Statement of Investment Policies and Procedures for Ontario Teachers' Pension Plan ("SIPP")

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Section 1 Purpose

1.1 Description of the Ontario Teachers' Pension Plan

The Ontario Teachers' Pension Plan (the "Plan") is governed by the *Teachers' Pension Act* as amended (the "TPA"). It is a contributory, defined benefit pension plan co-sponsored by the Ontario government (the “Province”) and the Plan members, who are represented by Ontario Teachers’ Federation (“OTF”). The Province and OTF will be referred to as the “Partners”.

The terms of the Plan are set out in the plan document, Schedule 1 to the TPA, as amended from time to time.

Active members of the Plan are persons employed in education as defined in the Plan. Most persons who are employed in education on a full-time or part-time basis are required to become active members of the Plan and to contribute to the pension fund (the “Fund”)[1].

1.2 Description of the Ontario Teachers' Pension Plan Board

The Plan is administered and the Fund is managed by the Ontario Teachers' Pension Plan Board (the “Board”). Under the TPA, the Board is constituted as a corporation without share capital to which the Corporations Act does not apply. The Partners appoint a maximum of eleven individuals to serve as board members.

1.3 Purpose of the SIPP

The Board has prepared this statement of investment policies and procedures (the “SIPP”)[2] to address the manner in which the Fund shall be invested. Investments shall be selected and held in accordance with the criteria and limitations set forth herein and in accordance with all relevant legislation.

Section 2 Fund Governance

2.1 Responsibilities of the Board

The Board is responsible for the overall management of the Fund. In fulfilling its responsibilities, the Board may delegate certain duties and responsibilities to committees of the Board (“Committees”) and to the President & Chief Executive Officer and the Executive Vice-President, Investments and Chief Investment Officer (“Management”) with the power to sub-delegate. The Board shall supervise Management and establish or require to be established by Management, written investment policies and procedures including this SIPP.

[1] The Plan covers all people employed in education as described in Part II of Schedule I to the TPA

[2] In accordance with section 78 of regulation 909 promulgated under the Pension Benefits Act (Ontario) (“Regulation 909”)

The Board, its delegates and the sub-delegates shall exercise the degree of care, diligence and skill in the investment of the Fund that a person of ordinary prudence would exercise in dealing with the property of others. In doing so, they shall use all relevant knowledge and skill that they possess or, by reason of their profession, business or calling ought to possess.

2.2 Management's Responsibilities

Management shall be responsible for the day-to-day operations of the Fund, including adherence to Board policies and guidelines and supervision of employees and agents.

2.3 Custodian's Responsibilities

The Custodians appointed by the Board shall perform the duties required of the Custodians pursuant to written agreements entered into from time to time with the Board and any applicable regulation[3].

2.4 Code of Conduct

The Board members, Committee members and all employees shall adhere to the Board's Code of Conduct.

2.5 Responsible Investing

The consideration of risk factors such as environmental, social and governance ("ESG") that may have an impact on the financial performance of the Fund is consistent with the Board's objective to meet the pension liabilities of the Plan over the short and long-term horizons, based on current Plan provisions.

Alongside financial, economic, and other risks, the Board will weigh relevant risks posed by ESG factors on the value of the Fund over both short and long-term horizons. Investments should not be selected or rejected solely on the basis of ESG factors, which should only be taken into consideration to the extent that such factors have a material impact on the financial return of an investment. The determination of the materiality of risks is the responsibility of the portfolio managers of the Board.

Section 3 Plan Overview and Investment Implications

3.1 Nature of the Plan

The Plan is a defined benefit pension plan covering almost all certified teachers employed in education in Ontario and it is registered under the *Pension Benefits Act* (Ontario) and the *Income Tax Act (Canada)*. Participation in the Plan is mandatory.

3.2 Pension Entitlement

A member may start receiving a pension any time after reaching age 50, or earlier if the member has become disabled. The pension is reduced if the member retires before their age and qualifying service total 85 or before age 65 if earlier.

