

# Valuation of Investments Policy

FINANCE



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## OVERALL PRINCIPLES

OMERS investments are valued at fair value as required under the *Pension Benefits Act* and CPA Canada Handbook Section 4600, *Pension Plans (HB Section 4600)*.

OMERS estimates the fair value of its investments on a reasonable and prudent basis consistent with these requirements.

This Policy sets out OMERS approach for the valuation of investments.

**This Policy applies to all employees, Directors and Designated Contractors across OMERS, which for clarity, includes Oxford.**

Next renewal date:	December 2030
Frequency of review:	Every 5 years

## Valuation of Investments

OMERS values all investment assets and investment liabilities at fair value consistent with accounting standards. In accordance with HB Section 4600.19, fair value is estimated through reference to Part 1 of the Handbook (IFRS 13). Fair value is defined as:

*“The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” (IFRS 13.09)*

OMERS Finance personnel, or their delegates, are responsible for estimating, calculating, and recording the fair value of all investment assets and investment liabilities in accordance with this Policy. These responsibilities may not be delegated to OMERS transaction or asset management personnel.

The most reliable evidence of fair value is a quoted market price in an active market. IFRS 13 defines an active market as “a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis”.

## Valuation Principles for Public Investments

Investments for which a market price is readily available or observable constitute ‘public investments’. Public investments include the following:

1. publicly-traded investments, including securities that settle at depositories and are referred to as “depository eligible”, and securities that settle at a derivative clearing house; and
2. over-the-counter investments, including derivative contracts that are customized by financial institutions.

Quoted prices in an active market must be used for the valuation of investment assets and investment liabilities, whenever such quoted prices are readily available.

## Valuation Principles for Private Investments

All valuations of investments must be prepared in accordance with generally accepted valuation practices and procedures applied consistently.

### Internal Valuations

“Internal Valuations” are those that are prepared or directed by OMERS employees. These Internal Valuations:

- must be prepared by individuals with sufficient and relevant knowledge and experience;
- must be prepared or reviewed by OMERS Finance personnel, who are independent of the transaction and asset management teams responsible for underwriting or managing the investment;
- must be reviewed and assessed for reasonableness by OMERS Finance teams, when OMERS Finance delegates the preparation of a valuation to a third-party; and
- must consider any independent offer to purchase the investment that OMERS has received.

### External Reviews

Qualified independent external valuation experts (External Valuers) are to be engaged to perform a review of OMERS valuations for Significant Private Investments.

For the purpose of this Policy, Significant Private Investments are individual directly-held (through OMERS holding entities) investments with a Canadian dollar equivalent fair value at the immediately preceding year-end in excess of \$250 million.

Significant Private Investments must be externally and independently reviewed at least once every three years.

For each Asset Class, as defined in OMERS Statement of Investment Policies and Procedures (SIP&P), the minimum annual external valuation coverage is as follows:

Asset Class	Minimum Coverage
Private Credit	30%
Private Equity	50%
Infrastructure	50%
Real Estate	30%

Finance personnel within the applicable Business Unit will, on an annual basis, review the competence and independence of an External Valuator and recommend the External Valuers to the CFO to approve.

An external independent valuation review of private investments may be sought at any time for any

investment. The decision to obtain an independent review should be made using a risk-based approach.

The most senior finance leader of the applicable Business Unit, or a delegate thereof, will select for recommendation to the CFO which private investment valuations should be subject to annual external independent review, using a risk-based approach and in consultation with OMERS Risk team. This risk-based approach will consider the following factors:

- i. date of the most recent external independent valuation review, third-party transaction, or a fair value determination based on a “Level 1” or “Level 2” input, under IFRS 13;
- ii. percentage value change (in local currency) of the investment, after capital transactions, in any one year;
- iii. relevant investment-specific metrics as compared to historical or expected outcomes (e.g., annual gross investment returns, investment hold period, etc.);
- iv. size of the investment relative to the investment value of the Asset Class;
- v. change in applicable market metrics (e.g., market multiples, discount rates, market cost of capital, etc.);
- vi. change in the economic, market, financial, political, social, legal, environmental or other factors that could impact the private investment (e.g. change in long-term inflation, interest rates, market liquidity, GDP growth, regulatory and tax frameworks etc.);
- vii. whether internal valuation expertise is available or not (e.g., valuation of oil & gas reserves, machinery, equipment, etc.); and
- viii. other factors deemed relevant in the circumstances.

