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Description of the Healthcare of Ontario Pension Plan

The Healthcare of Ontario Pension Plan ("*HOOPP*" or the "*Plan*") Trust Fund (the "*Fund*") was established by the Ontario Hospital Association (the "*OHA*") in 1960. It is a multi-employer contributory defined benefit plan providing pensions to Ontario's healthcare community. The Plan is registered under the Pension Benefits Act (Ontario) ("*OPBA*") and the Income Tax Act (Canada) ("*ITA*").

In 1993, to implement a change in the Plan's governance structure, the Settlors of the Healthcare of Ontario Pension Plan signed HOOPP's Agreement & Declaration of Trust ("*ADT"*), creating a Board of Trustees (the "*Board*") to administer the Plan. The Settlors of the Plan are the Ontario Hospital Association ("*OHA"*) and these four unions:

- Ontario Nurses' Association ("*ONA"*)
- Canadian Union of Public Employees ("*CUPE"*)
- Ontario Public Service Employees' Union ("*OPSEU"*)
- Service Employees International Union ("*SEIU"*)

Purpose

The purpose of the *Statement of Investment Policies & Procedures* is to provide a summary of HOOPP's investment policies and the philosophy, objectives and principles that apply to the management of the Fund and ensure compliance with relevant pension regulations.

Fund Governance

The ADT, as amended from time to time, establishes the foundation for HOOPP's governance.

HOOPP's Board has 16 Trustees. Eight of the Trustees are appointed by the OHA and the other eight by the four Settlor unions, with each union nominating two Trustees.

Eight additional Board members may be appointed as non-voting Observers. Four observers may be appointed by the OHA and one by each of the four Settlor unions.

The ADT has granted the Board the authority and power to operate and administer the Plan, as HOOPP's plan administrator. In fulfilling this responsibility, the ADT requires the Board to appoint, hire or retain a Plan Manager to administer the Plan and Trust Fund.

The Board has delegated authority to administer the Plan and Trust Fund as specified under the ADT to a Plan Manager, with the title "President & Chief Executive Officer" (the "*CEO*"), the terms of the appointment are expressed in the Board Policy titled, "Delegation of Management Authority to Plan Manager, President & CEO", as amended.

The CEO has been delegated the authority to administer the Plan and Trust Fund, which includes the responsibility to " ...*invest and reinvest such portion of the Fund as is not required for current expenditures* ....". The delegation of responsibility to the CEO also confers powers to him/her to sub-delegate to other HOOPP employees or agents as he/she deems necessary to fulfil his/her responsibility as CEO.

The ADT provides that investments of the Plan's assets be made in accordance with all applicable laws and regulations and in compliance with the **Statement of Investment Policies and Procedures** (*"**SIP&P**"*) established by the Board.

Nature of Plan Liabilities

The Plan provides benefits based upon members' best consecutive five-year average salary as provided for in the HOOPP Plan Text ("*Plan Text*"), as amended. With few exceptions, participation in the Plan is mandatory for full-time employees.

The primary purpose of the Plan is to provide pension benefits to members for their lifetime after retirement. A member's normal retirement age is 65, however, provisions for early retirement, as specified in the Plan Text, allows for retirement as early as age 55.

Prior to January 1, 2006, pension benefits were subject to an annual inflation protection increase, based on the Canadian Consumer Price Index ("*CPI*"). The annual inflation protection provided for an increase of 75% of the prior year's increase in the CPI, to a maximum of 10% per year. The administrator maintained discretion to improve these benefits to 100% of the prior year's increase in the CPI, subject to a maximum of 10% per year.

Effective January 1, 2006, pension entitlements in respect of future service (i.e., service earned after December 31, 2005) are not subject to a guaranteed annual indexation. Entitlements in respect of such service may be granted inflation protection, but on an ad hoc, not a guaranteed, basis and subject to a maximum of 100% of the preceding year's increase in the CPI and a maximum of 10% per year.

Plan Maturity

There are a number of indicators to determine the state of maturity of the Plan, including the current level of contributions relative to the current level of benefits paid, the ratio of active members to retirees and the level of contributions relative to investment assets. The longer term trend of these indicators must be closely monitored to determine the relative aging of the Plan as the tools to address any potential future funding shortfalls are affected by the maturity of the Plan.