[3] See section 78 of Regulation 909 and section 6(2) of the Pension Benefits Standards Regulations.

3.3 Pension Formula and Indexation

The annual pension payable to a member who does not retire early is equal to 2% of the member's highest 5-year average salary multiplied by the number of years of credited service. At age 65, or earlier if a pensioner is in receipt of a CPP disability pension, the pension is reduced by 0.45% of the lower of the member's highest 5-year average salary or the 5-year average Year's Maximum Pensionable Earnings ("YMPE") multiplied by the number of years of credited service during which the member contributed to the Canada Pension Plan.

Annual pensions are also reduced to provide a survivor pension of 60% or more. The reduction varies depending on the percentage chosen and the ages of the member and spouse. No reduction is made to the pension for a 50% survivor pension. Members without a spouse are provided a 10-year guarantee of benefits without reduction.

For pension credit earned before January 1, 2010, all pensions, including survivor pensions and deferred pensions, are increased annually for inflation according to the Consumer Price Index to a maximum of 8% per year and a minimum of 0% per year.

For pension credit earned after December 31, 2009 and before January 1, 2014, conditional inflation protection ("CIP") will apply such that the portion of pensions based on this credit will be increased annually between 50% and 100% of inflation according to the Consumer Price Index.

For pension credit earned on and after January 1, 2014, CIP will apply such that the portion of pensions based on this credit will be increased annually between 0% and 100% of inflation according to the Consumer Price Index.

If the inflation rate exceeds 8%, the amount over 8% is carried forward and applied in a future year when inflation is under 8%. Similarly, if inflation is below 0%, the amount below 0% is carried forward and applied in a future year when inflation is above 0%.The elected CIP percentage will apply to the carry forward provision for pension credit earned after 2009.

CIP levels are established when a funding valuation report is filed with the regulators – the Financial Services Commission of Ontario ("FSCO") and Canada Revenue Agency ("CRA"). The level of CIP is a Partner decision, which is informed by the Plan's funding status and affects members only upon retirement[1] – not the active members.

3.4 Funding

The actuarial valuation for funding purposes of the Plan, which is completed at a minimum of every three years,

(a) determines the contributions needed to fund the Plan;

(b) determines the actuarial gain or loss arising since the last valuation;

(c) determines the surplus or unfunded liability;

(d) specifies the contribution surcharge rate, if any; and

(e) specifies the levels of conditional inflation protection that will apply for pension

1 Individuals who cease to be Plan members and elect a commuted value have their benefits determined taking CIP into account.

credit earned after December 31, 2009.

In order to fund the benefits provided by the Plan the following contributions are required as determined by the actuary of the Plan.

Active members who contribute to the Canada Pension Plan shall contribute the following amounts:

- From 2015 through 2026 active members contribute 11.5% of earnings up to the YMPE plus 13.1% of earnings over the YMPE.
- Starting January 1, 2027 and thereafter, active members contribute 10.4% of earnings up to the YMPE plus 12.0% of earnings over the YMPE.

Active members who do not contribute to the Canada Pension Plan contribute at the higher rate on all earnings. Member contributions to the registered pension plan ("RPP") were capped at 14,500 in 2016 and are assumed to increase at 3.0% per year thereafter for valuation purposes. This cap is revised annually by the Plan's actuary.

For pension credit earned after December 31, 2009, CIP will apply such that the portion of pensions in pay based on this credit will be increased annually by 70% of inflation according to the Consumer Price Index.

These amounts may be adjusted at the next filing of a funding valuation with FSCO and the CRA.

The Province and designated employers match member contributions. In addition, effective January 1, 2010, the Province and designated employers shall contribute in each year a proportional amount of the difference between the inflation adjustments that were paid and the inflation adjustments that would have been paid had CIP not been introduced ("foregone inflation"), as calculated by the administrator. For credit earned after 2013, only the first 50% of foregone inflation is matched by the Province and designated employers.

