remains fully funded, while striving to keep the benefit level and contribution rate stable. In OPTrust’s view, a member-driven approach which focuses on liabilities is consistent with the modern understanding of the prudent person rule, which accepts that pension fiduciaries are not required to maximize returns in the short-term, but to weigh returns against risks, including the long-term risks of paying benefits to members far into the future. The weighing of risks is a question of broad judgment and must be judged at the time of the decision, not in hindsight.

Since prudence is measured principally by the process through which investment decisions are made, OPTrust (i) is committed to establishing a strong governance system that clearly allocates responsibility between the Board and management, (ii) utilizes the expertise of OPTrust’s investment professionals in setting the investment strategy within the parameters established by the Board, (iii) includes a robust reporting system on matters delegated by the Board to management through the delegation to the CEO, (iv) engages in deliberate decision-making based on proper consideration of adequate information, and (v) ensures that the reasons for decisions and the circumstances that were considered are documented.

**Compliance with Regulatory Requirements**

This SIPP is prepared in accordance with sections 78 and 79 of Regulation 909 under the PBA (the “PBA Regulations”). The SIPP must satisfy the prescribed requirements and the Fund must be invested in accordance with the SIPP. The CIO has overall responsibility for monitoring investments to ensure compliance with the SIPP. The CRO is responsible for
ensuring that the SIPP is filed with the Chief Executive Officer of Financial Services Regulatory Authority of Ontario ("FSRA") within the prescribed timeframes.

The investment of the Fund must also comply with the prescribed requirements for pension investing, including the limits and other restrictions in Schedule III to the Pension Benefits Standards Regulations, 1985, which is incorporated by reference into the PBA Regulations (subject to any modifications in the PBA Regulations).

Finally, in investing the Fund, OPTrust shall have regard to applicable policies of the regulatory authorities.

**Annual Review**

The SIPP shall be reviewed, amended (if necessary) and approved by the Board at least annually, and the SIPP and any amendments thereto will be filed with FSRA and delivered to the Plan’s actuary within the prescribed timeframes.

**Factors Affecting the Ability of the Plan to Meet its Obligations**

In developing the SIPP, OPTrust has taken the following factors into account:

- Plan funding risk;
- the nature of the Plan’s liabilities;
- the possible effects of inflation or deflation;
- the expected total return of the portfolio;
- liquidity; and
- the characteristics of different asset classes, their relationships to each other and their risk and return characteristics.

**Categories of Investments**

The following categories of investments (on a direct and indirect basis) are permissible for purposes of the Plan.

**Equity and Growth**

Equities – Public and private equities such as common stocks, preferred stocks, private placements, rights, installment receipts, warrants, income trusts, securities convertible into equity and limited partnerships, royalties and streaming contracts.

**Real Assets**

Infrastructure – Interests in infrastructure investments.

Real Estate – Interests in private real estate and public real estate securities.

Commodities – Natural and processed inputs to industrial and commercial production such as energy, industrial and precious metals, agriculture and livestock, the exposure to which may be gained through derivatives, or physical with respect to precious metals.

**Fixed Income**

Nominal Bonds and Credit – Debt securities of Canadian and foreign government, corporate entities, financial institutions and special purpose vehicles including mortgages, related asset-backed securities, bank loans, public and private debt.

Real Return Bonds – Debt securities with cash flow streams linked to inflation.

**Multi-Strategy**
Multi-Strategy – Investments that take both long and short positions, with absolute or hurdle rate of return objectives that have, over the long-term, low systematic or market risk exposure (e.g. Systematic and Discretionary Hedge Fund Strategies, Alternative Risk Premia Strategies, Multi-Asset Strategies, Digital Assets).

Insurance Linked Securities - financial instruments whose values are driven by insured loss events.

**Cash and Funding**

Net Cash Positions – Cash or funding accounts after giving consideration to the Fund’s funding and liquidity needs.

