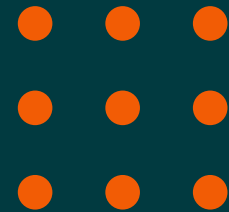


The background features a dark teal color with various abstract elements. On the left, there are several overlapping circles: a large olive green one, a smaller orange one, and a small teal one. A white zigzag line runs horizontally across the middle. Below this, there are several overlapping circles with different patterns: one with orange wavy lines, one with white diagonal stripes, and one with a solid teal color. At the bottom, there are numerous thin, white, wavy lines that create a sense of movement. In the bottom right corner, there is a 3x3 grid of orange dots.

2022 Responsible Investing Report



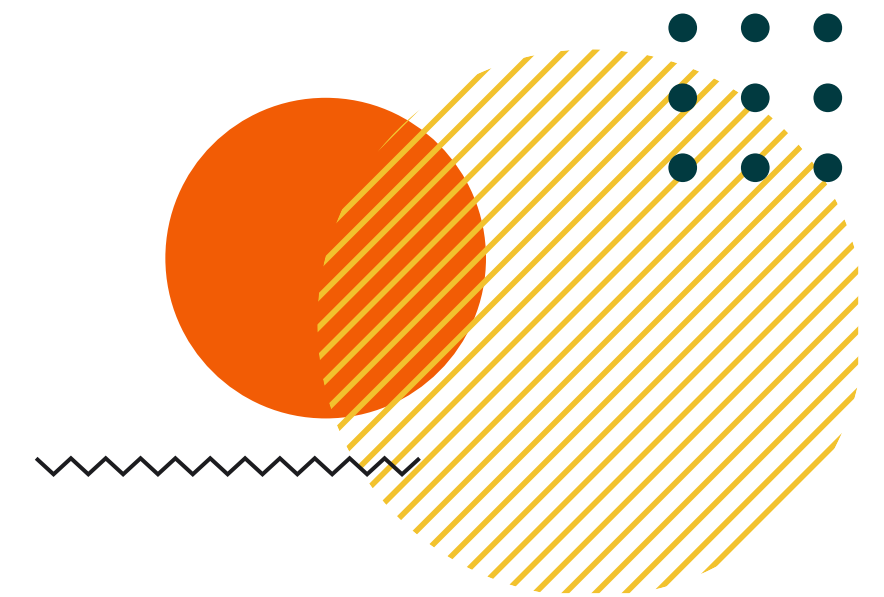
With net assets of almost \$25 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan (including OPTrust Select), a defined benefit plan with over 106,000 members.

Our Responsible Investing (RI) program plays a key role in making more informed investment and risk management decisions, creating value and securing pensions for our members for decades to come. Recognizing that environmental, social and governance (ESG) factors can materially impact investment risk, return and our reputation, every investment professional at OPTrust is responsible for integrating ESG risks and opportunities in their decision-making and portfolio management.

With an increasing focus on ESG within the investment industry and growing stakeholder expectations more broadly, it is more important than ever for us to actively manage and engage on material ESG issues for the long-term sustainability of the OPSEU Pension Plan (the Plan). As an asset owner, we have a critical role to play in advocating for the advancement of RI practices, working closely with like-minded investors to elevate management of ESG issues and promote stewardship of natural and human capital for sustainable global growth.

During 2022, we made significant progress across numerous RI workstreams, enhancing our capabilities to effectively embed ESG considerations into every aspect of our business. Notably, we announced our ambition to achieve a net-zero portfolio as part of our enhanced climate change strategy and commitment to preserving pension sustainability through the world's decarbonization and climate adaptation journey.

In keeping with our commitment to transparency and disclosure, we are pleased to share reporting of our RI activities and achievements over the past year.



Responsible Investing Highlights



Released our **enhanced climate change strategy with an ambition to create a more climate-resilient portfolio**, aligned with reaching net zero by 2050.



Completed our **Responsible Investing Partner Evaluation** framework on 100% of new externally managed investments; monitored and engaged with partners on their ESG practices.



Engaged **524** companies on key environmental, social and governance (ESG) issues.