For example, a more mature plan with a smaller active member base is less able to address a funding shortfall through increased contribution rates. Similarly, a more mature plan with a significantly higher level of benefit payments relative to contributions is less able to assume greater investment risk due to its more immediate liquidity needs to meet current pension payments and relatively shorter investment horizon. This latter example is relevant to the Fund's investment policy as plan maturity will have an impact on the Board's investment risk tolerance.

Investment Risk Framework

Investment risk is a major component of funding risk. In meeting the Plan's objective, HOOPP needs to achieve a required rate of return on assets, which in general means exposure to risk to future funded status. Managing this risk requires HOOPP to employ an investment approach that achieves the required return while limiting exposures to the various risk factors that can impair funded status, including those which arise from the Plan's liabilities.

Investment Approach

The Board of Trustees has embraced a Liability Driven Investing ("*LDI*") approach in the management of the Fund's assets. The overarching premise of an LDI approach is to ensure that the Fund's assets are managed with a view to meeting all current and future Plan liabilities.

Investment Parameters - Categories of Investments

Investments are intended to meet the Fund's asset return objectives while not assuming excessive risk as to jeopardize the Plan's ability to remain fully funded in the future.

Under HOOPP's LDI approach to managing investment and funding risk, the asset portfolio is separated into two broad categories:

1. A **Liability Hedge Portfolio**, which earns a baseline return while offsetting the financial risk factors arising from the Plan's liabilities. In general terms, these assets exhibit similar cash flow characteristics and/or interest or inflation rate sensitivities as the Plan's liabilities.

   Investments in the Liability Hedge Portfolio may contain:

   - Government bonds;
   - Real return securities;
   - Real estate;
   - Infrastructure; and
   - Interest rate swaps.

2. A **Return Seeking Portfolio**, since the returns expected from the Liability Hedge Portfolio are typically insufficient to achieve the required return. Therefore, to meet the return requirement on the total portfolio, return seeking assets are added. Investments in the Return Seeking Portfolio may contain:

   - Public and private equities;
   - Infrastructure;
   - Corporate debt or bonds; and
   - Investment strategies that offer a risk-return profile different than debt or equity in isolation; these are often described as hybrid investment strategies.

Derivatives

Investments may be made in any of the preceding investment categories by investing directly in the physical assets or, in many cases, through the use of derivatives. Derivative contracts, on any of the above investment categories may include, without limitation – futures, forwards, options, swaps, index participation units and equivalents, and other arrangements which are developed from time to time. These derivative categories are further classified by asset type (the type of asset to which the derivative provides exposure). These include interest rate, inflation, equity, credit, infrastructure, commodities and foreign exchange derivatives.

HOOPP's overall objective for the use of derivatives is to achieve the best possible outcome from our approved investment strategies, alongside other financial instruments such as securities. HOOPP utilizes a fair value accounting approach to determine the performance of all of its investment strategies, including the mark-to-market performance of all derivative products.

Derivatives, when represented as holdings in different asset classes, typically indicate positive holdings in the particular asset class being invested in (for example, equities) and offsetting negative holdings in the money market asset class. At any given time, HOOPP's portfolio may contain a significant amount of derivatives, and a negative money market holdings representation is indicative of the use of derivatives and their conversion into asset class holdings.

As with all investments, whether derivative related and non-derivative related, the applicable instruments will only be used in such a way that the Fund remains in compliance with the *Agreement and Declaration of Trust*, HOOPP's investment policies approved by the Board of Trustees and all applicable laws and regulations.

Diversification of the Investment Portfolio

The Board seeks to diversify the investment portfolio to manage the volatility of the Fund's expected returns. The Board allows for portfolio diversification across:

- Asset classes/investment types and strategies;
- Geographies;
- Sectors or industries; and
- Exposures to a single issuer, entity or other person.