3.5 Plan Changes

The Partners' Agreement specifies that actuarial gains in the Plan are available to enhance plan benefits, reduce contribution rates, raise pensions prospectively to the level that would have been paid had CIP not been introduced, or hold as a contingency reserve, all as determined by OTF and the Province.

3.6 Solvency

The values of the Plan's assets and liabilities on a solvency basis are related to values calculated as though the Plan were wound up and settled on the valuation date and excludes the value of future cost-of-living adjustments. The Plan performs a solvency valuation each year however, the Plan is not required to fund any solvency deficiencies that may arise.

3.7 Plan Maturity

An important indicator of the maturity of the Plan and the ability of contributions to absorb a funding shortfall is the ratio of the value of future contributions to total assets. As this ratio decreases, it indicates that increasing contribution rates would have a limited ability to make up a funding deficiency. The ability to use contribution rates to keep the plan fully funded has decreased over the past 20 years. The Board has developed tools to analyze policy alternatives and thereby help OTF and the Province to reach decisions regarding contribution and benefit levels. These decisions influence the Board's investment and risk management policies.

3.8 Long-Term Rate of Return Goal

The Plan is required to deliver benefits to the members during their retirement years. To meet these obligations, and based on the current contribution rates of members, the Province and designated employers, the Plan needs to earn a rate of return that supports the long-term sustainability of the Plan.

Section 4 Investment Parameters

4.1 Investments and Investment Strategies

The Board participates in the following:

Equity
Equities generally reduce funding risk in the long term because of higher expected returns than other asset categories but increase funding risk in the short-term because of higher volatility than other asset categories.

Fixed Income
Fixed Income investments generally reduce funding risk because of their interest rate hedging properties but increase funding risk because of lower expected returns.

Natural Resources
Natural resources generally reduce funding risk in the long term because of their hedging properties against unexpected inflation; however, they increase funding risk in the short term because of higher volatility than other asset categories.

Real Assets
Included in this category are assets that are expected to have similar economic characteristics to the Plan's liabilities. These assets generally reduce funding risk over the long-term.

4.2 Diversification

The Board follows an approach of asset diversification. The purpose of such diversification is to have different segments of the Fund exposed to different investment risks to achieve an averaging of risks and returns in a fashion that reduces the likelihood of an overall decline in Fund value and increases the opportunity for gains over the entire portfolio.

Diversification of the Fund's portfolio is maintained in order to:

1) reduce the Fund's annual total return variability;
2) reduce market and credit exposure to any single issuer and to any single component of the capital markets;
3) reduce exposure to unexpected inflation;
4) enhance the long-term risk-adjusted return potential of the Fund; and

5) reduce funding risk.

4.3 Liquidity

The Fund is managed with a view of providing sufficient liquidity to enable the Plan to meet all of its future obligations as they become payable. Investments are selected with consideration given to their effect on liquidity risk within the context of the investment portfolio as well as the income to be derived.

4.4 Long-term Asset Mix Policy

In determining the long-term asset mix policy of the Fund the Board considers the following factors:

1) the Board's desire to maintain stable contribution rates and benefit levels for the members and the Province;
2) demographics of Plan membership and the expected pattern for employment of teachers in Ontario;
3) the correlations between the Plan's assets and liabilities;
4) the Board's goal of achieving, at a minimum, a rate of return that supports the long-term sustainability of the Plan;
5) the characteristics of its categories of investments; and
6) adequate liquidity needed to fund current cash flow needs.

The long-term asset mix is shown in the table below.

Long-Term Asset Mix Policy*

Exposure	Minimum	Goal	Maximum
Equities	37%	42%	47%
Fixed Income	37%	50%	58%
Natural Resources	3%	6%	11%
Real Assets	20%	25%	30%
Money Market**	-26%	-23%	-15%
		100%	

* Overlay strategies are employed from time to time to support risk management.