Revised our **Proxy Voting Guidelines** to keep up with evolving best practices in corporate governance, climate strategy and labour standards.



Continued to be an active voice in **investor collaborative initiatives**, including UNPRI's Asset Owner Technical Advisory Committee, the Thinking Ahead Institute's climate change working group, and the Ceres and UNPRI private equity working groups.



Voted at **1,721** company meetings in **49** countries.



Piloted **COMPAS (Capturing OPTrust's Management and Progress Around Sustainability)**, our internally developed ESG data program, to establish a baseline and better track and understand our RI performance across the total fund.

Enhanced Climate Change Strategy

As stewards of our members' capital, our role is to look far ahead at challenges and opportunities that could affect members' retirement security across multiple generations. Chief among these is climate change. A defining issue of our time, it presents a real, measurable risk to our members that cannot be ignored in our investment approach.

In 2022, we released our enhanced climate change strategy, outlining our plan to manage the risks and opportunities from a transitioning economy. Our ambition is to successfully navigate the global transition towards net zero through:

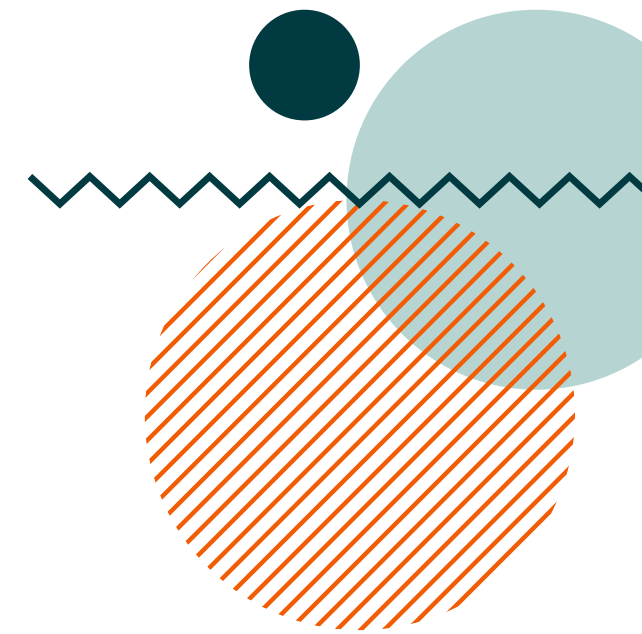
- Achieving a net-zero portfolio by 2050.
- Building resiliency and adaptability to an increasingly volatile climate.
- Taking a dynamic approach to implementation, evolving our strategy and targets as the world's path to a lower-carbon future emerges.

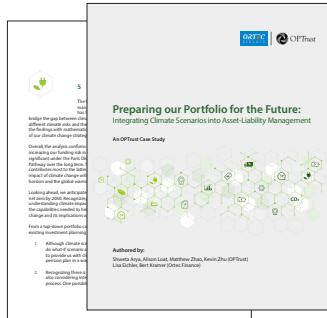
Five climate change beliefs underpin our strategy and they guide our decision-making and the strategy's implementation and evolution:

1. We recognize addressing plan sustainability requires addressing climate sustainability.
2. We must anticipate change and evolve.
3. We will find opportunities across transition pathways.
4. We are active owners and will engage with companies and in investor collaborations.
5. We will be transparent to preserve the trust of our members and stakeholders.

The strategy is built on four pillars designed to integrate climate considerations across OPTrust's investment portfolio and operations: investment strategy and selection, asset management, portfolio analytics, and advocacy and disclosure.

Further details on our enhanced climate change strategy and associated commitments can be found on our [website](#).