**Diversification of the Investment Portfolio**

Diversification is a key element of the long-term investment strategy for the Fund. By selecting an appropriate mix of asset types and investing in a range of markets and sectors, Plan management aims to achieve a number of objectives, including:

- managing the Plan’s exposure to funded status risk;
- managing the Plan’s exposure to investment risk;
- reducing the impact of poor returns from particular markets or asset classes in any given year; and
- maximizing the ability to achieve the Plan’s funding target return over time.

**Asset Mix and Rate of Return Expectations**

The Fund’s long-term target rate of return is (net of all investment expenses) is 5%-6% nominal and 3%-4% real.

A summary of the long-term strategic allocation ranges is shown below:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Equity and Growth</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public and private equities</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>2. Real Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8%</td>
<td>15%</td>
<td>22%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10%</td>
<td>17%</td>
<td>24%</td>
</tr>
<tr>
<td>Commodities</td>
<td>0%</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>3. Fixed Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal Bonds, Credit and Real Return Bonds</td>
<td>10%</td>
<td>29%</td>
<td>65%</td>
</tr>
<tr>
<td><strong>4. Multi-Strategy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-Strategy &amp; Insurance Linked Securities*</td>
<td>5%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>5. Cash and Funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Positions</td>
<td>-45%</td>
<td>-1%</td>
<td>15%</td>
</tr>
</tbody>
</table>

* Insurance linked securities (ILS) do not have a specific target and are included in the target set for the multi-strategy investments.

** Negative means balance sheet borrowing for investments in other asset classes.

Management will seek to implement a dynamic asset mix in a prudent manner by drawing on the full range of investments listed herein, subject to market conditions and investment opportunities.
The Board approves the overall risk budget in the form of Management Funding Ratio (MFR) drawdown that is based on certain scenarios. The target weights in the table above are used for long-term investment planning purposes, and the actual asset class weights could deviate from those targets as long as the total portfolio risk stays within the approved risk budget.

**Derivatives, Repurchase Transactions and Exchange-Traded Funds**

OPTrust uses derivatives, repurchase and reverse repurchase transactions (“repurchase transactions”) and exchange traded funds to aid in the management of the Fund’s asset-mix and other investment objectives. Types of derivatives used include swaps, forwards, futures and options. Derivatives, repurchase transaction and exchange-traded funds may be used to synthetically replace any investment activity that would traditionally be accomplished with any asset class as well as in currencies, credit, volatility and variance products.

**Short Selling**

OPTrust may short sell securities, by way of borrowing securities or otherwise, to enhance the return or reduce the risk of the Fund. When engaging in short sale transactions, OPTrust shall give consideration to the related risks.

**Collateral**

Subject to any restrictions in the PBA or ITA, OPTrust may pledge, charge or otherwise grant a security interest in assets or post margin as required to complete derivatives transactions, complete a short sale or in connection with repurchase transactions.

Assets that may be posted as collateral are set out in the legal agreements or are defined by exchanges.

**Currency Hedging**

The CIO will report to the Board on the approach to currency hedging on an annual basis.

**Liquidity of Investments**

Investment of the Fund shall be undertaken with a view of providing for sufficient liquidity to enable the Plan to meet all of its obligations as they become payable.

**Securities Lending**

The investments of the Fund may be loaned, for the purpose of generating revenue for the Fund, enhancing expected returns or reducing “Total Fund” risk.

All loans will be made in accordance with the terms of securities lending agreements entered into between the Fund and the agents appointed to administer the securities lending program, and any other lending agreements entered into between such agent and a borrower of securities.

All loans must be secured by securities collateral. Securities collateral obtained must be high quality, readily marketable securities. The amount of collateral taken for securities lending should reflect best practices in local markets, but shall have a market value of at least 100% of the outstanding market value of the loaned investments (marked-to-market daily).

