

Policy Sponsor: CFO and Financial Services

Summary: Investments must be classified the same way for all external and internal purposes, consistent with the definitions in Appendix I of this policy. **This policy must be approved by the Audit Committee.**

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1. PRINCIPLES

OMERS enters into investments under the authority of the Statement of Investment Policies and Procedures as approved by the OAC Board. The classification of investments for consolidated financial statement reporting and total fund asset mix reporting should be made in a consistent manner. The OAC Consolidated Financial Statements shall include disclosure of investments and investment income in a manner consistent with both generally accepted accounting principles as well as PBA regulations.

For all Investment Entities, investments are classified for asset mix reporting under the asset class which is most consistent with the substantive nature of the investment as defined in Appendix I. Depending on its nature, it is possible that an investment could fit within the description of more than one asset class. In such rare cases, the classification will be the category that is most consistent with the characteristics of the investment as described in Appendix I, as determined by the CFO who may consult with TAC.

Where an investment is being managed by an Investment Entity not ordinarily responsible for managing that type of asset (e.g., Borealis managing a private equity investment), the investment will be classified and reported for asset mix reporting purposes consistent with the substantive nature of the investment (e.g. private equity). However, the returns associated with that particular investment will be reported as part of the returns from the Investment Entity managing the investment for external reporting, internal reporting and compensation purposes. In other words, the reported returns for a particular Investment Entity's portfolio may include investments from more than one asset class.

2. ASSET CLASSES

The categories of investments are defined in Appendix I and are as follows:

- Public Markets
- Private Equity
- Infrastructure
- Real Estate

3. CHANGE OF ASSET CLASS

3.1 Private Market to Public Market

A private market investment may become a public investment following an initial public offering of the company's securities. After the offering, OMERS may be subject to a hold period which would restrict the sale of its shares. During the hold period, the investment would continue to be classified as a private market investment. Once the hold period has expired, the shares would become freely tradable and the investment should be transferred to the public investments asset class.

At the discretion of the CFO, a publicly listed investment may be reported as a private market investment where OMERS has a significant amount of control over the entity and has a limited ability to sell the shares publicly (eg. thinly traded market security). The control may be the result of OMERS percentage ownership, the holding of board seats, etc.

3.2 Public Market to Private Market

Where a public company is taken private and its shares are no longer publicly traded, OMERS investment in the company should be reclassified as a private market investment (private equity, infrastructure or real estate, as appropriate).

3.3 Recording Changes

The transfer of an investment between asset classes is an internal transaction and should occur on the date indicated by the facts contributing to the transfer (i.e., when the substantive nature of the investment changes or the criteria in Appendix I is revised).

The transfer must be reported on a prospective basis in accordance with Canadian generally accepted accounting principles and in accordance with CFA Institute Standards for performance measurement. If a later date is to be used, it must be approved by the CFO who may consult with TAC.

Consistent with OMERS accounting policy of reporting its investments at fair market value in accordance with the CICA handbook, the transfer must be recorded at the fair market value of the investment at the close of business on the day before the transfer.

4. EXCEPTIONS

Exceptions to this policy require the approval of the CFO who may consult with TAC.

5. REPORTING

Reporting under this policy will continue to be implemented on a prospective basis.

- New investments are to be recorded in accordance with this policy.
- Investments existing at December 31, 2009 will continue to be recorded consistent with the normal investment type of the entity entering into the investment (e.g. a private equity investment held by Borealis at December 31, 2009 will be classified as an infrastructure investment) except where such an investment is transferred between investment entities and a change in classification is approved by the CFO.

OMERS asset mix reporting will be based on the definitions and summary of asset class characteristics in Appendix I.

OAC annual report will provide disclosure as prescribed by PBA regulations and generally accepted accounting principles which includes separate disclosure of debt incurred in investment activities. The OAC annual report will also provide information on OAC investments based on asset mix exposure as well as by Investment Entity. Performance reporting will be based on investment returns by Investment Entity.