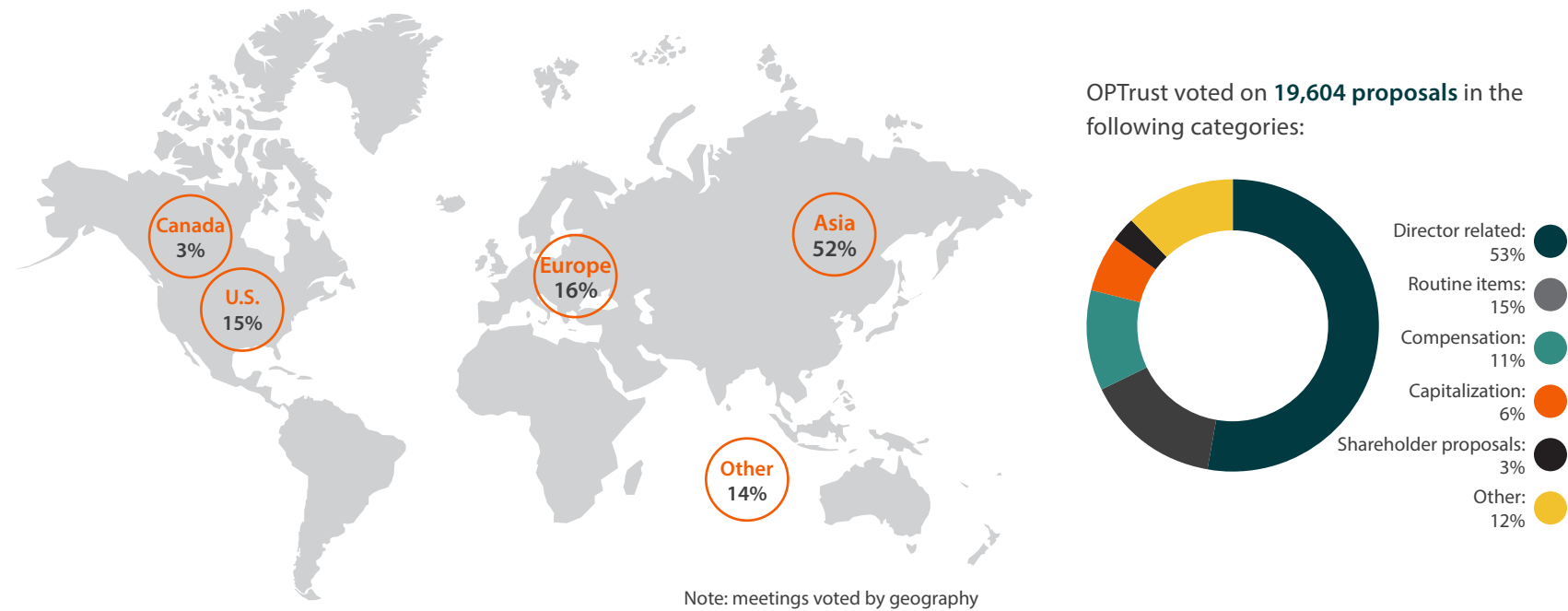
Within the investment strategy and selection pillar, a key commitment in driving progress towards resiliency is stress testing our portfolio construction using climate scenarios. Building on our 2018 partnership with Ortec Finance that integrated various global warming scenarios into the Plan's asset-liability modelling, we published an updated [report](#) in 2022 reflecting advancements in this area of climate scenario analysis. Having tracked the evolution in this space over several years, we are pleased to share our learnings as a resource for the industry as we all navigate the complexities of climate integration. While there remain challenges in translating the findings into actionable next steps, the exercise has proved helpful in positioning the risks of climate change to our funded status and setting the foundation for our enhanced climate change strategy.

Active Ownership and Stewardship

As an asset owner with a long-term investment horizon, we view active ownership as a key lever for value creation and risk management that is essential to sustainable investment success. Exercising our governance rights through activities such as proxy voting and corporate engagement enables us to shape our investee companies' ESG strategy and hold them accountable for managing material issues effectively.

2022 Proxy Voting Highlights

OPTrust voted at 1,721 meetings in 49 countries.



