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Description of the Healthcare of Ontario Pension Plan

The Healthcare of Ontario Pension Plan (the “Plan”) and the Healthcare of Ontario Pension Plan Trust Fund (the “Fund”, and collectively with the Plan, “HOOPP”) were established by the Ontario Hospital Association (the “OHA”) in 1960.

In 1993 HOOPP became jointly governed under an Agreement & Declaration of Trust (“ADT”) entered into among the OHA and the following four unions (each referred to as a “Settlor” of HOOPP):

- Ontario Nurses’ Association
- Canadian Union of Public Employees
- Ontario Public Service Employees’ Union
- Service Employees International Union

The Plan is a multi-employer, jointly-sponsored, contributory, defined benefit pension plan providing pensions to Ontario’s healthcare community. The Plan is registered under the *Pension Benefits Act* (Ontario) (the “PBA”) and the *Income Tax Act* (Canada).

The benefit provisions and terms of the Plan, including any benefit improvements or adjustments, are set out in the Plan text, as amended from time to time.

Purpose

The purpose of this *Statement of Investment Policies & Procedures* (“SIP&P”) 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 legislation.

Governance

The ADT, as amended from time to time, establishes the foundation for HOOPP's governance by establishing a board of trustees to act as administrator of the Plan and as trustees of the Fund (the “Board”).

The Board is made up of sixteen trustees (the “Trustees”). Each of HOOPP’s four union Settlors appoints two Trustees. The OHA appoints the remaining eight Trustees. In addition, eight Board observers may be appointed; four by the OHA and one by each of the four union Settlors.

The ADT and the PBA grant the Board the authority and power to operate and administer the Plan and Fund. In fulfilling this responsibility, the ADT requires the Board to appoint, hire or retain a Plan Manager.

The Board has delegated authority to operate and administer the Plan and Fund as specified under the ADT to a Plan Manager, with the title “President & Chief Executive Officer” (the “CEO”). The delegation of responsibility to the CEO also confers powers on the CEO to sub-delegate to other HOOPP employees or agents as deemed necessary to fulfil the responsibility of the CEO.

The ADT provides that investments of the Plan’s assets be made in accordance with all applicable laws and in compliance with the SIP&P.

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 is 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. Plan maturity will have an impact on the Board’s risk tolerance which will inform the Fund’s investment policies.

Funding and Solvency

Plan funding risk is one of HOOPP’s most impactful risks. Plan funding risk relates to the risk that the Fund’s assets will not be sufficient to cover the Plan’s liabilities when they come due. Investment risk is a major component of funding risk. To meet the Plan’s primary purpose of delivering on the pension promise, HOOPP expects to achieve a sufficient 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 to achieve an expected rate of return while limiting exposures to the various risk factors that can impair funded status, including those which arise from the Plan’s liabilities. HOOPP also considers Plan maturity as a component of Plan funding risk.

Investment Approach

The Board has embraced a liability aware investing (“LAI”) approach in the management of the Fund’s assets. The overarching premise of an LAI approach is to ensure that the Fund’s assets are managed with a view to meeting all current and future Plan liabilities. Investments will comply with the ADT, which requires that all investments be made in accordance with applicable laws, and in compliance with this SIP&P.

Investment Parameters – Categories of Investments

Investments are intended to meet the Fund's asset return objectives as well as align with the Plan's risk appetite framework by not assuming excessive risk so as to jeopardize the Plan's ability to remain fully funded in the future. HOOPP's risk appetite framework sets out how HOOPP determines, monitors and manages its risk appetite and is reviewed by the Board annually.

The Fund invests in liability hedging assets, primarily fixed income, which earn a baseline return while offsetting the financial risk factors arising from the Plan's liabilities.

The Fund also invests in other asset classes and investment strategies to attempt to earn additional returns which are, over the long term, in excess of the returns of the liability hedging assets, in order to achieve a return sufficient to meet the Plan's liabilities.

Taken as a whole, the Fund divides its investment activity into the following main categories:

- Fixed Income (including bonds and public or private credit);
- Real Estate;
- Infrastructure;
- Public and Private Equities;
- Absolute Return Strategies (investment strategies that offer a risk-return profile that is different from simply investing in debt or equity in isolation, including hybrid investments, derivatives and commodities, among others);
- Cash and Funding for Investments

Investments denominated in foreign currencies expose the Fund to foreign exchange risk, which is managed in accordance with Board approved risk tolerances.