The notional value of derivatives will be reported in a separate note to the financial statements with the unrealized gains and losses of derivatives reported on the Statement of Financial Position, in investment related assets and liabilities. For asset mix reporting, the valuation of each asset class will be based on the market value of the investments within the asset class and the exposure provided by any derivative instruments. For example, where a bond is held to back an equity swap, the bond will be reported as fixed income in the financial statements, but the asset mix will be based on the equity exposure provided by the equity swap. In addition, public assets that are used within the core mandate of an asset class will be included as part of that asset class (e.g., cash held temporarily by an equity manager). On an annual basis, as part of the year-end management representation to the CFO, each Investment Entity will confirm that it has reviewed its investment portfolio and that it is in compliance with this policy.

Asset classifications approved as exceptions to this policy are reported by the CFO to the Board through the Audit Committee.

HISTORY

Effective Date:	August 11, 2011
Approval Dates:	May 19, 2006, August 2007, November 21, 2008, November 19, 2009; August 12, 2010; August 11, 2011
Next Scheduled Date for Review:	August 2012

APPENDIX I – CATEGORIES OF INVESTMENT AND LOANS

OMERS invests directly and indirectly in the asset classes identified below or through the use of derivatives which include, but are not limited to, forwards, futures, options and swaps, as authorized through the Statement of Investment Policies and Procedures.

Public Markets

Where securities in which OMERS invests are traded on a recognized public exchange or over the counter and OMERS is not restricted in its ability to sell the securities (e.g., not restricted by a regulated hold period after an initial public offering) then the securities will be classified as a public markets investment. In addition, mortgages and private debt will also be included in the definition of public markets investments. Categories of public market investments include:

Fixed Income

Fixed income investments pay a fixed amount of interest at a regular interval over a predefined period of time. These investments include, but are not limited to, publicly traded debt, cash and demand payments, treasury bills, term deposits, banker acceptances, repurchase agreements, subordinated debt, convertible debt, private placement debt, debentures, secured loans, mortgages, mortgage bonds, Canada Mortgage and Housing Corporation insured loans, social housing loans with government subsidiaries and certain preferred shares.

Cash and short-term investments that are held as part of the operations of a private market investment or that are held temporarily in a public equity portfolio may be reported in the asset class of that underlying private market investment or public equity portfolio.

Real Return Bonds

Real return bonds are fixed income securities that earn inflation adjusted returns.

Public Equities

Public equities are securities that represent ownership in a reporting issuer. The securities are listed on recognized exchanges but the securities held by OMERS are not subject to a regulated hold period. Public equities include, but are not limited to, common shares, preferred shares, rights, warrants, installment receipts, convertible securities and partnership and trust units. Public equities may also include OAC investments in absolute return strategies.

Private Equities

Private equity is the ownership of equity or equity-like securities in companies that generally do not trade publicly and do not satisfy the criteria to be classified as a public, infrastructure or real estate investment.

Private equity investments take two forms:

- One form involves making direct investments in an investee company that in most cases enable significant influence or control over the decisions of the investee company. This would include public companies where a regulated hold period is in force, restricting OMERS ability to dispose of the investment.
- The other form of private equity investing involves investing as a limited partner in private equity funds managed by external investment professionals.

Infrastructure

Infrastructure investments are generally large-scale projects requiring significant capital investment and include direct investments in:

- businesses that provide access to tangible assets or provide goods or services that are fundamental to a modern industrialized economy;
- businesses that are monopolistic or quasi-monopolistic where pricing and/or service levels are regulated by a government regulatory body or have significant barriers to entry; or
- businesses with predictable and reliable cash flows often linked to inflation, GDP and/or population growth or secured by long-term contracts.