The CFO will approve the list of private investments to be externally reviewed and the External Valuers that will be appointed to perform the reviews.

## Consistency of Application of Valuation Principles

The following valuation principles must be applied to the valuation of all private investments, except when results of the application are demonstrated to be unreasonable or inappropriate:

1. For private investments acquired in the current year, the fair value may be supported by the acquisition price, by reference to a third-party transaction that occurred either during or subsequent to the period, or by other sufficient evidence to support a change in valuation, including business performance and market considerations;

2. The point within a reasonable range of fair values will be selected consistently each year. The point selected will generally be the mid-point;
3. The fair value of a non-operating investment or of an investment in “start-up mode” (e.g. an investment under construction or in the development phase) may be held at cost until such time as the fair value is reliably measurable or there is external evidence to support a change in valuation;
4. A directly held private investment is carried at cost, or its last available valuation, if information to perform a valuation is restricted or insufficient; and
5. An investment in an external fund, separately managed account or co-investment will be carried at the most recent fair value provided by the general partner. However, if relevant market indices or other asset-specific factors move significantly between the most recent fair value provided by the general partner and the measurement date, the fair value will be adjusted to capture such movements and presented to the CFO to approve.

## Frequency and Timing of Valuations

The fair value of private investments must be assessed quarterly and will be adjusted for significant changes since the previous valuation.

All private investments will be subject to an internal valuation process for mid-year and year-end valuation purposes.

## Valuation Working Group

The Valuation Working Group is a valuation forum enabling collaboration, education and alignment on valuation matters and is comprised, at a minimum, of the finance and valuation leads across OMERS. On an annual basis, the CFO will appoint members to the Valuation Working Group and communicate the appointments to the Audit & Risk Committee (ARC).

The purpose of the Valuation Working Group is to:

- ensure consistency of valuation practices across the enterprise;
- help ensure that OMERS maintains industry-leading valuation practices;
- periodically review the valuation Policy, procedures and guidelines;
- review and communicate changes in relevant accounting and valuation standards, approaches and techniques;
- identify opportunities to leverage resources, develop best practices and provide training;

- evaluate any specific valuation technical matters which are referred to the Valuation Working Group by a Business Unit; and
- address requests from the AC Board or its Committees.

The Valuation Working Group will be chaired by the Policy Manager and meet as required.

## Exceptions

The Policy Sponsor may grant non-substantive exceptions to this Policy. The reasons for granting an exception should be recorded in writing and communicated annually to the ARC by the Policy Sponsor.

## Responding to Incidents of Non-Compliance

The Policy Manager is responsible for identifying incidents of non-compliance under this Policy and reporting such incidents to the Policy Sponsor.

The Policy Sponsor is responsible for maintaining a record of incidents of non-compliance and reporting such matters to the ARC.

## Monitoring and Reporting

As part of the mid-year and year-end financial statement process, valuations of all private investments will be reviewed and approved by the CFO, CIO and CEO at the final review meeting, with the CRO and Global Head of Internal Audit invited as observers. The valuation process and results of the mid-year and year-end valuations will be provided by the Policy Manager and reviewed by the ARC.

The Policy Manager is responsible for the administration of the Policy and has delegated the day-to-day responsibility for implementing procedures to enable compliance, monitoring, investigation, escalation and reporting, as well as coordinating training as required to the Policy Monitors.

### ROLES & RESPONSIBILITIES

Policy Approver	Audit & Risk Committee of the AC Board	Responsible for approving the Policy
Policy Sponsor	Chief Financial and Strategy Officer	Ultimately accountable for the Policy, including its development, implementation and administration
Policy Manager	EVP, Corporate and Capital Markets Finance	Responsible for the design and operational effectiveness of the day-to-day administration of the Policy
Policy Monitors	Infrastructure and Private Equity: SVP, Investment Finance & Valuations Oxford: EVP, Chief Financial Officer Capital Markets: EVP, Corporate and Capital Markets Finance	Responsible for the monitoring, compliance and reporting functions of the Policy