Derivatives

Investments may be made in any of the preceding investment categories by investing directly in the physical assets or 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.

HOOPP's overall objective for the use of derivatives is to achieve the best possible outcome from its approved investment categories while considering the related risks.

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

The long-term allocation to asset classes and investment strategies is as follows:

Investment Category*	Min.	Target	Max.
Nominal Bonds	14%	23%	82%
Real Return Bonds	5%	19%	65%
Credit	0%	6%	60%
Equities	4%	38%	59%
Infrastructure	0%	7%	10%
Real Estate	10%	18%	40%
Cash and Funding**	-50%	-11%	20%
Total		100%***	

** HOOPP also engages in both absolute return strategies and overlay strategies to augment returns and manage risks effectively.*

*** A negative percentage represents balance sheet borrowing for investments in other investment categories*.

**** The actual asset class or investment strategy weights could differ from the targets indicated in the table as long as the weight of each Investment Category falls within the Board-approved ranges.*

Investment Risk Management

HOOPP employs an investment risk management approach based on both the funding ratio value at risk (VaR) approach and 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. VaR is a commonly used risk measure that is based on many economic scenarios. The VaR calculation is well suited to measure the risk of a complex multi-asset class fund.

Both the VaR approach and the stress testing approach provide a useful measure of risk to the future funded status of the Plan and provide for more effective means to control risk than traditional static asset class restrictions. The VaR and stress testing metrics help inform the Fund's asset mix.

Expected Return

Through the Fund's asset mix and active investment management, the long-term expected return is, at a minimum, the amount determined by the Board to be sufficient 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 Fund and the Plan. Liquidity risk is managed such that sufficient short-term assets are available to pay immediate liabilities without undue costs/losses or timing mismatches, and to maintain Plan delivery at the highest standard.

Repurchase Agreements

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

Lending of Cash and Securities

The Fund may borrow securities or 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 will be properly documented and adequate collateral will be held, reflecting best practices and applicable laws in the relevant market. Beyond its own approaches to managing operational risk associated with these activities, the Fund relies on guidelines regarding securities lending by pension plans established by the Office of the Superintendent of Financial Institutions, 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 pledge assets 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.

The Fund may borrow money provided such borrowing is in compliance with the ADT and applicable law. The Fund may also guarantee the obligations of any of its directly or indirectly held entities in connection with its investments, provided that such guarantee is in compliance with the ADT and applicable law and the amount does not exceed the Fund's proportionate interest in such entities or real property unless approved by management that has the delegated authority to approve such guarantees.

Consideration will be given to the related risks of the Fund in borrowing money and providing guarantees.

Retention or Delegation of Voting Rights

The Board has delegated the responsibility to exercise voting rights attached to securities in accordance with HOOPP's Statement of Guidelines and Procedures on Proxy Voting.

The Plan Manager or a delegate reports 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 either determine fair value or perform a review of management's valuations all in accordance with the valuation policies adopted and maintained by the Board.

The frequency of valuation depends on the nature of the investment asset or liability. To the extent possible, fair values are obtained or valuations are prepared daily. For certain investments such as private investments, infrastructure and real estate, for example, valuations are prepared or reviewed at least annually.

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, and subject to any other funding and investment policies, 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 three percent of the market value of the Fund at the time the transaction is entered into or completed.

Investment Management and 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.

Internal 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 and targets that attempt to balance appropriate incentives for internal investment managers to perform well, while not engaging in excessive risk taking that may be inconsistent with the goals and objectives of the Plan.

Sustainable Investing

The Board has approved a Sustainable Investing Policy that outlines the principles underlying HOOPP's approach to sustainable investing. Sustainable investing incorporates environmental, social and governance ("ESG") factors, including those related to climate change, 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 entities that effectively and prudently apply relevant ESG strategies and practices are likely to be better managed than those that do not and therefore more financially successful over the long-term.

The Sustainable Investing Policy 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 Accountability and Review

The Senior Vice President, Chief Risk Officer and the Chief Legal Officer are jointly accountable for this SIP&P.

The Board will review this SIP&P at least annually.

A copy of this SIP&P will be provided to the Plan’s actuary within 60 days of its amendment.