Long-Term Asset Mix and Expected Returns

The allocation to investment strategies is as follows:

Investment Strategy	Minimum	Target	Maximum
Liability Hedge Portfolio			
Government Bonds	18%	55%	110%
Real Return Bonds	5%	12.5%	65%
Real Estate	10%	12.5%	25%
Short-Term and Cash*(1)*	-50%	-30.5%	20%
Return Seeking Portfolio			
Public Equities	0	24.5%	40%
Infrastructure	0	1%	5%
Private Equity	2%	10%	15%
Corporate Credit	0	10%	50%
Hybrid Strategies*(2)*	0	5%	45%
		100%	

(1) Short-Term and Cash provides funding for other investment strategies;
(2) An investment strategy where the future expected return and risk profile is based on the combined outcomes of more than one market condition and risk factor.

HOOPP employs a risk management approach based on the stress testing of investment strategies and plan liabilities, which involves subjecting both assets and liabilities to potentially severe adverse conditions, or shocks, that could have a strong negative impact on the funded status of the Plan. The stress testing approach provides a better measure of risk to the future funded status of the Plan, and thereby provides for more effective means to control risk than traditional static asset class restrictions.

The stress testing methodology incorporates current market conditions into the stress scenarios assumed, and therefore provides guidance as to when changes to the existing asset mix should be undertaken. Additionally, the stress testing approach to risk management supports the notion that the risk profile of certain investment strategies is far different than traditional measures of risk using simple notional amount measures, particularly during times of market distress.

Therefore, under the stress testing approach to risk management, a greater range of investment possibilities is made available in recognition that traditional asset class limits or ranges fail to adequately protect against future potential adverse market conditions that could severely damage the ability of the Plan to meet all future pension obligations promised to members.

Through this asset mix and active management the long-term expected return is, at a minimum, the Plan's required return as determined by the Board to meet current and future pension obligations, based on the current level of benefits promised and contributions rates from members and participating employers.

Liquidity of Investments

Maintaining the ability to raise cash quickly is essential. The Plan must meet its pension- and investment-related obligations when they become payable. In addition, cash raised quickly can allow the Fund to take advantage of market anomalies or opportunities when they arise, particularly during times of financial market distress.

Therefore the Fund must ensure that cash will be made available to meet the cash flow needs of the Plan.

Repurchase Agreements

The Fund may enter into repurchase agreements (repos) where it may sell (buy, respectively) securities and agree to buy (sell, respectively) them back at a specified price at a future date.

Lending of Cash and Securities

The Fund may lend any of its cash or securities to generate incremental income, to support an investment strategy or to enhance the management of the Fund's liquidity. All such activities must be properly documented and adequate collateral must be held, reflecting best practices in the relevant market. Beyond its own approaches to managing operational risk associated with these activities, the Fund will rely on guidelines surrounding securities lending by pension plans established by the Office of the Superintendent of Financial Institutions ("*OSFI*") Canada, among other industry practice guidelines.

Short Selling of Securities

The Fund may short sell securities, by way of borrowing securities or otherwise, to enhance the return of the Fund or to offset or otherwise manage certain exposures. Consideration will be given to the related risks involved in short sales, including the credit quality of the lender of the securities, the collateral requirements and the available float of the securities to be sold.

Pledging and Borrowing of Assets

The Fund may not pledge assets other than in the ordinary course of trading in options, forwards, futures, swaps and other derivatives and related transactions or otherwise where such pledge of assets is ancillary to certain permitted activities of the Fund and is otherwise in compliance with the ADT, HOOPP's investment policies and all applicable laws and regulations.

The Fund may borrow money provided such borrowing is in compliance with the ADT and applicable law.

Retention or Delegation of Voting Rights

The Board has delegated to investment managers or proxies the responsibility to exercise voting rights attached to securities, in accordance with guidelines and procedures that have been established by the Board. Securities are voted in order to maximize the long-term shareholder value of the Fund's investments.

The Plan Manager, or his/her delegate, shall report to the Board annually on the voting of proxies.

Valuation of Investment Assets and Liabilities

The Fund's investment assets or liabilities will be valued at market values, where possible.