- Voted **with management** on 87 per cent of proposals and voted **against management** on 13 per cent of proposals.
- Voted **in support** of 28 proposals to improve climate risk management at portfolio companies.
- As part of our commitment to improve diversity in our portfolio companies, we **voted against 362 director nomination proposals due to inadequate board gender balance.**

Corporate Engagement

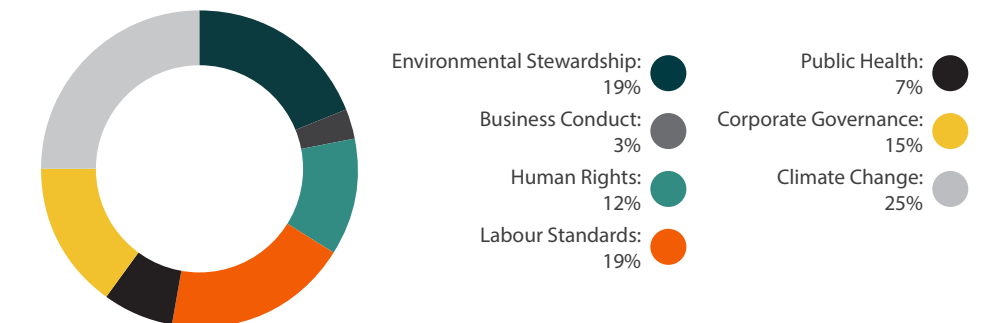
A core component of our commitment to active stewardship is our corporate engagement program, which supports our ability to manage emerging ESG issues and enhance long-term value. We believe that such engagement is generally preferable to divestment as it enables us to maintain a seat at the table, using the investor voice to effect positive change. In partnership with our engagement provider and other investor associations, including the Canadian Coalition for Good Governance, Climate Action 100+ and the 30% Club, we take part in dialogue with investee companies to advocate for improved practices and robust risk management around material sustainability issues. In our direct private markets investments, we leverage our more substantial ownership positions to play an even more active role in advancing our assets' ESG practices.

2022 Engagement Milestones

- **Climate change:** While Waste Connections has historically focused on emissions offsets as part of its climate action plan, engagement with the company advocating for actual emission reductions yielded a new target of reducing absolute Scope 1 and Scope 2 emissions by 15 per cent.
- **Labour standards:** Tesco committed to paying the living wage gap to their banana producers and sourcing bananas only from producers who pay a living wage to all workers beginning in 2024.
- **Environmental stewardship:** BHP launched a 2030 objective to create nature positive outcomes by having at least 30 per cent of its land footprint under nature positive management

Engagement Thematic Areas

524 companies engaged across 40 countries



practices by 2030, supported by a comprehensive implementation strategy and an ambition to develop natural capital accounts.

- **Corporate governance:** Following several years of dialogue with SCSK Corporation, the company appointed additional independent directors, raising the number of outside directors to six out of 12.
- **Public health:** Unilever set a new benchmark for the consumer goods industry in disclosing the healthiness of its sales against six government-endorsed nutrient profiling models and their own internal model.
- **ESG governance:** We supported the development of ESG policies and ESG frameworks for board reporting at several of our private markets assets.

COMPAS

Data quality is a well-known challenge in RI. ESG metrics are generally subjective, challenging to quantify, inconsistently measured and reported, and difficult to audit. The lack of widespread, high-quality information, both quantitative and qualitative, can lead to difficulty in rigorously evaluating ESG factors and effectively managing them in our portfolios. In the absence of standardized regulatory disclosures or an off-the-shelf ESG data framework applicable to our diverse asset classes and strategies, OPTrust's Responsible Investing Leaders Group (RLG) is creating one for the Investment Division.

Building on the successful integration of our Responsible Investing Partner Evaluation (RIPE) in 2021, the COMPAS (Capturing OPTrust's Management and Progress Around Sustainability) initiative is designed to further enhance the Investment Division's ability to track and assess our RI activities over time. COMPAS will enable us to consistently capture longitudinal, quantitative ESG data on our investments, supplemented with qualitative insights from investment teams.

The program's reporting on our ESG integration and impact will serve to:

- Identify strengths and weaknesses in our RI processes within and across our portfolios with better monitoring of key ESG indicators, and corresponding risks and opportunities across the fund.
- Strengthen our investment decision-making through informed analysis of material ESG factors.

- Support the fulfillment of our responsibilities around the disclosure of RI developments and performance to our diverse stakeholders.