** The money market asset class provides funding for investments in other asset classes.

Section 5 Risk Management Tools

5.1 Asset/Liability Studies

The Plan's primary long-term risk is an inability to meet expected benefits payable to retired members with current contribution rates and indexation levels. To manage this long-term risk, the Board shall conduct asset/liability studies. These studies lead to the recommendation and adoption of a long term-asset mix policy that aims to fund the liabilities and reduce the risk of adverse consequences to the Plan from decreases in the Plan's funding position.

5.2 Long-Term Asset Mix

The long-term performance of the Fund is primarily determined by the long-term asset mix policy. The approach of broad diversification across various asset classes within the asset mix is the Board's most important risk management and control tool.

5.3 Benchmarks

In order to evaluate the performance of the Fund, the Board shall measure the performance of each asset class relative to the performance of a benchmark. These benchmarks normally represent the return of market indices from each of the asset classes or CPI + benchmarks. The Fund benchmark is a composite of these indices based on Board-approved weights for each asset class.

5.4 Risk Metrics

The Board uses risk measures with a long historical window to calculate potential losses based upon volatility of returns implicit in the Board's policy asset mix and the Fund's holdings. To measure changes to risk and exposure the Board compares these long-term risk measures with metrics based upon a short-term historical window. The use of long- and short- term risk metrics will also be used to enhance the Board's ability to measure and control the risk within the Fund, including market, credit, and liquidity risks.

5.5 Derivatives and Repurchase Agreements

The Board uses swaps, forwards, futures and options, which shall include without limitation equity, commodity, interest rate, currency, credit and other derivatives ("derivatives") and repurchase agreements to aid in the management of the Fund's asset-mix and other investment objectives of the Board. As such, derivatives and repurchase agreements may be used to synthetically replace any Board approved activity that would traditionally be accomplished with any asset class.

5.6 Risk Appetite and Investment Policy

To apply risk management to investments in a consistent manner, the Board establishes:

- Investment Risk Appetite Statement – The Board articulates its risk tolerance to

Management in its Investment Risk Appetite Statement. This forms the basis from which Management formalizes risk tolerances for identified risks. The Board reviews and approves this Investment Risk Appetite Statement at least biennially.

- Investment Policy – The Board Investment Policy is applicable to the Fund and aggregate asset classes. It addresses the risks that are relevant and material at the Total Fund level. The Board reviews this policy at least annually. The execution of this mandate is the responsibility of the Executive Vice-President, Investments and Chief Investment Officer and is overseen by the President & Chief Executive Officer.

Section 6 Related Party Transactions

The aggregate value of transactions with a related party (as defined in the Federal Investment Regulations) shall not exceed 3% of the fair value of the Fund's net investments.

Section 7 Lending of Cash and Securities

7.1 Permitted Circumstances

The Board may lend the cash and securities of the Fund as a means of generating incremental income or cash for investment or otherwise supporting an investment strategy.

Such loans shall be in writing. When the Board lends securities of the fund, the document shall provide for the Board's right to terminate the loan and to recall the loaned securities.

7.2 Use of Agents

Management may delegate to a lending agent the authority to select borrowers, negotiate terms and rates and invest cash or securities collateral under written procedures which specify securities available for loan, pre-approved borrowers, loan terms, and instruments for the investment of collateral as well as administrative, risk management and reporting arrangements.

7.3 Collateral and Margin Requirements

When the Board lends securities of the Fund as a means of generating incremental income or cash for investment, the following rules shall apply. The Board or its lending agent shall receive from the borrower collateral equal to no less than 100% of the fair value of the securities loaned at the time of the transaction. The amount of collateral margin taken shall reflect best practices in local markets. Both loaned and collateral securities must be marked to market daily to account for increases in the fair value of the securities loaned or decreases in the fair value of the collateral. Shortfalls in the amount of collateral must be rectified by the following business day unless otherwise agreed to in writing. The collateral obtained to secure a loan of securities or any securities purchased with such collateral must be either cash or high quality, readily marketable securities acceptable as a direct investment under the Board's investment policies. Title to all collateral must be clear.