Where a market price is not available for a non-publicly traded investment asset or liability, a suitable and consistent method of valuation is applied by management to determine fair value, as appropriate, using valuation techniques and engaging accredited external appraisers to perform a review of management's valuations all in accordance with the valuation policies adopted and maintained by the Board.

Related Party Transactions

The Fund may enter into a transaction with a related party provided the transaction complies with applicable law. For the purpose of this section, a "*related party*" in respect of the Fund has the meaning attributed to such term in Schedule III – Permitted Investments of the Pension Benefits Standards Regulations, 1985.

For the purposes of the foregoing, the value of a transaction is considered nominal or immaterial to the Fund, in accordance with applicable legislation, if its value is no more than one percent of the market value of the Fund at the time the transaction is entered into or completed.

Effect of Investment Expenses

The management of the investment assets of the Fund can be made on either a passive or active basis or a combination thereof and either managed internally or via external investment managers or a combination thereof. Due consideration will be given to external management fees and performance fees when external managers are selected and to administrative expenses when funds are invested internally when determining expected returns and presenting performance results.

Compensation of Fund Managers

Investment managers may be eligible for incentive compensation based on the investment performance of a specific portfolio and on total fund performance. The Board establishes performance benchmarks that attempts to balance appropriate incentives for investment managers to perform well, while not engaging in excessive risk taking that may be inconsistent with the goals and objectives of the Plan.

Responsible Investing

The Board has established a Responsible Investing Policy that incorporates environmental, social and governance ("*ESG*") factors into the management of the Fund's investment assets. The basis of incorporating ESG factors into the investment decision making process at HOOPP is grounded in the belief that enterprises that effectively and prudently adopt and apply responsible ESG practices are likely to be better managed than those that do not and therefore more financially successful over the long-term.

These responsible investing policies will be implemented in a manner which is consistent with the prudent management of the Fund's investment assets to achieve objectives which are in the best financial interest of Plan beneficiaries.

Policy Review

This policy will be reviewed annually, or as may otherwise be determined by the Board.

A copy of this *Statement of Investment Policies & Procedures* shall be delivered to HOOPP's Investment Managers and the Board's actuary within 60 days of its establishment or subsequent amendment.

Appendix

The Board's determination of the Fund's asset mix is described in the section *"Long-Term Asset Mix and Expected Returns"* of the SIP&P. This appendix to the SIP&P 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 SIP&P, the other provision of the SIP&P prevails.

Investment Categories	Investment Strategies*
1. Insured contracts	Hybrid strategies
2. Mutual or pooled funds or segregated funds	Public equities, real estate, private equities, corporate credit, hybrid strategies
3. Demand deposits and cash on hand	Short-term and cash
4. Short-term notes and treasury bills	Short-term and cash
5. Term deposits and guaranteed investment certificates	Short-term and cash
6. Mortgage loans	Corporate credit, real estate
7. Real estate	Real estate
8. Real estate debentures	Real estate, corporate credit
9. Resource properties	Private equity
10. Venture capital	Private equity
11. Corporations referred to in subsection 11(2) of Schedule III to the federal investment regulations	Public equities, private equities, infrastructure, real estate, government bonds, real return bonds, corporate credit, hybrid strategies, short-term and cash
12. Employer issued securities	
13. Canadian stocks other than investments referred to in paragraphs 1 to 12	Private equity, public equities, hybrid strategies, corporate credit
14. Non-Canadian stocks other than investments referred to in paragraphs 1 to 12	Private equity, public equities, hybrid strategies
15. Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12	Government bonds, real return bonds, corporate credit, private equity
16. Non-Canadian bonds and debentures other than investments referred to in paragraphs 1 to 12	Government bonds, real return bonds, real estate, hybrid strategies
17. Insurance-Linked Securities	Hybrid strategies
18. Investments other than investments referred to in paragraphs 1 to 17	Government bonds, real return bonds, real estate, short-term and cash, public equities, private equity, infrastructure, commodities, corporate credit, hybrid strategies

*Investment strategies listed in the section *"Long-Term Asset Mix and Expected Returns"* of the SIP&P that may have exposure to each investment category prescribed in subsection 78(7) of Regulation 909.