In 2022, the RLG piloted the collection of key ESG indicators across the fund, focusing initially on metrics pertaining to our ESG integration practices and application of our *Statement of Responsible Investing Principles*. These indicators are shown in the chart below.

In time, we intend for the initiative to evolve to encompass systematic monitoring of our sustainability outcomes and ESG performance (such as diversity, allocations to low-carbon investments and energy consumption) to provide a holistic, data-driven view of our RI program.

ESG data collection and disclosure remains an area of development within the investment industry and we are committed to working collaboratively with our investment partners to achieve greater transparency year over year. In 2022, OPTrust joined the ESG Data Convergence Initiative as a limited partner member to support the adoption of a standard for meaningful, performance-based ESG data disclosure in private equity and facilitate ESG data analysis in our private equity portfolios. We will stay engaged with these developments as ESG data and disclosure standards continue to evolve and gain traction across asset classes, with an eye to improving ESG data coverage, depth and quality within our organization and across our portfolios.

Selected COMPAS Metrics

Asset Class	Data Points
Public markets	<ul style="list-style-type: none"> • Proxy voting statistics • Number of corporate engagements
Private equity and infrastructure	<ul style="list-style-type: none"> • Percentage of investments with an ESG policy (or equivalent) in place • Percentage of investments where ESG key performance indicators are tracked and reported to the Board
Real estate	<ul style="list-style-type: none"> • Percentage of assets with sustainability certifications • Percentage of assets where actions were taken during the period to improve ESG performance
Total fund	<ul style="list-style-type: none"> • Number of completed RIPE assessments on external investments • Percentage of external partners reporting ESG performance

Investment Division's Inclusion, Diversity and Equity Toolkit

In 2021, OPTrust's Investment Division rolled out the Responsible Investing Partner Evaluation (RIPE) framework, enabling teams to more systematically identify and assess RI strengths and gaps when investing with external managers and funds. Reflecting a broadly recognized area of development in the wider investment industry, our investment partners' diversity across asset classes has been frequently flagged as having room for improvement. As a result, OPTrust developed an inclusion, diversity and equity (IDE) toolkit to assist our investment teams in advancing IDE in their portfolios and facilitate engagement and advocacy around a complex and often sensitive topic.

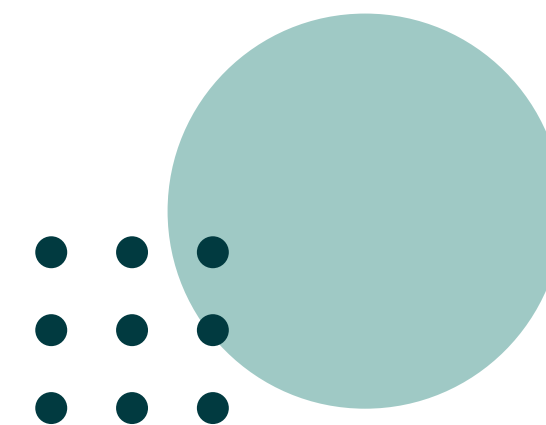
The toolkit contains a primer on understanding IDE in investment management, as well as four tools for investment teams to use in assessing, monitoring and managing IDE considerations in their portfolios:

- **Portfolio snapshot tool** to help teams map their partners based on their IDE development and prioritize engagement.
- **Discussion guide** to assist teams in conducting due diligence on an investment partner's IDE practices.
- **Compilation of best practices** to support our partners in overcoming common IDE challenges.
- **Incident management framework** to guide the effective management of any IDE-related incidents or controversies.



"The creation of this toolkit underscores OPTrust's key corporate priority of advancing IDE across the organization and it aligns with our internal focus on building a more diverse and inclusive culture within OPTrust. The toolkit will help empower our investment professionals to collaboratively drive positive change within the industry and contribute to long-term value creation through diversity of thought, forward-thinking human capital practices and comprehensive risk management."

Lindsay Saldanha
Principal, Sustainable Investing and Innovation (Toolkit Development Lead)



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This report summarizes certain provisions of the OPSEU Pension Plan. Please note that this report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflict or omission, the legal requirements of the OPSEU Pension Plan will govern in all cases.

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