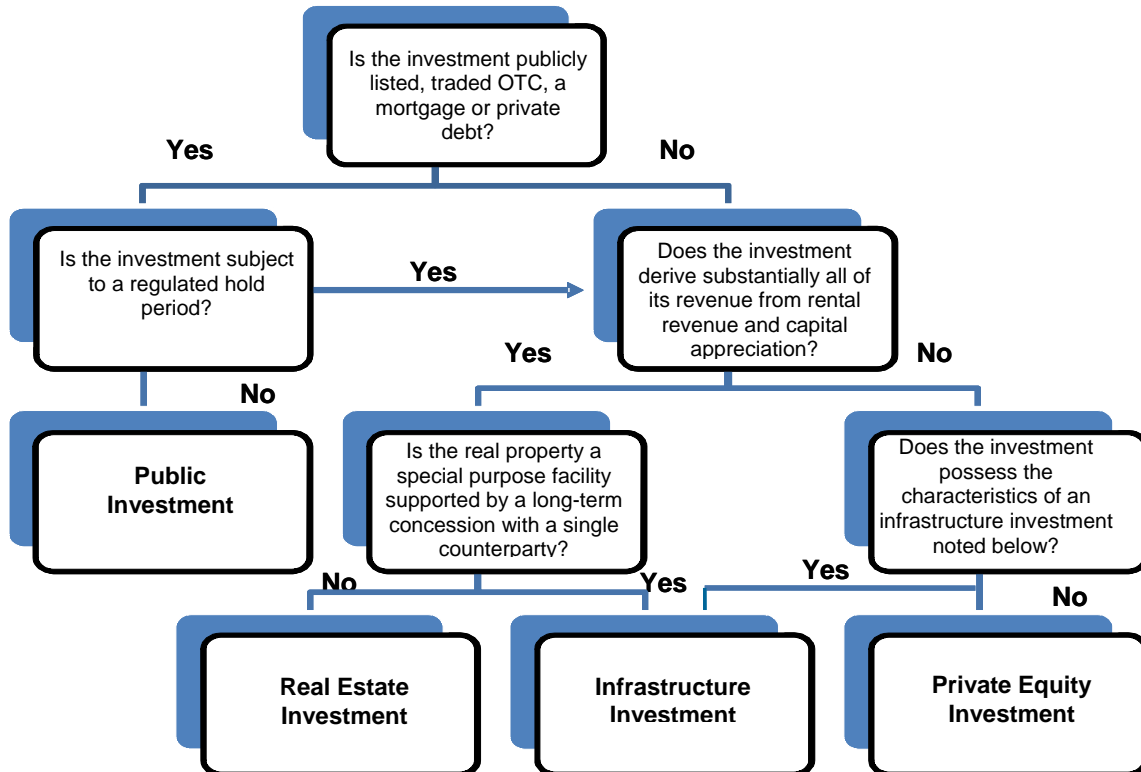
Examples of infrastructure investments include, but are not limited to, investments in transportation (e.g., transportation gateways), energy (e.g., power generation and transmission), pipelines, utilities (e.g., gas or electrical distribution networks, water and waste treatment plants), satellite communications, infrastructure buildings and facilities (e.g., special purpose facilities such as long-term care facilities, hospitals, schools, etc. typically supported directly or indirectly by a long-term concession agreement) and government regulated services (e.g., laboratory diagnostic services and land registry services).

Real Estate

Real estate investments include direct and indirect investments in real property (including leasehold interests) where the primary purpose of the investment is to generate income through rental revenue and/or capital appreciation.

- Direct real estate investments include direct ownership positions in real property in the office, retail, industrial and residential real estate sectors as well as hospitality, leisure and mixed-use sectors. Direct real estate may also include property held for development purposes.
- Indirect real estate investments may include investments in REITS, funds and partnerships, as well as real estate derivatives, debt and other structured investments (similar to private equity) where a significant portion of the income generated by the investment can be attributed to rental revenue and capital appreciation, and the securities are not traded on a publicly recognized exchange.

APPENDIX II – DECISION TREE FOR ASSET CLASS DETERMINATION



Infrastructure Investment Characteristics:

- businesses that provide access to tangible assets or provide goods or services that are fundamental to a modern industrialized economy;
- businesses that are monopolistic or quasi-monopolistic where pricing and/or service levels are regulated by a government regulatory body or have significant barriers to entry; or
- businesses with predictable and reliable cash flows often linked to inflation, GDP and/or population growth or secured by long-term contracts.