Section 8 Short Selling of Securities

8.1 Permitted Circumstances

The Board may short sell securities, by way of borrowing securities or otherwise, to enhance the return or reduce the risk of the Fund.

Such short sales shall provide for the Board's right to terminate the transaction and to recover the Board's collateral.

When engaging in short sale transactions Management shall give consideration to the related risks.

8.2 Collateral and Margin Requirements

When the Board enters a short sale transaction the credit quality of the prime broker or lender, and (where relevant) the parent company of the prime broker or lender, shall be identified and monitored throughout the transaction. The Board will provide the amount and type of collateral consistent with market requirements. Collateral shall be required to be held by the prime broker or lender in a manner designed to safeguard it, to the extent possible, from the interests of other creditors of the prime broker or lender. The agreement must provide for the collateral or equivalent collateral to be returned to the Board promptly upon the termination of the short sale transaction and after the Board has satisfied its obligation. The short sale securities (loaned securities) and the collateral shall be marked to market daily so that exposures of the Board may be monitored.

Section 9 Pledging and Borrowing Assets

9.1 Permitted Pledging

The Board may pledge, charge or otherwise grant a security interest in assets or post margin as required to effect transactions in derivatives and repurchase agreements, to secure a permitted borrowing or guarantee, or to effect a short sale.

9.2 Permitted Borrowing

The Board may borrow cash or securities to satisfy its cash flow needs to avoid the untimely sale of assets or to cover short sales of securities.

The Board may also guarantee the obligations of, or the performance of obligations by, entities in which the Board has a direct or indirect equity interest. The liability of the Board under any such guarantee shall not exceed a percentage of the obligations guaranteed which is equal to the Board's direct or indirect percentage equity interest in the guaranteed entity.

When engaging in permitted pledging, guarantees, or borrowing Management shall give consideration to the related risks.

Section 10 Voting Rights

10.1 Value of Voting Rights

The Board shall exercise voting rights in the manner that most enhances the long-term value of the Plan's investments.

10.2 Proxy-Voting Guidelines

The Board shall establish proxy-voting guidelines and review them at least annually.

10.3 Reports of Voting

The President & Chief Executive Officer or his delegate shall report to the Board annually on the voting of proxies.

Section 11 Valuation of Investment Assets and Liabilities

The Fund's investment assets and liabilities shall be valued by using fair values or as otherwise may be required by law.

11.1 Frequency of Valuation

The frequency of valuation shall be dependent upon the nature of the investment asset or liability. To the extent possible, fair values shall be obtained or valuations prepared on a daily basis. However, for certain investments, for example, private instruments and real estate, valuations shall be prepared or reviewed on at least an annual basis.

11.2 Fair Value

Where ascertainable, the fair values of the Board's investment assets and liabilities shall be based on quoted prices (unadjusted) in active markets, or other relevant observable inputs.

11.3 Where Observable Inputs are Not Available

Where observable inputs are not available for an investment asset or liability, a suitable method of valuation shall be used including the use of: discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. External appraisers may be used to provide independent valuations or verify the reasonableness of internal valuations.

Section 12 The Effect of Expenses on Performance

The Board shall give consideration to the impact of administrative expenses, external management fees and performance fees when establishing its asset mix policy. The Board receives reports on the performance of the Fund both before and after expenses throughout the year. Management shall be responsible for ensuring expected returns on invested assets are monitored against budgeted expenditures.

Section 13 Compensation of Managers

Employees may be eligible for incentives based on portfolio and Fund performance and the achievement of corporate objectives. External managers are eligible for incentives based on portfolio performance.

Section 14 Delivery to Actuary

A copy of this SIPP and any amendment shall be delivered to the Board's actuary within 60 days after this SIPP is amended.

Section 15 Statement Review

The Board shall review the SIPP at least annually[4].

[4] See subsection 7.2(1) to the Pension Benefits Standards Regulations, 1985.