The lending agreements require the agent to recall shares on loan on a best effort basis so that proxy votes can be executed by OPTrust.
Consideration of Environmental, Social and Governance (ESG) Factors

OPTrust believes that environmental, social and governance (“ESG”) factors can affect investment risk and return as well as our reputation. OPTrust has established a responsible investing (“RI”) program under its Statement of Responsible Investment Principles (“SRIP”) and implemented a range of measures to identify, assess and manage ESG factors in a manner that supports both our mission to deliver sustainable pension security and our fiduciary duty to our members.

The key principles of OPTrust’s RI approach are outlined in the SRIP. Accountability for the RI program lies with the CIO. The investment management teams are responsible for adhering to the associated policies and is accountable for ESG-related risks that are taken.

Where assets are managed externally, we expect our partners to incorporate all material ESG considerations in the investment decision-making process and to be aware of our approach to responsible investment. For both internally- and externally managed assets, our due diligence processes and procedures incorporate a consideration of material ESG factors.

OPTrust’s RI strategy includes a commitment to active ownership by monitoring companies within its portfolios, actively voting at company meetings, and engaging with investee companies, regulators and industry organizations to improve long-term performance. Active ownership is practiced by investment teams across asset classes, to the extent possible and guided by the SRIP.

OPTrust may engage with investee companies either directly or in collaboration with other investors if monitoring has identified an ESG concern. Regulators and policy makers are also engaged, primarily through organizations of which OPTrust is a member, to ensure that the perspectives of shareholders with a long-term view are maintained when policies and laws are revised or introduced.

OPTrust is a signatory to the United Nations’ supported Principles for Responsible Investment (PRI), an international network of investors committed to incorporating these factors into their investment and ownership decisions.

Delegation/Retention of Voting Rights

Proxy voting is a key component of OPTrust’s active ownership approach with publicly listed companies. OPTrust retains overall responsibility for voting proxies related to securities directly owned by the Fund and engages a proxy voting service provider to assist with share voting responsibilities. OPTrust exercises voting rights in a manner that is consistent with OPTrust’s Proxy Voting Guidelines approved annually by the Board. OPTrust may exercise judgment in connection with the voting of any proxy on a case-by-case basis.

Valuation of Investment Assets

Investments are recorded at “fair value” determined in accordance with generally accepted industry valuation standards and guidelines, and in compliance with the CPA Canada Handbook - Accounting. Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an
orderly transaction between market participants as at the measurement date.

Public market investments will typically be recorded at quoted public market prices determined based on prices from various independent providers whenever possible. Where there is no price available, the investments will be valued based on accepted models and assumptions that approximate fair value.

For private investments such as real estate and private market investments, investments are valued at least annually. As market prices are not readily available for these types of investments, valuation methods and techniques such as earnings multiples, discounted cash flows and other pricing models are typically used. External appraisers and valuers will provide independent valuations at least every three years for material investments.

For hedge and pooled funds, the final net asset value (NAV) is determined through reference to the NAV as reported by the external fund manager.

The fair value of investments is reflected in the annual year-end financial statements which are audited by an external auditor and their independent assessment of investment values is incorporated in their report to the Audit Finance & Risk Committee and in their audit opinion.

**Permitted Borrowing**

Borrowing or providing guarantees on behalf of the Plan is permitted in accordance with the PBA, the ITA and the Plan’s constating documents.

**Conflict of Interest**
# Roles & Responsibilities

<table>
<thead>
<tr>
<th>Policy Approver(s)</th>
<th>Investment Committee / Board of Trustees Management Investment Committee (MIC) (recommend for approval)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountable Executive Sponsor</td>
<td>Chief Investment Officer</td>
</tr>
<tr>
<td>Policy Sponsor</td>
<td>Director, Portfolio Construction Group</td>
</tr>
</tbody>
</table>

## Revision History (reviewed yearly)

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
</table>
| December 15, 2021 | • material changes and reviewed the proposed changes in asset mix ranges, currency hedging and valuation process for hedge and pooled funds  
• Note - the SIPP may be required to be amended more frequently than annually to accommodate material changes in asset allocation and strategy |