

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

Board-Approved Policy

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Table of Contents

1. Purpose of the Statement of Investment Policies and Procedures	1
2. Plan Description.....	1
3. Investment Governance	1
4. Prudent Person Approach to Investing	2
5. Compliance with Regulatory Requirements	2
6. Annual Review	3
7. Factors Affecting the Ability of the Plan to Meet its Obligations	3
8. Categories of Investments and Loans	3
9. Diversification of the Investment Portfolio	4
10. Asset Mix and Rate of Return Expectations	5
11. Derivatives, Repurchase Transactions and Exchange-Trade Funds	6
12. Short Selling.....	6
13. Collateral	6
14. Currency Hedging	6
15. Liquidity of Investments	6
16. Securities Lending.....	7
17. Consideration of Environmental, Social and Governance (ESG) Factors.....	7
18. Delegation/Retention of Voting Rights	8
19. Valuation of Investment Assets	8
20. Permitted Borrowing	9
21. Conflict of Interest.....	9
22. Related Party Transactions.....	9

1. 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”).

2. 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 currently covers mainly OPSEU members who work for the Province or for other employers in the broader public service. The Plan has over 92,000 members and retirees.

The Plan is a jointly-sponsored pension plan (“JSPP”) as defined in the PBA and is subject to the rules for JSPPs in 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 its employees are collectively referred to in this SIPP as OPTrust.

Benefits are based on years of credited service and a member’s best 60 consecutive months of salary and are integrated with Canada Pension Plan. Pensions, including deferred pensions, are indexed to the Consumer Price Index for Canada to a maximum of 8% per year, with any excess carried forward to future years.

3. 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 VP Investment Risk, the Chief Finance Officer and the Managing Director, General Counsel (the “MDGC”), who

provides 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.

4. 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 is committed to establishing a strong governance system which clearly allocates responsibility between the Board and management, utilizes the expertise of OPTrust's investment professionals in setting the investment strategy within the parameters established by the Board, includes a robust reporting system on matters delegated by the Board to management through the delegation to the CEO, engaging in deliberate decision-making based on proper consideration of adequate information, and ensuring that the reasons for decisions and the circumstances that were considered are documented.

5. 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 MDGC is responsible for ensuring that the SIPP is filed with the Superintendent of Financial Services 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 has been 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.

6. 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 the Superintendent of Financial Services and delivered to the Plan's actuary within the prescribed timeframes.

7. 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.

8. Categories of Investments and Loans

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

1. 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.

2. Real Assets

Infrastructure – Interests in infrastructure investments.

Real Estate – Interests in private real estate and public real estate securities, REITs, mortgages and real estate debt.

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.

3. 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 and private debt.

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

4. Absolute Return

Absolute Return Strategies – Strategies that take both long and short positions, with absolute or hurdle rate of return objectives that have, over the long-term, low systemic or market risk exposure (e.g. Hedge Funds, Alternative Risk Premia Strategies, Multi-Asset Strategies).

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

5. Cash and Funding

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

9. 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.

10. 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:

Asset Type	Minimum	Target	Maximum
1. Equity and Growth			
<i>Public and private equities</i>	15%	20%	25%
2. Real Assets			
<i>Infrastructure</i>	13%	15%	18%
<i>Real Estate</i>	13%	15%	18%
<i>Commodities</i>	3%	5%	8%
3. Fixed Income			
<i>Nominal Bonds, Credit and Real Return Bonds</i>	19%	39%	59%
4. Absolute Return			
<i>Absolute Return Strategies & Insurance linked Securities*</i>	15%	25%	35%
5. Cash and Funding**			
<i>Net Cash Positions</i>	-30%	-19%	2%

* Insurance linked securities (ILS) do not have a specific target and the target is set for the absolute return strategies and ILS is combined.

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

*** The disclosure required by subsection 78(7) of regulation 909 promulgated under the Pension Benefits Act (Ontario) ("Regulation 909") is provided in the appendix to this SIPP.

Management will seek to implement a dynamic asset mix in a prudent manner by drawing on the full range of investments and loans listed in Section 8, 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 consistent with the Board's Risk Appetite Statement. 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.

11. Derivatives, Repurchase Transactions and Exchange-Trade 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.

12. 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.

13. 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.

14. Currency Hedging

The CIO will report to the Board on the approach to currency hedging on a quarterly basis.

15. 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.

16. 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 cash or 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.

17. 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 two key tenets of our RI approach are the integration of ESG factors throughout the investment process, and active ownership. Accountability for the RI program lies with the CIO. The investment management team is 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.

18. 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*. OPTrust may exercise judgment in connection with the voting of any proxy on a case-by-case basis.

19. 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 Canadian accepted accounting principles. 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 an independent third party validation of the NAV. Hedge and pooled fund investments are valued at least monthly.

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.

20. Permitted Borrowing

Borrowing or providing guarantees on behalf of the Plan is permitted in accordance with the PBA and the ITA.

21. Conflict of Interest

All investment decision-making shall be subject to the management and Board policies and procedures in place for dealing with conflicts of interest.

22. Related Party Transactions

OPTrust may enter into a transaction with a related party of the Plan only as permitted under the applicable legislation.

For the purposes of the applicable legislation, a transaction will be considered by OPTrust to be nominal or immaterial if its value is no more than 1% of the market value of the Fund determined by OPTrust's external auditor from time to time in accordance with generally accepted accounting principles.

Appendix

The Board's determination of the Fund's asset mix is described in section 10 of the SIPP. This appendix to the SIPP has been prepared exclusively to provide the disclosure required by subsection 78(7) of Regulation 909. To the extent of any inconsistency between this appendix and any other provision of the SIPP, the other provision of the SIPP prevails.

Investment Categories	Asset Classes*
1. Insured contracts.	Absolute Return Strategies
2. Mutual or pooled funds or segregated funds.	Equities, Infrastructure, Real Estate, Commodities, Absolute Return Strategies
3. Demand deposits and cash on hand.	Equities, Commodities, Absolute Return Strategies, Cash & Funding
4. Short-term notes and treasury bills.	Equities, Fixed Income, Commodities, Absolute Return Strategies, Cash & Funding
5. Term deposits and guaranteed investment certificates.	Equities, Absolute Return Strategies, Cash & Funding
6. Mortgage loans.	Fixed Income, Real Estate, Absolute Return Strategies
7. Real estate.	Equities, Real Estate
8. Real estate debentures.	Real Estate, Absolute Return Strategies
9. Resource properties.	Infrastructure, Real Estate, Commodities
10. Venture capital.	Equities
11. Corporations referred to in subsection 11 (2) of Schedule III to the federal investment regulations.	Equities, Infrastructure, Real Estate, Commodities, Fixed Income, Absolute Return Strategies, Cash & Funding
12. Employer issued securities.	N/A
13. Canadian stocks other than investments referred to in paragraphs 1 to 12.	Equities, Absolute Return Strategies
14. Non-Canadian stocks other than investments referred to in paragraphs 1 to 12.	Equities, Absolute Return Strategies
15. Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12.	Fixed Income, Absolute Return Strategies, Cash & Funding
16. Non-Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12.	Infrastructure, Real Estate, Fixed Income, Absolute Return Strategies, Cash & Funding
17. Investments other than investments referred to in paragraphs 1 to 16	Equities, Infrastructure, Real Estate, Commodities, Fixed Income, Absolute Return Strategies, Cash & Funding

*Asset classes listed in section 10 of the SIPP that may have exposure to each investment category prescribed in subsection 78(7) of Regulation 909.